



Annual Report 1999



The Technology Group for Turning, Milling and Laser Machining.

**GILDEMEISTER**

## The group at a glance

GILDEMEISTER-Group	1993	1994	1995	1996	1997	1998	1999
	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €	Mio €
Sales	130.3	207.3	381.3	423.4	444.6	580.3	690.4
Profit or loss on ordinary operations	-48.2	-24.0	-6.9	0.7	9.4	29.6	34.5
Profit/loss for the year	-30.2	-21.0	-11.7	3.9	6.4	16.1	32.7
Profit acc. to DVFA/SG <sup>1)</sup>	-28.8	-23.5	-15.7	-5.9	-1.3	9.9	16.4
Profit per share acc. to DVFA/SG € <sup>2)</sup>	-3.40	-1.54	-0.82	-0.46	-0.07	0.46	0.76
Cash-flow	-10.8	-46.2	-34.9	5.1	16.1	39.0	51.6
Investments	3.3	24.3	9.1	6.5	13.5	29.8	37.6
Equity capital	24.0	40.6	58.6	44.1	46.2	81.6	107.2
Balance sheet total	171.9	274.6	303.1	269.1	288.2	353.8	419.1
Employees (Dec. 31.)	1,482	2,517	2,644	2,324	2,356	2,617	3,340
<b>Ratios</b>							
Profit on sales (%)	-23.2	-10.1	-3.1	0.9	1.5	2.8	4.7
Sales per employee (K€)	87.4	81.8	148.8	171.8	191.2	227.5	210.4
Sales per employee domestic production plants (K€)	75.4	120.7	187.4	249.0	252.9	299.6	315.0
Real net output	30.5	69.5	125.6	139.9	147.6	173.5	218.1
Real net output per employee (K€)	20.5	27.6	49.1	56.8	63.4	68.0	66.5
Equity return (%) <sup>3)</sup>	-105.0	-87.4	-28.8	6.7	14.6	35.0	40.0
Return on total investments (%) <sup>4)</sup>	-12.6	-5.4	1.9	7.0	7.5	8.7	12.1
Return on investment (%) <sup>5)</sup>	-17.7	-9.0	-2.6	2.8	2.6	5.3	8.9

1) No taxes on income were due at the GILDEMEISTER Aktiengesellschaft due to the tax-related loss carryover. For computation of the results according to DVFA/SG, fictitious taxes were applied.

2) In 1999, the share capital was split 1:10; the values for prior years were adjusted accordingly.

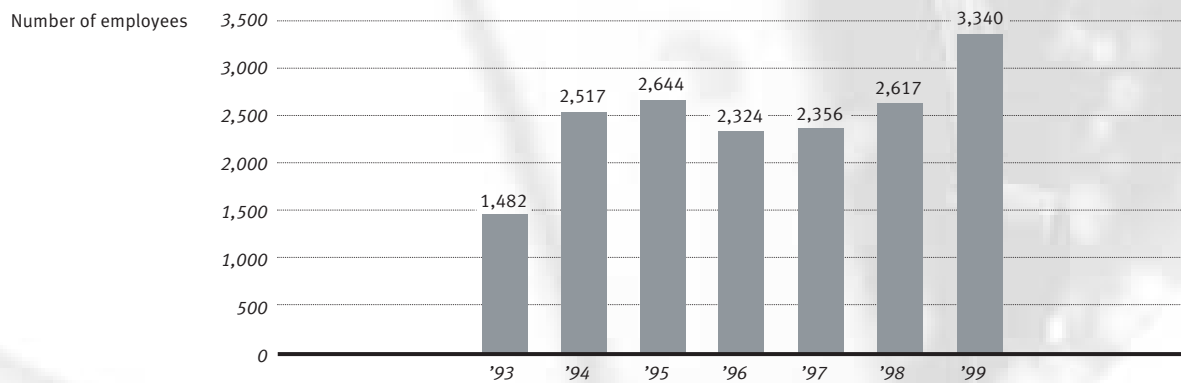
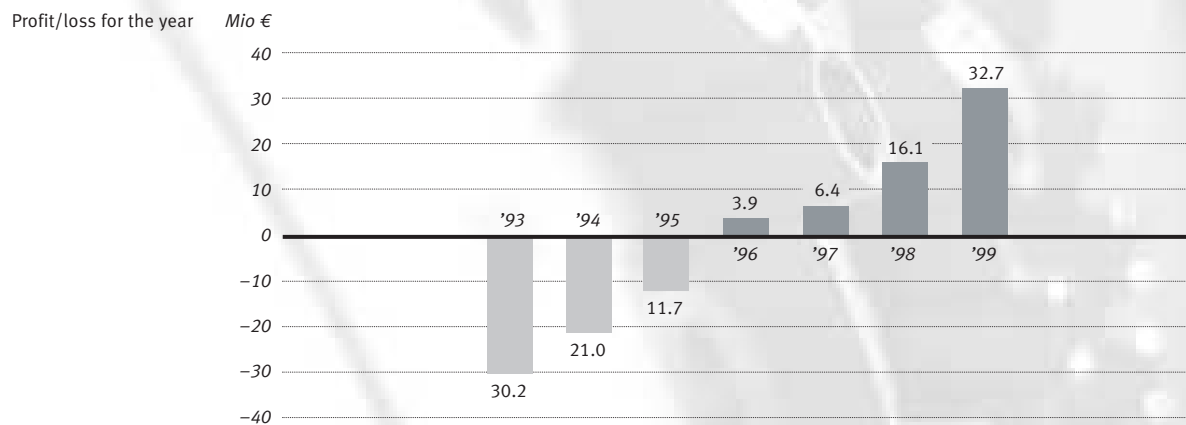
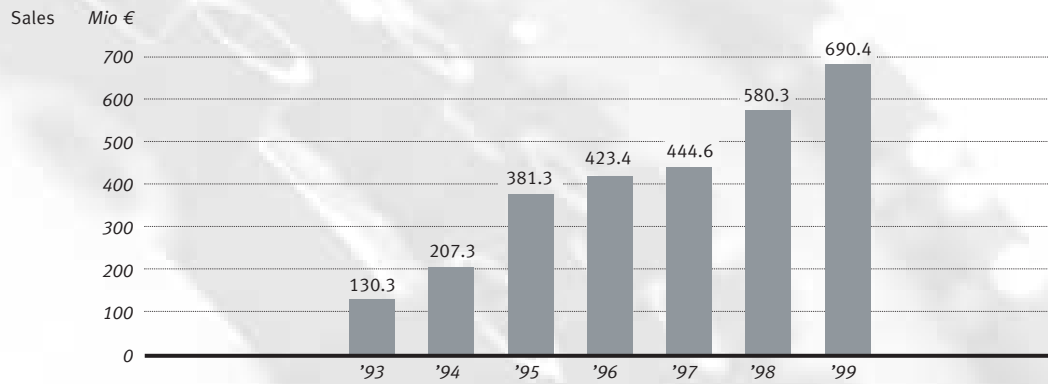
3) Net income/equity capital (Jan 1)

4) Result before taxes + interest loan capital/Ø total capital

5) Result before taxes/Ø total capital

## Key figures

GILDEMEISTER-Group	1999	1998	Changes	
	Mio €	Mio €	Mio €	%
<b>Sales (w/o VAT)</b>				
Total	690.4	580.3	110.1	19
Domestic	409.0	340.4	68.6	20
Export	281.4	239.9	41.5	17
% Export	41	41		
<b>Order intake</b>				
Total	693.1	670.3	22.8	3
Domestic	406.2	387.4	18.8	5
Export	286.9	282.9	4.0	1
% Export	41	42		
<b>Orders on hand</b>				
Total	212.0	209.3	2.7	1
Domestic	89.2	92.0	-2.8	-3
Export	122.8	117.3	5.5	5
% Export	58	56		
<b>Investments</b>	37.6	29.8	7.8	26
<b>Personnel costs</b>	171.4	145.8	25.6	18
<b>Employees (Dec. 31.)</b>	3,340	2,617	723	28
of these apprentices	165	121	44	36



# List of Contents

	<b>The group at a glance</b>
	<b>Key figures</b>
<b>6</b>	<b>Report of the supervisory board</b>
<b>8</b>	<b>Letter to the shareholders</b>
<b>10</b>	<b>The year 1999</b>
<b>12</b>	<b>Group annual report and annual report of GILDEMEISTER Aktiengesellschaft</b>
12	<b>Economic report</b>
12	General situation
12	Overall economic development
17	Development of machine tool industry
24	Company situation and business activities
25	Sales
26	Order intake
28	Orders on hand
30	Results, net worth and financial position
39	Risk reporting
40	Investments
46	Group organization
48	Organization and administration
49	Legal company organization
51	Affiliated undertakings
59	Procurement, logistics and production
62	Products and services
67	Employees
71	Environmental protection
72	Investor Relations
75	Marketing/press and public relations work
78	<b>Supplementary report</b>
81	<b>Forecast 2000</b>
88	<b>Research and development</b>
<b>96</b>	<b>Group financial statement and annual financial statement of GILDEMEISTER Aktiengesellschaft</b>
96	Group annex and annex of the GILDEMEISTER Aktiengesellschaft
112	Affiliated undertakings
113	Organs of the company
	Consolidated balance sheet
	Consolidated income statement
	Statement of Consolidated fixed assets
	Balance sheet of the GILDEMEISTER Aktiengesellschaft
	Income statement of the GILDEMEISTER Aktiengesellschaft
	Statement of the GILDEMEISTER Aktiengesellschaft's fixed assets
	Auditor's examination certificate
	<b>Planned dates</b>
	<b>Glossary</b>
	<b>A look at recent developments</b>
	<b>Index</b>

# Report of the Supervisory Board



Chairman of the supervisory board:  
Dr.-Ing. Manfred Lennings

In the business year 1999, the supervisory board of GILDEMEISTER Aktiengesellschaft discharged its duty-bound and statutory objectives. The board of management regularly informed the supervisory board in oral and written reports. The supervisory board was intensively advised about the situation and development of the company as well as the principles of business policy and significant business transactions in four meetings. The reports were discussed in-depth with the board of management. The board advised the supervisory board about projects and extraordinary events also in-between the regular meetings, for instance about implementation of the year 2000 project (Y2K), takeover of FAMOT Pleszew S.A. as well as redesign of group funding. Measures taken by the board requiring approval by the supervisory board were submitted to the latter for approval.

The personnel committee of the supervisory board convened once in the year under review. A committee meeting acc. to § 27 sec. 3 Co-Determination Law was not called.

The board of management presented company planning 2000 – 2002 to the supervisory board at its meeting on December 1, 1999. This was processed including investment, personnel and result planning. Furthermore, the supervisory board at this meeting has passed resolution on the employee participation model for the GILDEMEISTER group and has approved the formation of further subsidiaries of DMG Vertriebs und Service GmbH.

The annual financial statement and the group annual financial statement of the GILDEMEISTER Aktiengesellschaft and the audit report for both annual statements by the KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft in Hanover were submitted at the balance-sheet meeting of the supervisory board on April 3, 2000. The documentation was discussed intensively.

The annual financial statement and the group's annual financial statement as of December 31, 1999 prepared by the board of management and the combined annual report and group annual report of the GILDEMEISTER Aktiengesellschaft were audited by the KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft in Hanover appointed by the annual assembly as balance-sheet auditors. These auditors endorsed the statements with an unqualified audit certificate. The auditor was present at discussion of the annual financial statement and the group's annual financial statement by the supervisory board, he reported extensively about progress and significant findings of the audit, and provided any additional information required. Based upon its own audit of the annual financial statement and the group's annual financial statement, of the combined annual reports and the proposal for application of the net profit for the year, the supervisory board concurred with the findings of the balance-sheet auditor. The supervisory board approved of the annual statement, which thus in compliance with §172 AktG has been certified. The supervisory board concurred with the proposal by the board of management on the appropriation of the net profit of the year.

The members of the supervisory board also thank the board of management, the management of the group's companies, the employee councils and all employees for their responsible and committed cooperation in the business year 1999. This cooperation and commitment is the basis for the company's success.

Bielefeld, April 3, 2000

THE SUPERVISORY BOARD



Dr.-Ing. Manfred Lennings  
Chairman

# Letter to the shareholders



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

## To our shareholders

**Ladies and gentlemen,**

the GILDEMEISTER Aktiengesellschaft has successfully continued positive development in the business year 1999. It was again a year of technological innovation. The machines of DECKEL MAHO and GILDEMEISTER have achieved a peak position in the world. Our products have achieved new record sales and we were able to gain further market share. We have further developed our business segments and will expand the technologies of laser milling and laser drilling into a new pioneering business segment. By interlinking the open control systems and software modules of our machines via the internet, we will take as a service company new paths for our customers.

The earnings situation of the company has continued to improve. The results from ordinary business activities increased by 16%, the sales increased by 19%. The profit for the year has doubled compared with the past year. The board of directors and the supervisory board will propose to the shareholders' meeting on May 26, 2000, a dividend of 0.50 € per share. The strong development of GILDEMEISTER is not yet sufficiently mirrored in the price of the share. During the reporting year, the price increased by 18%. Many investors have increasingly turned to growth stocks, like telecommunications and information technologies. The machine construction stocks showed more reserved behaviour.

We are still building on the basis of achieving good returns in the future to continue to increase the value of GILDEMEISTER. We thank all of our employees for the success during the business year 1999. During a difficult year, they have achieved great results. They are to thank for what we have been able to achieve.

The consolidation and concentration process happening during the past years in the machine tool industry is followed with great attention by us, especially since it provides the opportunity of further expansion in our core fields of business. We are continuing to strive for the goal of becoming one of the worldwide leading manufacturers in the sector of metal cutting machine tools – especially due to increased globalization of our key accounts.



\_\_\_ Sales growth of **19% to 690.4 Mio €.**

\_\_\_ Result of ordinary business activities increased by **16%** to **34.5 Mio €.**

\_\_\_ The annual group profit increased by **102%** to **32.7 Mio €.**

\_\_\_ Profit per share according to DVFA/SG **0.76 € (+65%).**

\_\_\_ We have sold **4,250** turning, milling and laser machines worldwide and further expanded on our international market presence inspite of intense competition.

We will have to face tough competition in the year 2000 as well. For the consumption forecasts for the current business year, the world machine tool associations are mainly assuming an upturn of the economy. In Europe, the signs for an upturn of demand for machine tools are increasing, a stable economy is expected for North America, and the Asian market will continue to recover.

GILDEMEISTER is taking up this challenge in a market-oriented and product-offensive manner. Due to twelve new developments, DECKEL MAHO and GILDEMEISTER will again prove their peak technological position. New applications in the aeronautic industry, computer and medical technology as well as in the automotive sector will secure additional sales potential. In a market-oriented manner, globalization will be further supported by improved presence in North America and Asia.

The internet is also changing the application of machine tools. In 1998, we presented the first machines with internet access. Today, e-commerce is an important component of our business. We have installed an infrastructure by means of which we make use of the versatile opportunities of the internet: service, supply of spare parts, provision of technical information or software modules to our customers. Global internetworking will decisively strengthen our competitive position.

By means of pioneering innovations and consistent market-orientation, GILDEMEISTER is well prepared for the global challenges of the year 2000. Our growth strategy is based on value-oriented leadership, high innovation speed and increased internationalization. Your company is on the right path. We will undertake anything necessary to confirm your trust in GILDEMEISTER and its employees through successful work this year.


Your GILDEMEISTER board of directors



Dr. Rüdiger Kapitzka



Dr. Raimund Klinkner



Dieter Schäfer

# The year 1999

’99



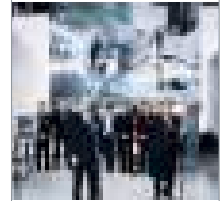
Made in Germany: In the new turning machine NEF 320, GILDEMEISTER has presented the first of 14 innovations of the year 1999. This development is being produced at the Bielefeld works.

Throughout the group, GILDEMEISTER is uniformly installing a new 3D-CAD System. The research and development departments have been fitted with over 150 state-of-the-art workstations.



The most important machine tool fair worldwide, EMO, is a complete success for the group: DECKEL MAHO and GILDEMEISTER with the new developments DML 40 and DMU 60 L have presented two world premieres in the sector of laser technology.

GILDEMEISTER has purchased the majority of shares of the largest machine tool manufacturer in Poland, FAMOT Pleszew. The takeover will strengthen our market presence in Eastern Europe.



January

February

March

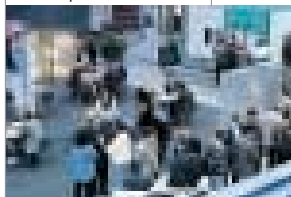
April

May

June

GILDEMEISTER publicizes benchmark figures for the past business year. In 1998, the group achieved the best results in company history so far.

Grand opening: DECKEL MAHO Pfronten introduced the new assembly hall for the mega universal milling center DMU 200 P to customers and interested parties.



In DMG Houston, GILDEMEISTER is opening the third technology center in the USA after Chicago and Charlotte.

DMG Taiwan in Taipei is fully operational. By means of this new formation, GILDEMEISTER is reinforcing its Asian commitment.

GILDEMEISTER is setting technological benchmarks in the trends 2000, like linear motor technology, open control systems and software modules, DMG netservice or integration of technologies in one machine.

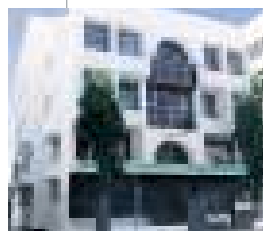
On June 25, 1999, the shareholders' meeting approves payment of a dividend in the amount of DM 5.50 per share with a nominal value of DM 50 for the past business year.

The internet is changing the application of machine tools. DMG Netservice is enabling worldwide access to the service know-how of the group in seconds per mouse click.



GILDEMEISTER is presenting the new production plant for machining centers from DECKEL MAHO in Geretsried with a grand opening and subsequent inhouse exhibition. Over 1,700 visitors from all over Europe gathered information in the most modern technology center in Europe.

By opening DMG India in Bangalore, Mumbai and Delhi, the GILDEMEISTER group is further expanding on its market presence in Asia.



Since December 1, 1999, the GILDEMEISTER share is listed on the SMAX, the still young quality segment of the Frankfurt stock exchange.

July

August

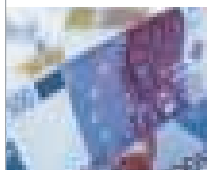
September

October

November

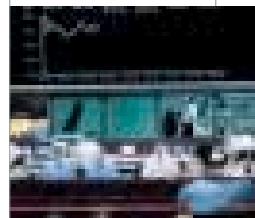
December

On August 20, 1999, transition to quota shares with a stock splitup at a ratio of 1:10 as well as transition of the equity capital to EURO has been performed.



Dual fair presence in Far East: DECKEL MAHO and GILDEMEISTER present their innovations at the important Asian fairs, MECT in Japan and CIMT in China.

With an innovative share purchase plan for employees, GILDEMEISTER is letting its employees participate in the company capital and for this purpose buys back up to 1% of its own shares at the stock exchange.



00

# Group annual report and annual report of GILDEMEISTER Aktiengesellschaft

## *Economic report: general situation*

### **Overall economic development**

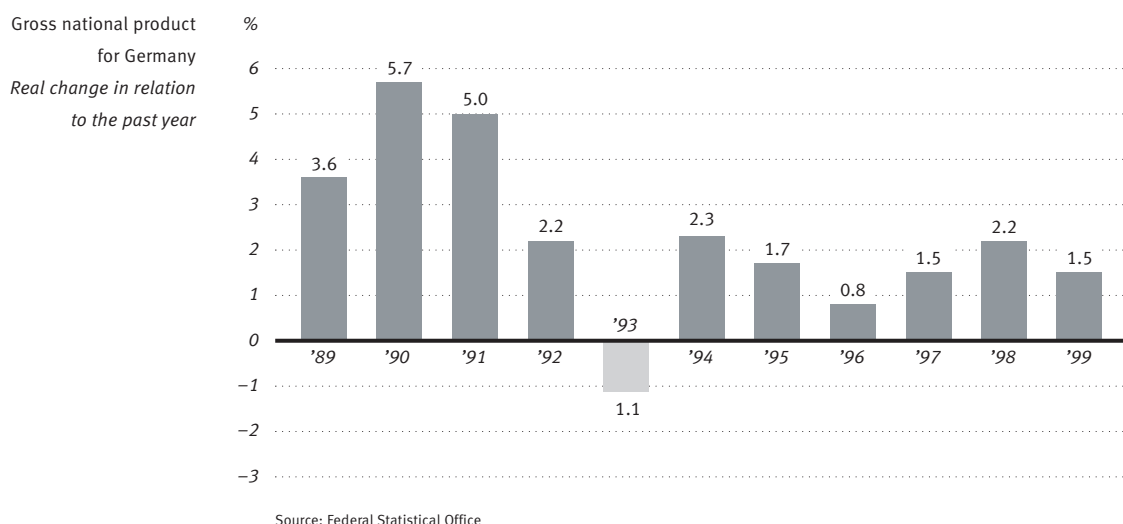
The development in the world economy in 1999 was differentiated. It was characterized by the continuing stable economy in the USA as well as economic recovery in the Asian markets. As late as the beginning of the year, under the impression of the crisis in several countries and turbulences in the international financial markets, many had feared that a recession might strike. But this proved not to be the case. General trends of recovery especially showed during the second half of the year. Overall, the economic production worldwide increased by 3.2% (1998: 2.4%).

In **Japan**, the economy started to recover after a long and deep recession. But there was still doubt in a lasting improvement. During the overall year, the gross national product reached a moderate growth of 0.3%. During the past year, the economic performance still declined by 2.8%. The recovery was mainly based on governmental regulative measures. Due to the expanding finance policy of the past two years, the situation of the government budget has increasingly deteriorated.

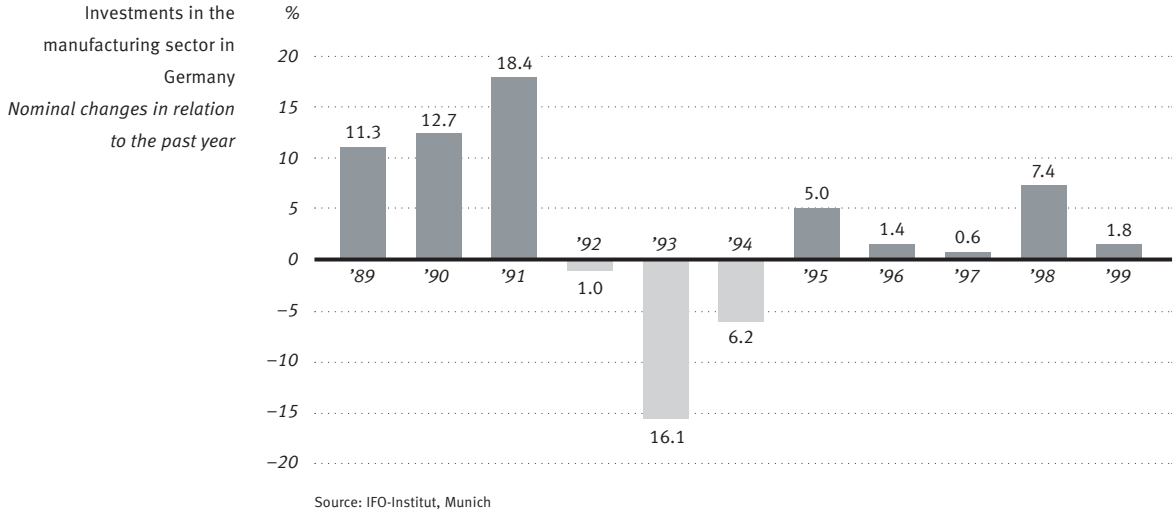
In the **USA**, economic expansion remained strong. It was supported by strong consumer demand and lively investment activities. The gross national product increased by 4.1% (1998: 4.3%). The strong investment economy was accompanied with the creation of numerous jobs. During the second half of the year, inflation accelerated. The deficit in the balance of payments remained high.

During the course of the year, the economic trend in **Europe** consolidated. The slow growth in the beginning clearly picked up during the second half of the year. Consumption and investments clearly increased, whereby exports became the motor of expansion. The growth rate of the gross national product of the European Union still reached 2.2% for the whole year (1998: 2.8%), after only 1.8% during the first six months. Contrary to the past year, momentum could be felt in the European labor market in 1999. The employment situation especially improved in industry. The economy was stimulated by the exchange rate of the Euro. The competitiveness of the European Union in pricing improved, but the increase in capital market interest rates lead to a deterioration of the monetary framework conditions.

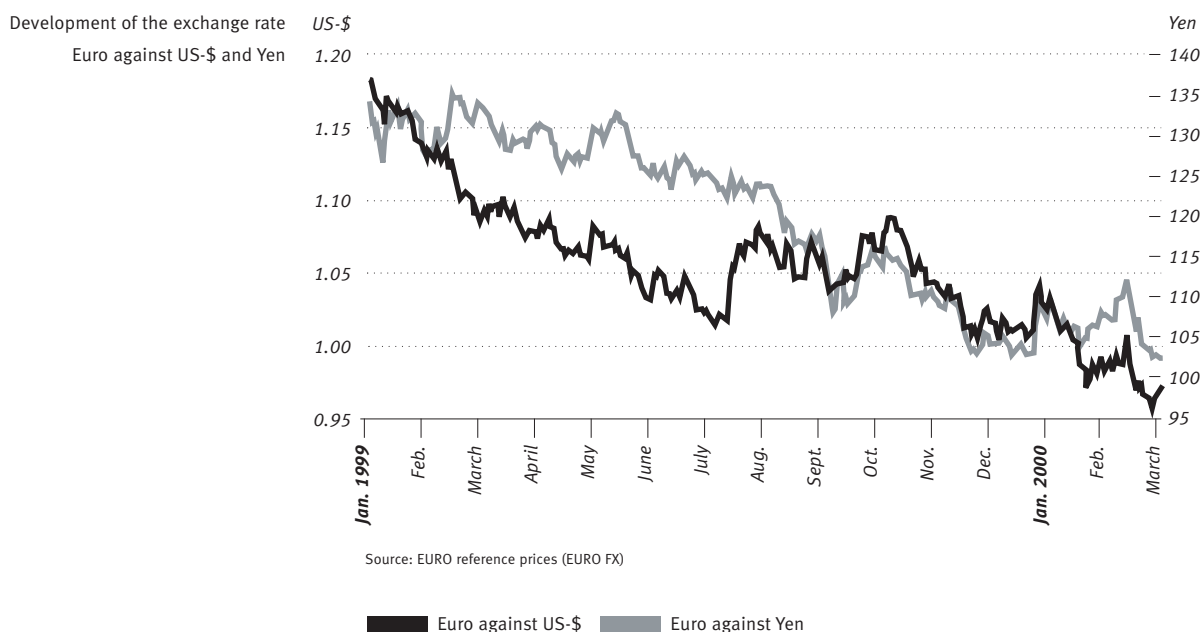
The economic trend in **Germany** gained in momentum at the end of 1999. The forecast of the past year was not achieved, with a growth rate of the gross national product of 1.5% (1998: 2.2%) to 1,909 Billion € in the overall year. Germany was in next to last place in the European Union, ahead of Italy at 1.1%. Only after the summer months, could a clear upward trend be seen. The decisive pulse was supplied by international demand for investment goods. Lasting modernization and



success at rationalization, a high degree in price stability and the favorable exchange rate aided competitiveness of German supply. In the overall year, external trade was not able to make a contribution to economic growth. In the first line, consumer spending at a real growth of 2.0% and equipment investment at a real growth of 5.1% created growth in 1999. But there were no substantial improvements in the labor market. At the end of the year, the Federal Labor Office saw a brighter spot on the horizon. Average unemployment reduced by about 180,000 to about 4.1 million. The economic climate was on the one hand characterized by insecurity about future general conditions, like for instance the planned company tax reform. On the other hand, the forecasted general economic recovery in the year 2000 had a positive effect on business expectations.



GILDEMEISTER as a traditional European company and manufacturer of investment goods benefitted from the positive tendencies in Europe, especially on the German market. Weakening of the exchange rate of EURO to Dollar and Yen improved the competitiveness of GILDEMEISTER further. The favorable exchange rates counteracted lapses in demand for the machine tool business in the USA and Japan. Additionally, GILDEMEISTER was subject to tough competition in America and Asia. In America, orders received amount to about the level of the past year in 1999. The Asian business was stable and especially improved at the end of the reporting year. In the most important Asian countries, GILDEMEISTER has anticyclically expanded on its market position and service performance inspite of weak demand. Lasting improvement of business will only occur during the year 2000.



**Our machines.  
So that you remain  
mobile.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER are contributing to ensuring your daily independence. Processing of components in the automotive industry is only one of the many tasks our machines are performing daily all over the world.





## Development of machine tool industry

### International development

In 1999, machine tools for US-\$ 34.5 billion were manufactured **worldwide**. The world production therefore declined by 6.5% compared with the past year at US-\$ 36.9 billion. The values stated for the present figures were translated on the basis of average US-Dollar rates.

The largest manufacturer at US-\$ 7.7 billion during the reporting year (1998: US-\$ 9.0 billion) was again Japan, with Germany close behind at US-\$ 7.5 billion (1998: US-\$ 7.6 billion) and the USA at US-\$ 4.3 billion (1998: US-\$ 5.4 billion). The ranks 4 and 5 showed no change in the top rankings of world production. These places were occupied by Italy at US-\$ 3.8 billion and Switzerland at US-\$ 2.0 billion. Taiwan came in sixth at US-\$ 1.7 billion in front of China at US-\$ 1.1 billion. Ranks 8 through 10 were taken by Spain and the United Kingdom at US-\$ 1 billion each before France at US-\$ 0.8 billion. Japan, Germany, the USA and Italy make up 68% of the world machine tool production. Among the ten largest manufacturing countries accounting for 89% of world production, five countries (Japan, USA, United Kingdom, Switzerland and Germany) had to suffer in part a clear decrease in production of up to 19%. The remaining countries achieved production figures being an increase of 6% for China, 5% for Taiwan, 3% for Italy and Spain and 2% for France with respect to the previous year.

Share of world regions in international production:	<b>Production shares worldwide</b>	
	1999 in %	1998* in %
Western Europe	50	47
(of these: Germany)	(22)	(21)
Pacific region	33	33
(of these: Japan)	(22)	(24)
America	15	18
Eastern Europe and rest of world	2	2

\* Comparison values for 1998 on the basis of revised figures.

During the reporting year, 61% (past year: 60%) of world production was exported. The leading role of Japan with an export share of 72% (past year: 66%) and Germany with an export share of 53% (past year: 56%) has again been confirmed in 1999: by value, Japan and Germany jointly held 46% (1998: 47%) of worldwide exports. With a large lead before Italy holding a share of 10%, then Switzerland, the USA and Taiwan. Their share – as well as the share of the remaining countries – was in each case below 10%.

The worldwide **consumption** of machine tools at US-\$ 32.2 billion was 7.2% below the level of the past year (1998: US-\$ 34.7 billion). It was distributed to the triad markets and the rest of the world as follows:

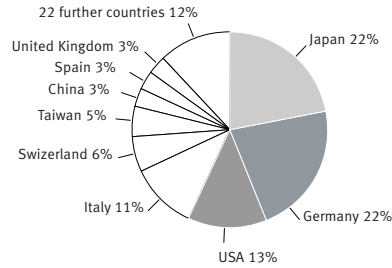
Worldwide consumption of machine tools	<b>Consumption share worldwide</b>	1999 in %	1998* in %
	Western Europe	45	42
	(of these: Germany)	(18)	(16)
	Pacific region	24	23
	(of these: Japan)	(9)	(11)
	America	28	31
	Eastern Europe and rest of world	3	4

\* Comparison values for 1998 on the basis of revised figures.

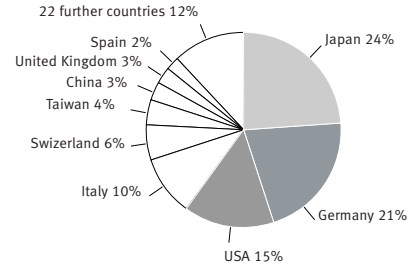
Worldwide the largest sales market for machine tools in 1999 remained the USA at US-\$ 7.1 billion respectively a share of 22% (1998: 25%) in consumption of all countries. Second and third place were taken by Germany at US-\$ 5.9 billion and an increased share of 18% (1998: 16%) as well as Italy at US-\$ 3.1 billion and an increased share of 10% (past year: 8%). Further important machine tool markets were Japan at 9%, the PR of China at 7%, France at 5% and Taiwan at 4%.

Worldwide machine tool production

1999: total US-\$ 34.5 billion

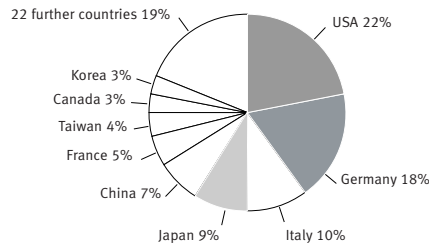


1998: total US-\$ 36.9 billion

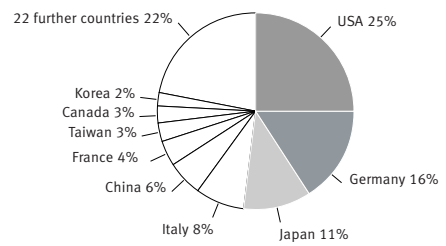


Worldwide machine tool consumption

1999: total US-\$ 32.2 billion



1998: total US-\$ 34.7 billion



The most comprehensive imports in metal working machines were again performed by the USA in 1999. The imports amounted to 57% (1998: 55%) of total consumption. Due to an increase of 7% for imports, Germany took second place in the import ranking. China achieved rank 3. In Japan, the import quota for domestic consumption is traditionally low. In 1999, this share achieved 23% of overall domestic consumption of US-\$ 2.9 billion. This corresponds to an absolute import volume of less than US-\$ 0.7 billion.

Source: The world statistics on machine tools are based upon the data provided by the US information service «METALWORKING Insiders' Report» which are called-off in autumn of the respective year under the review by the national manufacturer associations and are based upon the actual values for the past period of time and on conservative estimations for the remainder of the year on the basis of the revised values of the preceding year.

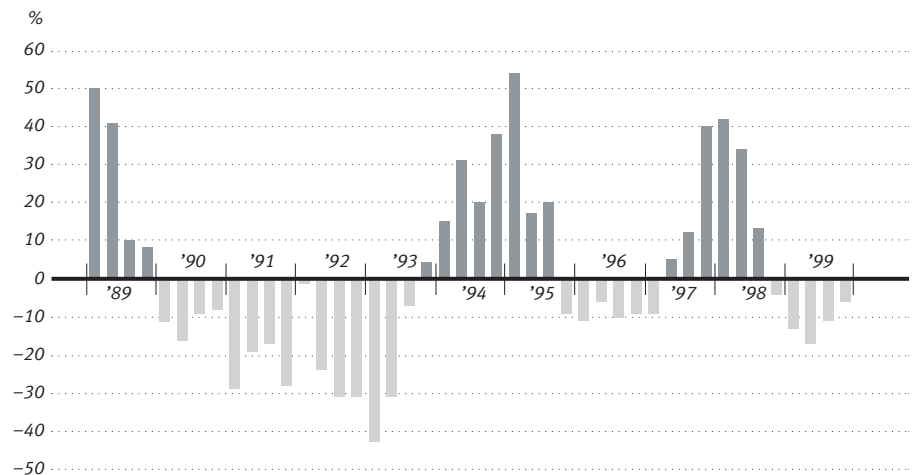
### German machine tool industry

In contrast to the international trend of the industry, the year 1999 for German machine tool manufacturers brought an increase in production of 3%. The increase in production can essentially be traced back to processing of the high backlog from the past year. Incoming orders were clearly lower compared with the past year. Domestic consumption and the sale of German machine tools on the domestic market as well as imports increased with double digit rates with respect to 1998. For their exports, German manufacturers were only able to almost reach the past year's level. During the reporting year, exports reached € 4.4 billion.

Development of some companies did not conform to the described average situation and showed a very diverse trend with marked deviations from the economic situation in the industry.

With respect to the past year, **incoming orders** declined by 9% to in total € 8.4 billion. This change can be traced back to the decline of international orders, which decreased by 13% during the past year, and the domestic orders, which declined by 6%. With reference to the metal cutting sector, the decline was even minus 16%. Even more marked was the development of metal cutting machine types, which correspond to the product range of DECKEL MAHO GILDEMEISTER. For turning machines and turning centers, orders declined by 21%, for milling machines and machining centers by 8% with respect to 1998. Development of orders improved again during the course of the year. The change rates for machine tools in total and for metal cutting machines showed first growth pulses since the middle of the year 1999.

Intake of new orders for machine tools in Germany  
Real changes as compared to previous year



**Our machines.  
So that you will stay  
in touch.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER contribute for you to stay in contact with friends and business partners. Processing of mobile phone molds and other tools for parts of the telecommunications industry is only one of the many tasks our machines perform daily worldwide.



The business climate of the main customer sectors – like general machine construction, automotive manufacturers and electrical engineering – according to a survey of the Munich IFO-Institut the last months of the past year had a more positive effect. The business expectations of the German machine tool industry are to be assessed accordingly as optimistic.

The machine tool manufacturers were able to achieve **production increases** of 3% in 1999; the production rose in total to € 8.3 billion. Due to weak incoming orders, during the second half of the year 1999, expectations of increased sales had to be reduced from 14% to 8% by the association.

For metal cutting machines, the industry sales only increased by 6%. Of the metal working machines manufactured in Germany, during the reporting year, 53% were exported (1998: 56%). With respect to the past year, **exports** declined by 4% to € 4.4 billion. The most important sales market for German machine tools was, as in previous years, the United States. With reference to only the first three quarters of the year 1999 available today, this market accounted for 19% of export sales (1998: 18% for the overall year). The next places in the ranking of important customer countries are taken by France with a share of 9% (1998: 8%), Italy at 7% (1998: 7%), China at 6% (1998: 5%), Switzerland at 6% (1998: 6%) and the United Kingdom at 5% (1998: 5%).

Machine tool production in Germany *Billion €*



The renewed increase of **imports** by 8% to € 2.9 billion during the reporting year (1998: € 2.7 billion) in connection with domestic sales increasing by 12% to € 3.9 billion (1998: € 3.5 billion) for domestic consumption resulted in an increase by 10% to € 6.8 billion. About 38% (1998: 40%) of German machine tool imports in 1999 came from the European Union. Switzerland remained the largest supplier country. Further countries with substantial supply volume were Japan, Italy, France, the USA, Czech Republic, United Kingdom and Belgium.

**Capacity utilization** by the end of 1998 was at 93.5% of usual operational full utilization. During the course of the year 1999, this value declined and fluctuated at a high level between 91.4% and 89.9%. During the final quarter of 1999, capacity utilization amounted to 92.3%. Development of demand was also mirrored in the **backlog of orders**. The reach in production months declined from 7.9 months at the start of the past year to 7.2 in October, 1999. The calculated reach is an average value for the industry, which due to its composition – besides standard machines with extremely short delivery times, special machines and large shaping machine tools with long delivery periods are included – may only be a rough determination of the backlog of orders.

**Employment** in the German machine tool companies remained at the level of the past year. During the first half of 1999, the number of employees declined, but then in turn increased, so that at the end of the year the level of the past year of 66,000 employees was again reached.

For most companies of the German machine tool industry, the **income situation** has not substantially changed in 1999. According to information received from the associations, the average yield should be at about 3% to 4% before taxes. The high capacity utilization has contributed to securing income. Considering economic effects and the structural changes of the past years as well as high product development cost and investment for the future, the percentage return on sales is overall not satisfactory.

Source: VDMA, FG machine tools and manufacturing systems

***Business report: company situation and business activities***

In 1999, GILDEMEISTER was able to successfully continue its positive development. Group sales reached € 690.4 million; this is an increase of 19% respectively € 110.1 million over the past year. Contrary to the industry trend, at a plus of 3%, record intake of orders of € 693.1 million were achieved. The backlog of orders increased to € 212.0 million and forms a solid base for the business year 2000.

The earnings situation of the company has shown sustainable further improvement. The result of ordinary business activities in the group increased by 16% to € 34.5 million (past year: € 29.6 million). Pleasantly positive was the development of the profit for the year, which during the reporting year increased to € 32.7 million (1998: € 16.1 million). As in the past year, it has again doubled.

Due to pioneering innovations and consequent market orientation, GILDEMEISTER is well prepared for the global challenges of the year 2000.

\_\_\_\_ As of December 31, 1999, the GILDEMEISTER group was composed of the following member companies. The GILDEMEISTER Aktiengesellschaft as controlling company and the following affiliated companies and their subsidiaries:

- \_\_\_\_ GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- \_\_\_\_ DECKEL MAHO Pfronten GmbH, Pfronten,
- \_\_\_\_ DECKEL MAHO Geretsried GmbH, Geretsried,
- \_\_\_\_ DECKEL MAHO Seebach GmbH, Seebach,
- \_\_\_\_ FAMOT Pleszew S.A., Pleszew,
- \_\_\_\_ DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld,
- \_\_\_\_ a & f Stahl- und Maschinenbau GmbH, Würzburg.

Consolidation for the first time included the business of FAMOT for the overall year of 1999. With the exception of new formations in the year 1999, who will be starting to do business in 2000, all affiliated companies were included in the consolidated financial statements. DECKEL MAHO Pfronten GmbH, Pfronten, and DMG Vertriebs und Service GmbH, Bielefeld, with their subsidiaries each form a subgroup.



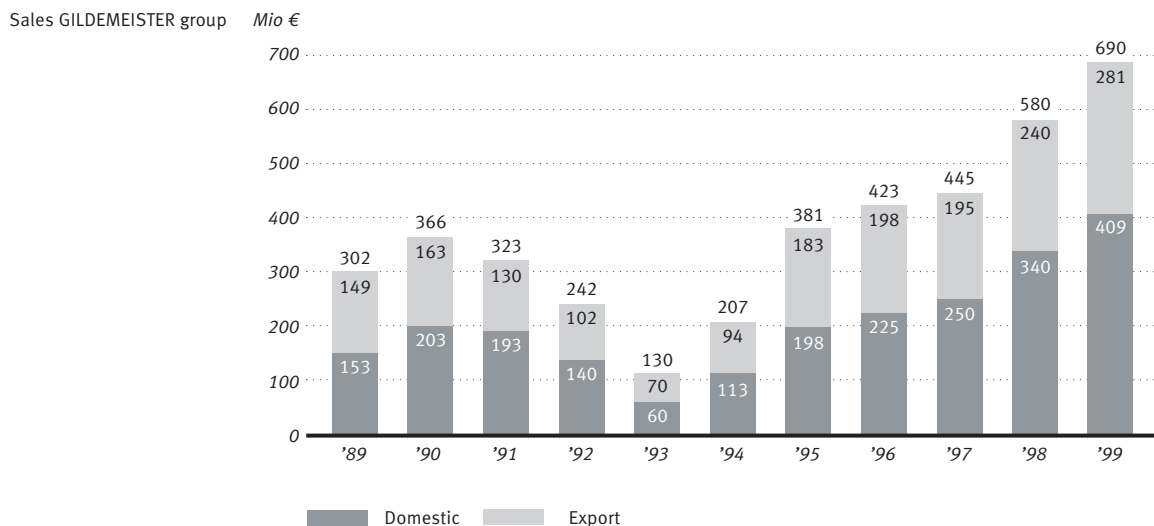
## Sales

During the business year 1999, the GILDEMEISTER group achieved sales of € 690.4 Million. This corresponds to an increase of 19% respectively € 110.1 million in respect to the past year's value of € 580.3 million. After the considerable sales increase of € 58.1 million during the first half of the year 1999, during the second half a further increase by € 52.0 million was achieved.

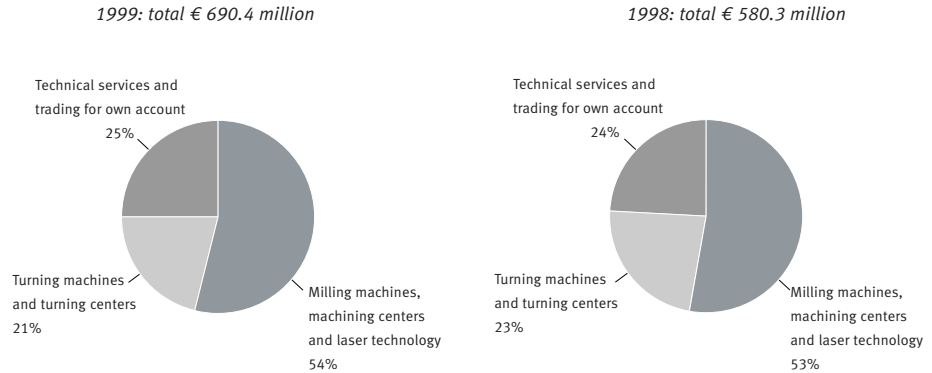
Sales increases were achieved in domestic as well as export business. Domestic sales rose by € 68.6 million respectively 20% to € 409.0 million. The exports business increased by € 41.5 million respectively 17% to € 281.4 million. The export quota as during the past year was at 41%.

The repeated increase shows the enormous performance increase of the production works of the GILDEMEISTER group. The main selling item with a share of 54% in 1999 were milling machines, machining centers and laser machines from DECKEL MAHO. The turning machines and turning centers in 1999 held a share of 21% in the machine business.

At 25%, a renewed increased share of sales came from DMG Vertriebs und Service GmbH and a & f Stahl- und Maschinenbau GmbH. DMG with its domestic and international subsidiaries, besides dealer and consignment business for group companies and third party products, especially operates in the growing field of technical services. The sector of technical services includes the service and spare parts business, training products, qualification services, application technology, commissioning and the business with used machines.



Distribution of sales  
GILDEMEISTER group according  
to business fields

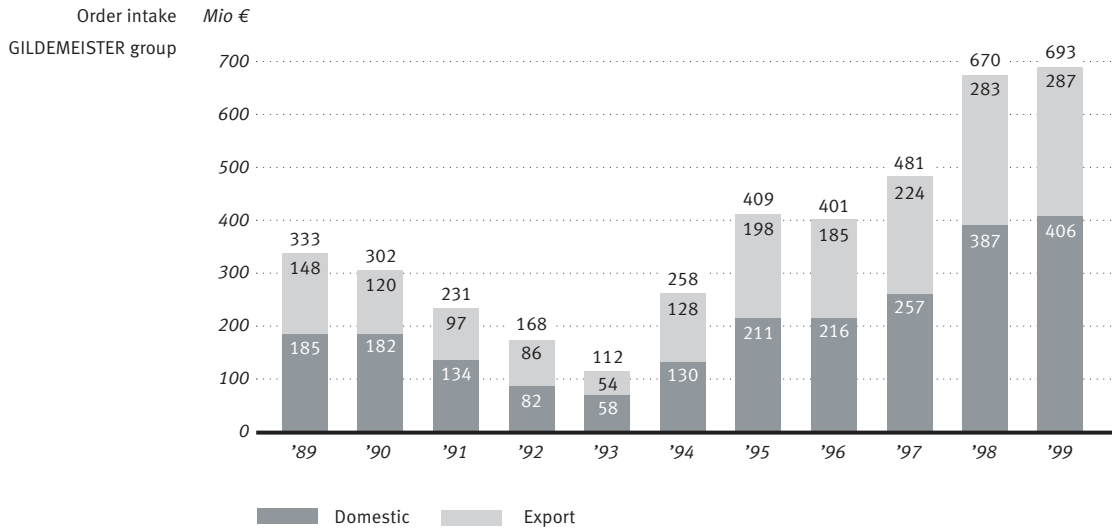


## Order intake

Contrary to the industry trend, GILDEMEISTER was able to achieve a new record of intake of orders during the business year 1999. In the group, the intake of orders for the first time reached € 693.1 million and was therefore 3% respectively € 22.8 million above the peak figures of the past year. While the German machine tool industry had to take a decrease of 9% with respect to the past year for the intake of orders, the order volume of GILDEMEISTER was in each case 3% above the past year's figures during the first half of the year as well as during the second half of the year.

Domestic orders increased by € 18.8 million respectively 5% to € 406.2 million. Export orders increased by € 4.0 million respectively 1% to € 286.9 million. The export share remained almost constant at 41% (1998: 42%).

The sustainable positive development of orders received may be traced back to the excellent market reaction to our products and the forced international expansion of sales and technical services. The sales organization of the GILDEMEISTER group acting worldwide, DMG Vertriebs und Service GmbH, with its 30 domestic and international technology centers again achieved marked sales successes. The DMG organizations are characterized by consistent proximity to the market, direct sales covering the entire area and customer-oriented technical services. DMG by means of «Factory Sales and Service» is realizing more than 95% of incoming orders of the group by direct sales.



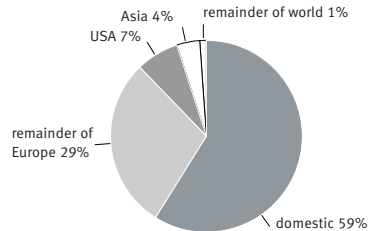
During the reporting year, GILDEMEISTER booked 2.7% less orders for turning machines and turning centers than in 1998 (past year: plus 35%). The intake of orders of € 147.2 million (export share: 49%) developed more positively than the industry trend of minus 21%. The DECKEL MAHO companies representing the business field of milling machines, machining centers and laser technology within the group experienced a clear growth of orders. Here, the intake of orders achieved amounting to € 411.2 million (export share: 43%) during the reporting year were 7.8% (1998: plus 55%) above the past year's figures and therefore substantially more favorable than the industry with its minus of 8%.

DMG Vertriebs und Service GmbH and a & f Stahl- und Maschinenbau GmbH in 1999 achieved an intake of orders of € 134.7 million (export share: 29%), which essentially included technical services as well as orders for own account. During the reporting year, DMG has sold 4,250 turning, milling and laser machines in the market through its domestic and international technology centers as well as representative offices in the new machine and used machine business; this corresponds to an increase of 6% with respect to the past year.

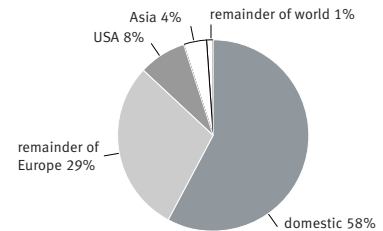
The **sale prices** of the product program were slightly and selectively increased effective April 1, 1999. In spite of massive international competitive pressure, the sales revenues achieved largely developed satisfactorily, depending on the market region.

Intake of orders  
GILDEMEISTER group  
by regions

1999: total € 693.1 million



1998: total € 670.3 million



DMG Vertriebs und Service GmbH in 1999 were able to achieve remarkable sales domestically – in the meantime the second-largest sales market for machine tools behind the USA. The domestic DMG companies were again above the comparison figures of the past year for their sales figures.

The intake of orders in the key European markets has clearly increased. An important role is once again played by the market of France, Italy, Switzerland and the United Kingdom. In the most important Asian countries, GILDEMEISTER has anticyclically expanded on its market position and service performance, inspite of weak demand. In America, the order intake was about at the level of the past year. Considering the currently high Dollar price, there are substantial reserves for growth here.

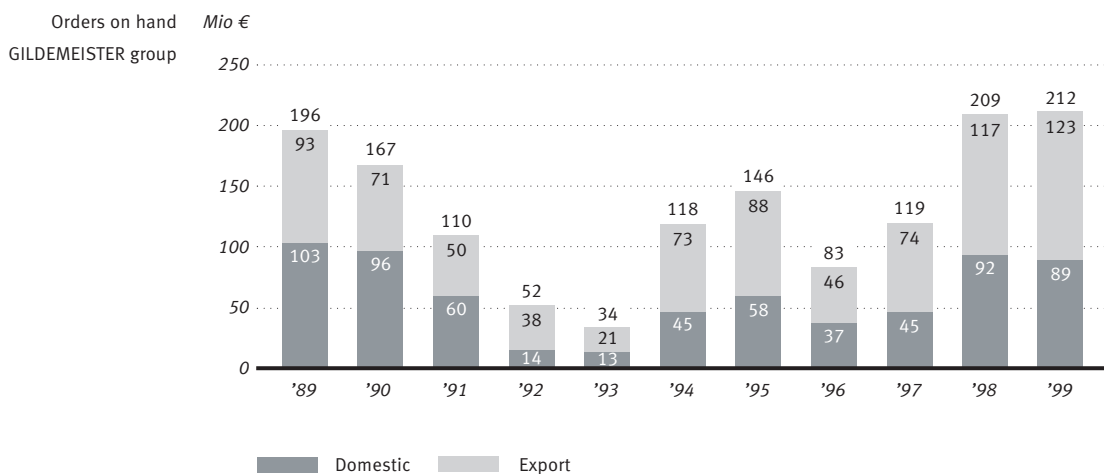
Technical services held a marked share in the intake of orders, which in 1999 for the first time reached € 115 million. The service business has been expanded upon and the used machine business at a volume of € 28.5 million has developed well. The demand for DMG training products and qualification services also increased.

### Orders on hand

The orders on hand slightly increased at December 31, 1999, to € 212.0 million. In comparison to the past year, this meant an increase of € 2.7 million respectively 1%. Of the orders on hand, 58% concerned export business (1998: 56%). The backlog of export orders during the reporting year increased by € 5.5 million respectively 5% to € 122.8 million. The domestic backlog of orders at the same time

fell by € 2.8 million respectively 3% to € 89.2 million. The increased backlog results in a calculated delivery period of four to five months. The average is mainly determined by the technology machines of our product range with correspondingly longer delivery periods. By means of special logistical measures, precautionary measures were taken that for series machines the usual delivery periods of four to eight weeks are not exceeded. The orders on hand form a solid base for the new business year 2000.

The orders on hand for turning machines and turning centers amounted to € 27.7 million at the end of the reporting year. This corresponds to a share of 13% in the group's orders on hand. 47% were export orders. For the DECKEL MAHO companies, at the end of the year 1999, orders for € 120.1 million respectively 57% of the group orders were received. Of those, 43% came from abroad. € 64.2 million of group orders essentially concerned DMG Vertriebs und Service GmbH as well as a negligible share concerned a & f Stahl- und Maschinenbau GmbH. The backlog of DMG Vertriebs und Service GmbH was mainly compiled of orders for own account abroad as well as orders for third party makes, used machines, accessories and technical services. 92% of orders on hand were exports.

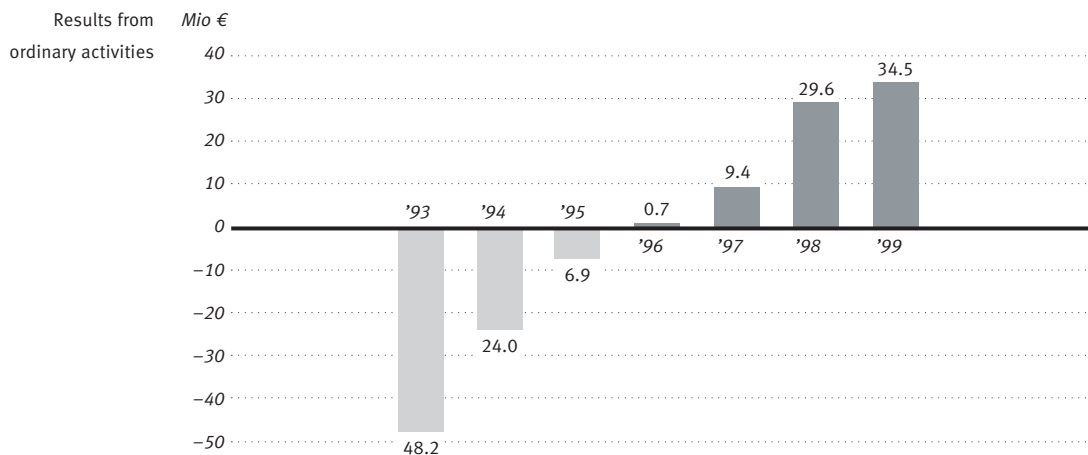


## Results, net worth, and financial position

### Results 1999

The earnings situation has continued to show sustainable improvement. In spite of declining market demand and massive international competitive pressure, the results of the past year were exceeded. Also to be considered is high expenditure for development of numerous new machines and investment into the international markets forming the basis for our future growth potential. New construction of the modern production plant for machining centers of DECKEL MAHO in Geretsried, performed during current operation, was also not without effect on performance and sales. Effects resulting from the sector's logistics and reduction of asset commitment have contributed to the positive results.

The **result from ordinary business activities** in the group increased by 16% to € 34.5 million (past year: € 29.6 million). Except for DECKEL MAHO Geretsried GmbH, which has closed with a negative result of € 2.5 million, all companies respectively subgroups stated above have achieved positive results during the reporting year. But the quality of the results was different in the individual companies and their subsidiaries.

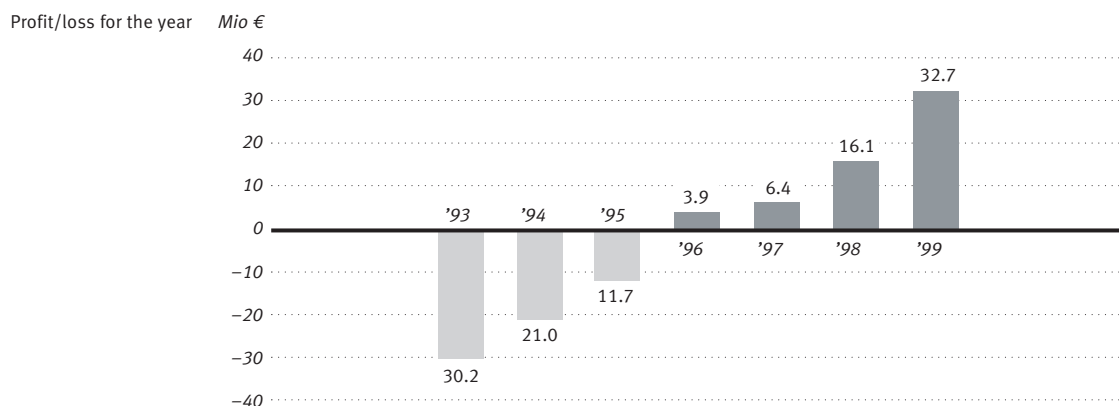


The profit according to DVFA/SG adjusted for expenditure and revenues from extraordinary effects at € 16.4 million was 63.5% above the past year's figure. According to the computation method to DVFA/SG, for determination of the results, fictitious income tax was considered, since GILDEMEISTER currently still has tax losses carried forward.

With reference to the overall performance, the gross yield at 45.0% is at the level of the past year. The expenditure items have increased in line with the increase of overall performance. Personnel expense at an increase of 17.6% has increased proportionally less than the increase of the overall performance.

The overwhelming share of the increase concerns recruitment of new personnel. Also, pension reserves were adjusted to the changed mortality charts. In the consolidated financial statements, no use was made of the right of choice for distribution of the adjustment over several years. The personnel expense rate is 24.5%. Depreciation and therefore the depreciation rate have developed proportionally greater than overall performance. The taxes on corporate income and business profits exclusively concern tax payments abroad.

The **profit for the year**, which increased to € 32.7 million (1998: € 16.1 million) during the reporting year, showed a pleasingly positive development. As in the past year, it has again doubled. The percentage return on sales with reference to the profit for the year amounts to 4.7%.



The results of GILDEMEISTER Aktiengesellschaft as parent company was determined by distribution of dividends by the affiliated undertakings. The profit for the year of GILDEMEISTER Aktiengesellschaft increased from € 30.1 million in the past year to € 38.3 million during the reporting year, i.e. by 27.2%. € 19.1 million were added to the revenue reserves. Under consideration of the profit carried forward in 1998 of € 0.6 million, the balance sheet profit amounts to € 19.8 million.

At the shareholders' assembly on May 26, 2000, the board of management and the supervisory board will recommend distribution of a **dividend** in the amount of € 0.50 per share for the business year 1999. The total sum of dividend will amount to € 10.9 million. A tax credit for shareholders entitled to an imputation credit is not affiliated to the dividend. To further reinforce the equity capital, the shareholders' assembly is proposed to include € 8.0 million in revenue reserves. The remaining amount of the balance sheet profit is to be carried forward.

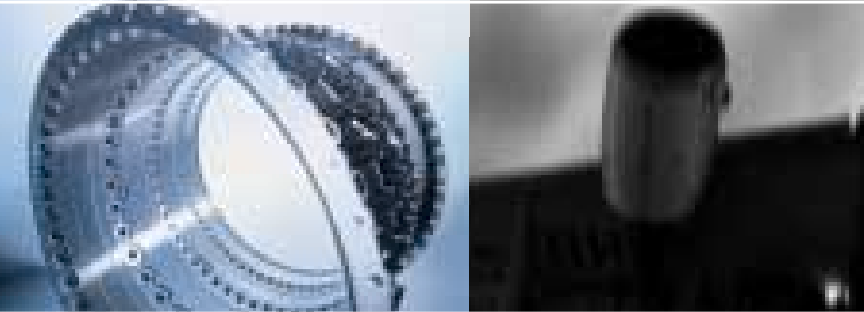
### Consolidated statement of income GILDEMEISTER group

	1999		1998		Changes compared with previous year	
	K€	%	K€	%	K€	%
Gross performance	700,012	100.0	583,558	100,0	116,454	20.0
Spending on materials	-385,218	-55.0	-320,609	-54.9	-64,609	20.2
Net amount	314,794	45.0	262,949	45.1	51,845	19.7
Personnel expenditures	-171,405	-24.5	-145,786	-25.0	-25,619	17.6
Other expenses and income	-82,087	-11.7	-67,026	-11.5	-15,061	22.5
Depreciation on fixed assets	-14,946	-2.1	-9,960	-1.7	-4,986	50.1
Financial results	-11,903	-1.7	-10,562	-1.8	-1,341	12.7
Extraordinary results	0	0.0	-12,600	-2.2	12,600	-100.0
Taxes on income and business profits	-1,790	-0.3	-873	-0.1	-917	105.0
Profit or loss for the financial year	32,663	4.7	16,142	2.8	16,521	102.3



**Our machines.  
So that you will  
arrive safely.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER are not only contributing to the effect that you take off well, but also that you arrive safely. Precision machining of engine parts in the aerospace industry is only one of the many tasks which our machines perform daily worldwide.



## Asset and financial situation

### Balance sheet GILDEMEISTER group

	Dec. 31, 1999		Dec. 31, 1998		Changes compared with previous year	
	K€	%	K€	%	K€	%
<b>Assets</b>						
Assets bound in the long and medium term						
Fixed assets	98,234	23.4	73,939	20.9	24,295	32.9
Current assets	481	0.1	257	0.1	224	87.2
	98,715	23.5	74,196	21.0	24,519	33.0
Assets bound in the short term						
Stocks incl. downpayments	124,973	29.8	123,908	35.0	1,065	0.9
Accounts receivable and miscellaneous other current assets	181,789	43.4	147,109	41.6	34,680	23.6
Cash funds	13,587	3.3	8,561	2.4	5,026	58.7
	320,349	76.5	279,578	79.0	40,771	14.6
<b>Balance sheet total</b>	<b>419,064</b>	<b>100.0</b>	<b>353,774</b>	<b>100.0</b>	<b>65,290</b>	<b>18.5</b>
<b>Liabilities</b>						
Long and medium-term Funding						
Capital and Reserves	107,174	25.6	81,582	23.1	25,592	31.4
Special account for investment subsidies	1,632	0.4	50	0.0	1,582	3.164.0
Outside capital						
Provisions	31,749	7.6	26,538	7.5	5,211	19.6
Liabilities	45,077	10.7	39,677	11.2	5,400	13.6
	76,826	18.3	66,215	18.7	10,611	16.0
	185,632	44.3	147,847	41.8	37,785	25.6
Short-term funding						
Provisions	49,723	11.9	35,603	10.1	14,120	39.7
Liabilities	183,709	43.8	170,324	48.1	13,385	7.9
	233,432	55.7	205,927	58.2	27,505	13.4
<b>Balance sheet total</b>	<b>419,064</b>	<b>100.0</b>	<b>353,774</b>	<b>100.0</b>	<b>65,290</b>	<b>18.5</b>

## Cash-flow statement GILDEMEISTER group

	1999	1998
	K€	K€
<b>Inflow of funds from ongoing business activities</b>		
1. Net income for the year	32,663	16,142
2. Depreciation on fixed assets	14,946	9,960
3. Additions to long-term reserves	4,950	337
4. Other non-payment income	-1,009	-16
5. Extraordinary income	0	12,600
<b>Cash-flow</b>	<b>51,550</b>	<b>39,023</b>
6. Additions to short-term reserves	14,120	4,337
7. Gains in disposal of fixed assets	-35	-33
8. Increase in stocks, trade debtors and other assets	-30,635	-45,573
9. Decrease of trade creditors and other liabilities	-11,067	20,894
	23,933	18,648
<b>Outflow of funds from investment activities</b>		
1. Outpayments for investments in assets	-33,322	-29,342
2. Inpayments for disposals from assets	1,538	159
3. Outpayments from changes in the consolidated group	-7,567	-708
	-39,351	-29,891
<b>Inflow of funds (prev. yr. outflow of funds) from financing activities</b>		
1. Increase of indebtedness to banks	26,120	12,234
2. Inpayments by other partners	-6,100	0
3. Repayment of capital to other partners	-563	-326
4. Dividend to other partners	-1,849	-376
5. Inpayment investment subsidies	2,526	0
6. Changes in financial resources due to initial consolidation	638	20
	20,772	11,552
Changes effective on payments	5,354	309
Changes due to consolidation and exchange rates without effect on payments	-328	-225
Cash funds as of January 1	8,561	8,477
Cash funds as of December 31	13,587	8,561

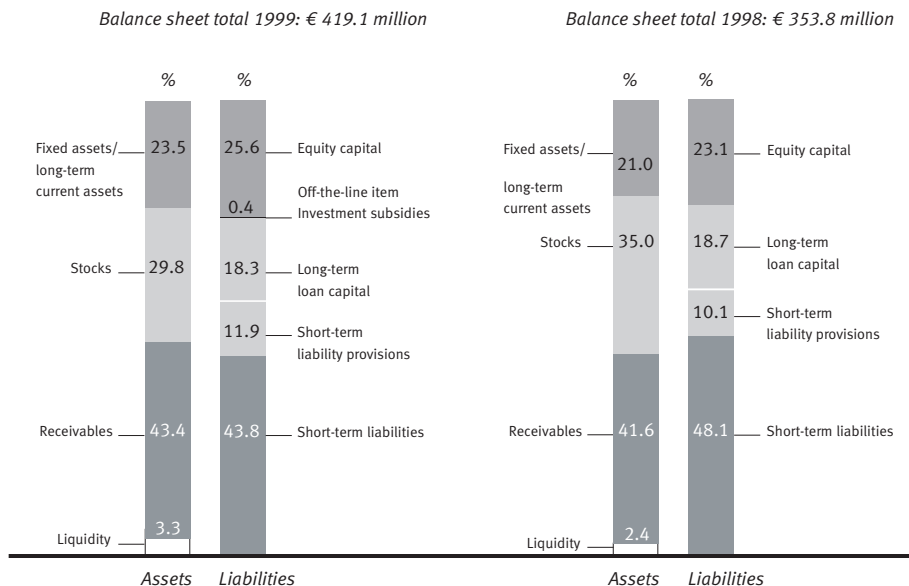
During the business year 1999 the expansion of business volume, stronger investment activities and purchase of FAMOT Pleszew S.A. have led to an increase of the asset position by € 65.3 million. The fixed assets rose by € 24.3 million from € 73.9 million in the past year to € 98.2 million. The capitalization ratio (ratio of fixed assets to total assets) has increased from 20.9% to 23.4%. Besides investment in the EDP sector, the construction at DECKEL MAHO in Geretsried and in Pfronten as well as at DMG France have led to this balance sheet position. The projects partially begun in 1998 were completed in 1999. Stock-on-hand has developed favorably, which inspite of the high increase in sales only slightly increased by € 1.1 million from € 123.9 million to € 125.0 million. Therefore, the share of stock in the balance sheet total has been strongly reduced from 35.0% to 29.8%. With reference to sales, this results in a turnover factor (sales to stock) of 5.5 in comparison with 4.7 during the past year. Due to the once again high sales performance during the fourth quarter of 1999, the receivables and miscellaneous other current assets increased by € 34.7 million respectively 23.6% to € 181.8 million (1998: € 147.1 million). The turnover factor (sales to trade debtors) amounts to 5.0 for 1999 and 5.2 for the past year. This by computation furthermore results in an average payment period of about 70 days.

During the reporting year, the equity ratio improved to 25.6% (past year 23.1%). **Equity capital** in the GILDEMEISTER group improved by € 25.6 million to € 107.2 million (1998: € 81.6 million).

Long-term loan capital has underproportionately increased by € 10.6 million respectively 16.0% in comparison with the increase of the balance sheet total (18.5%). Of that, € 5.2 million respectively 19.6% were due to an increase of longterm liability provisions. The cause for this was essentially consideration of the new mortality charts for pension provisions. The share of long-term liability provisions in the balance sheet total at 7,6% remained almost constant. Long-term liabilities increased by € 5.4 million respectively 13.6%. This increase is due to funding of construction investments by medium-term and long-term bank loans. The share of long-term loan capital in the balance sheet total has slightly declined from 18.7% to 18.3%.

Due to the improved equity capital ratio, the share of funding available to the company in the long term clearly increased from 41.8% to 44.3% respectively € 37.8 million. As a consequence of this, the importance of short-term loans has markedly diminished from 58.2% to 55.7%. The short-term liabilities with their increase by 7.9% have developed strongly underproportionate to the increase of

Net worth and capital structure of the  
GILDEMEISTER group



the balance sheet total. The reason for this was the reduction of trade creditors by € 9.2 million from € 76.8 million to € 67.6 million. This utilization of shortened payment periods is offset by increased utilization of short-term bank loans.

The GILDEMEISTER group in 1999 has fully covered the increased investment volume by means of long-term funding. Decisive for this was the increased internal generation of funds of the group from cash-flow. The improved internal generation of funds has resulted in increased equity capital and the increase of **cash-flow** by 32.3% to € 51.6 million with respect to € 39.0 million in the past year.

The fixed-assets-to-net-worth ratio (ratio of equity capital to fixed assets) is 109.1% and therefore corresponds – in spite of increased investment activities – to the past year’s level. Besides the long-term and medium-term bound assets, 27.1% of short-term bound assets are funded by long-term funding. This by computation corresponds to 69.5% of stocks.

**Value added calculation** shows the difference between the performance made by the company and the consumption of value of externally purchased products and services. By distribution calculation, the share in those participating in the value added process – employees, government, lenders, shareholders/partners and company – is shown.

The GILDEMEISTER group in the year 1999 has achieved a real net output of € 218.1 million. With respect to the comparative figure for 1998 of € 173.5 million, this is an increase of € 44.6 million respectively 25.7%. The largest share in the increase

of real net output of € 25.8 million has been achieved by the employees. The share of shareholders and the company increased by € 16.6 million.

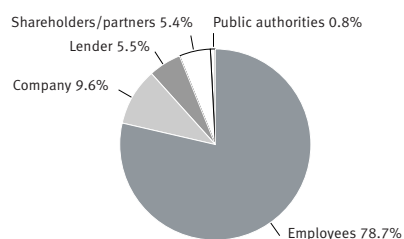
### Calculation of real net output of the GILDEMEISTER group

	1999		1998		Change in comparison with the past year	
	Mio €	%	Mio €	%	Mio €	%
<b>Generation</b>						
Sales revenues	690.4		580.3		110.1	19.0
Other revenues	29.4		23.0		6.4	27.8
<b>Operating performance</b>	<b>719.8</b>	<b>100.0</b>	<b>603.3</b>	<b>100.0</b>	<b>116.5</b>	<b>19.3</b>
Raw materials and consumables	385.2	53.5	320.6	53.1	64.6	20.2
Depreciation	15.0	2.1	10.0	1.7	5.0	50.0
Other expenditures	101.5	14.1	99.2	16.4	2.3	2.3
<b>Purchased materials and services</b>	<b>501.7</b>	<b>69.7</b>	<b>429.8</b>	<b>71.2</b>	<b>71.9</b>	<b>16.7</b>
<b>Surplus values</b>	<b>218.1</b>	<b>30.3</b>	<b>173.5</b>	<b>28.8</b>	<b>44.6</b>	<b>25.7</b>

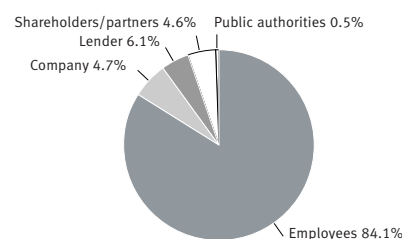
	1999		1998		Change in comparison with the past year	
	Mio €	%	Mio €	%	Mio €	%
<b>Distribution</b>						
Employees	171.7	78.7	145.9	84.1	25.8	17.7
Company	20.9	9.6	8.2	4.7	12.7	154.9
Lenders	11.9	5.5	10.6	6.1	1.3	12.3
Shareholders/partners	11.8	5.4	7.9	4.6	3.9	49.4
Public authorities	1.8	0.8	0.9	0.5	0.9	100.0
<b>Surplus values</b>	<b>218.1</b>	<b>100.0</b>	<b>173.5</b>	<b>100.0</b>	<b>44.6</b>	<b>25.7</b>

Distribution of surplus values in the GILDEMEISTER group

1999: total € 218.1 million



1998: total € 173.5 million



## Risk reporting

Risk management is a decisive element for lasting success in our company. Our activities are associated with opportunities and risks, as any entrepreneurial activity, and aimed at limiting risk to the greatest possible extent and to optimally utilize opportunities. So that GILDEMEISTER is not subject to uncontrolled hazards, risk is systematically monitored, controlled and minimized using the methodology of risk management.

We use a number of instruments for monitoring and control of risks, which go far beyond classic one-sided finance controlling and are continuously being developed. Our marketing information system (MIS) records all customer data worldwide and also supplies market and competition analyses. Using the cases of demand stored in MIS, we are able to make forecasts about customer orders per machine type and distribution region in the short and medium term planning sector using statistical methods. The MIS is supplemented by the new scheduling system (NDS), which shows the load factor of production plans for the works to the persons responsible for distribution in all DMG companies. By means of dynamic feedback from distribution to the works, the production plans may be exactly adjusted to market developments, looking ahead.

Process analyses forms the focal point in the sector of materials management and logistics. By lowering stocks, not only is capital commitment reduced, but also the realization risk. For all important key components, the purchasing strategy has been consistently expanded to double sourcing. The goal of continuous improvement of the production processes is permanently monitored and documented using the production development figures. Furthermore, a quality hotline serves as risk early warning system, to which the decentralized DMG companies worldwide quickly notify quality defects of machines being in use. Evaluation of this database immediately initiates constructive modification measures.

Beyond that, critical review and optimization of all products and work sequences is performed by the suggestion system, which actively includes employees into the continuous improvement process. The overall important position of all employees as valuable resource for effective risk management is promoted by internal as well as external training and qualification measures.

Monitoring and control for avoidance of financial risks is performed by utilizing instruments like for instance annual financial planning with weekly analysis of deviations from the plan. In the sector of receivables, development of receivables and their structure is subject to constant monitoring and analysis by the companies.

Due to this, it is possible to detect possible risks very early and initiate corresponding countermeasures. Securing of foreign exchange risks is performed transaction-oriented by the subsidiaries on location and this is coordinated by GILDEMEISTER Aktiengesellschaft.

Works controlling of our production companies as well as decentralized and centralized controlling of DMG Vertriebs und Service GmbH report to central controlling of GILDEMEISTER Aktiengesellschaft. By means of the existing monthly reporting system, the general managers of all companies are directly integrated into reporting. Important transactions and changes in results are constantly analyzed and feedback issued. Starting from market-oriented, decentralized planning in the individual DMG companies, quarterly extrapolations are made, which are simultaneously agreed with works planning. Risk management also includes limit systems, monitoring of important contracts with suppliers or customers as well as an overall hierarchically staged reporting. Furthermore, regular management meetings are held, in which opportunities and risks of further development of business are analyzed and discussed comprehensively, besides regular specialist information exchange on almost all levels of the enterprise. To start at the original causes of the risks and to detect opportunities early, risk management at GILDEMEISTER is an actively used control instrument spanning across all business units, functions and hierarchies.

## **Investments**

The growth strategy of the group is increasingly also mirrored in investments. During the business year 1999, € 37.6 million were invested, compared with € 29.8 million in the past year. The investments thereby increased by € 7.8 million respectively 26%. Additions to fixed assets amounted to € 30.0 million (1998: € 21.8 million). Intangible assets amounted to € 7.5 million, compared with € 7.9 million in the past year. A smaller item concerns financial assets at € 0.1 million (past year: € 0.1 million). The investments in fixed assets and intangible assets of € 37.5 million were associated with depreciation in the amount of € 14.9 million (1998: € 10.0 million).

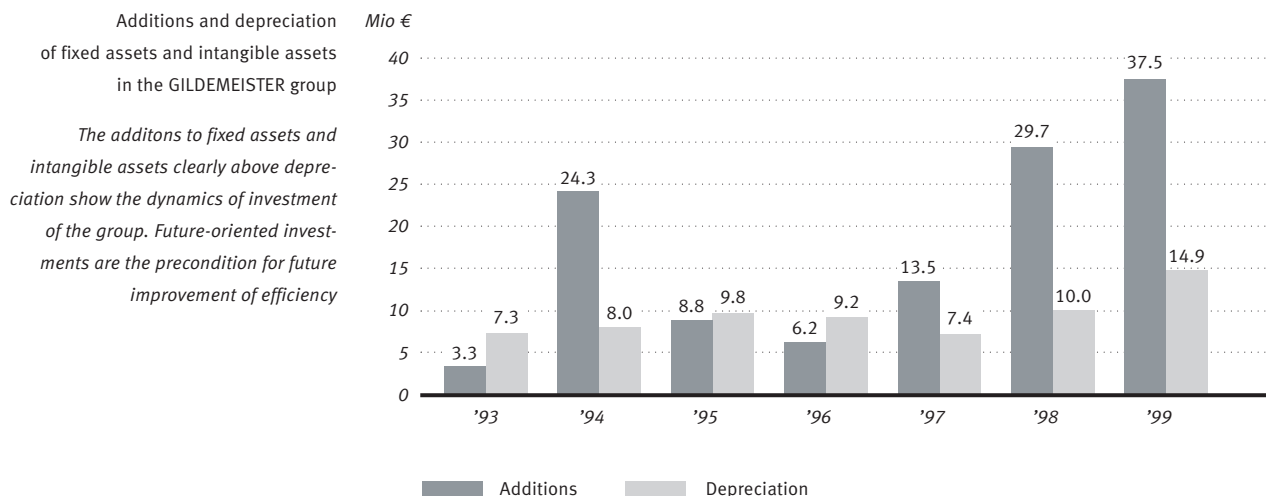
A substantial focal point for fixed assets is formed by optimization of production plant and process sequences. At the Geretsried location, the most modern production plant for machining centers in Europe was built. At the Pfronten location, expansion of the capacity of the central logistics unit has been completed.




Further investments were concentrated on the group-wide EDP system, interactive DMG Netservice and introduction of the new 3D-CAD system with state-of-the-art workstations. Investment into expansion and development of further distribution and service companies are strengthening the international market presence and secure future growth of the GILDEMEISTER group.

A specific focal point of investments in the group was formed by optimization of the uniform EDP system. This also created the preconditions for solving the Y2K problem and introduction of the EURO. The new system was put into operation for the domestic production companies as early as 1998 and replaced the older host computer systems. During the business year 1999, the German distribution and service companies as well as the majority of international DMG companies were connected. The now uniform group-wide EDP organization with its integrated, location-oriented process image gives new momentum to information management and forms the basis for additional rationalization potential in the future. The EDP system concerned investments in 1999 in the amount of € 1.5 million for hardware and software expansion (past year: € 8.1 million).

Another group-wide investment with € 8.2 million over a period of four years is formed by the introduction of a modern 3D-CAD system. Our research and development departments were in the meantime furnished with 162 CAD workstations. During the reporting year, the hardware investment amounted to € 1.8 million (1998: € 0.8 million). The goal of the CAD/CAM project is to develop new products even faster, with more performance and more cost effectively.





**Our machines.  
So that you will be  
feeling good.**

Turning, milling and laser machines from DECKEL MAHO and GILDEMEISTER are contributing to securing your well-being. Precision machining of artificial hip joints in medical technology forms only one of the many tasks which our machines are solving daily all over the world.



The additions to financial investments of GILDEMEISTER Aktiengesellschaft of € 7.2 million concern the purchase of the majority share (75%) in FAMOT Pleszew S.A. in Poland. Upon group consolidation, it will be shown among the assets of the group.

## Investments in the individual companies

### **GILDEMEISTER Drehmaschinen GmbH, Bielefeld**

GILDEMEISTER Drehmaschinen GmbH during the reporting year invested in models and devices for development of new products. An example is the dual-spindle production turning center TWIN 32 with a variety of innovations and a pioneering design. By means of PULL measures (production and logistics performance), the efficiency of production and ancillary sectors has been increased further. Further investments concerned improvement of communications and application of new scheduling and reservation systems (NDS).

Newly initiated investments coming to a close during the year 2000 are measures for improvement of performance (barcode readers and radio technology) as well as acceleration of all assembly processes by introduction of assembly line production in some sectors. For improvement of quality, high-quality measuring instruments such as laser interferometers and an additional Zeiss measuring machine for the application department were purchased. The investments of GILDEMEISTER Drehmaschinen GmbH during the reporting year amounted to € 0.9 million.

### **DECKEL MAHO Pfronten GmbH, Pfronten**

The first stage of expansion of capacity at the Pfronten location was completed at the beginning of 1999 with the completion of additional assembly space and further construction measures for optimization of logistic processes. The expansion corresponded to the increased need for space for the large universal milling centers DMU 200 P. The increasing customer requirements for product demonstrations and the constantly shorter innovation cycles will be fulfilled by a new technology center and a test field. This investment was begun during the second half of 1999 and will be completed by the beginning of the year 2000.

The investment volume of DECKEL MAHO Pfronten during the reporting year amounted to € 5.7 million in total. Buildings, outside facilities and furnishings required € 3.5 million, the other funds concerned replacement and new investments for the improvement of operational processes.

**LASERTEC GmbH, Pfronten**

LASERTEC GmbH during the reporting year invested in technical systems and equipment for expansion of the business. The investments amounted to € 0.1 million.

**DECKEL MAHO Geretsried GmbH, Geretsried**

During the reporting year, the investments at the Geretsried location amounted to € 12.7 million. Of those, € 11.1 million concerned the new building begun at the end of 1998 for the modern production plant for machining centers, which after a construction period of only ten months with the exception of the subsequently ordered building of DMG Gebrauchtmaschinen GmbH has been completed. Therefore, in total € 16.9 million have been invested in modernization of the location of DECKEL MAHO Geretsried during the past two years. During the course of the construction project, DMG München Vertriebs und Service GmbH, DMG Trainings-Akademie GmbH, DMG Service für Bearbeitungszentren and DMG Gebrauchtmaschinen GmbH have been integrated. A modern, flexible center with all functions and services around the field of machining centers has been created. The technology center provides the whole supply range from a single source to our customers and is therefore very important for Southern Germany and Austria with good international airport connections.

Further funds in the amount of € 1.6 million concerned crane systems and ground transport vehicles, EDP and telephone systems as well as models, tools and devices for new developments.

**DECKEL MAHO Seebach GmbH, Seebach**

DECKEL MAHO Seebach GmbH in 1999 invested in three main areas: modernization of mechanical production, assembly and quality assurance as well as improvements in the sector of logistics and data processing.

Investments in technical systems, machines and equipment amounted to € 1.1 million. Of those, for optimization of production of goods and services in production, assembly and quality assurance, equipment and transport devices as well as tools and test instruments for € 0.8 million were purchased.

€ 0.6 million were employed for improvements in the logistics sector to increase the efficiency of production and sectors close to production, such as scheduling, incoming goods and warehousing. By means of reduction of the batch size in assembly and production as well as individual measures in precommissioning, the processing times could be shortened and stock could be reduced. The production of small milling machines DMU 35 M could be switched to assembly line production.

In the sector of data processing, € 0.6 million were invested in the modern 3D-CAD system. Further funds concerned projects like work time measurement, video conference system and PC adjustments. The investment volume of DECKEL MAHO Seebach GmbH during the reporting year amounted to € 2.5 million.

#### **FAMOT Pleszew S.A., Pleszew**

In the company FAMOT Pleszew S.A., purchased in the middle of 1999, as a first stage € 2.1 million were invested in the reporting year. The goal is modernization of mechanical production as well as optimization of logistics processes. High precision machines for machining large parts, modern tools and work-locating fixtures as well as measuring instruments for quality assurance were included in the first stage of the investment.

#### **DMG Vertriebs und Service GmbH, Bielefeld**

For DMG Vertriebs und Service GmbH, investments were concentrated on further expansion of the international technology centers. In DMG Taiwan, DMG India and DMG Houston, newly formed distribution and service companies took up business. DMG France erected a modern building with demonstration center and logistically optimized spare parts warehouse to the south of Paris, and DMG Danmark at the beginning of 1999 moved into its modern technology center. Besides replacement investments for automobiles, further investments in hardware and software were made for market introduction of the DMG product Netservice. During the business year 1999, DMG Vertriebs und Service GmbH and its subsidiaries invested in total € 5.1 million.

#### **a & f Stahl- und Maschinenbau GmbH, Würzburg**

Investments of a & f Stahl- und Maschinenbau GmbH in the amount of € 0.1 million concerned office and plant equipment as well as reconstruction measures.

## Group organization

	Production plants	
GILDEMEISTER Aktiengesellschaft Bielefeld	GILDEMEISTER Drehmaschinen GmbH Bielefeld 100%	
	DECKEL MAHO Pfronten GmbH 100%	LASERTEC GmbH, Pfronten 97%
	DECKEL MAHO Geretsried GmbH 100%	
	DECKEL MAHO Seebach GmbH 62,5%	
	FAMOT Pleszew S.A. 75%	
	Sales and service organization	
	DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER Holding, Bielefeld 100%	
	Procurement	
	a & f Stahl- und Maschinenbau GmbH, Würzburg 51%	

The GILDEMEISTER group is Europe's leading turning and milling machine manufacturer with five production plants and over 30 domestic and international technology centers. DMG Vertriebs und Service GmbH with one exception holds in each case 100% of the shares in the nominal capital of its subsidiaries.

Germany	Europe	America	Asia	Technical Service
DMG Stuttgart Vertriebs und Service GmbH	DMG France S.a.r.l. Les Ulis	DMG America Inc. Charlotte	DMG Asia Pacific Pte. Ltd. Singapore	DMG Service Drehen GmbH Bielefeld
DMG München Vertriebs und Service GmbH	DMG Italia S.r.l. Gorgonzola	DMG Chicago Inc. Chicago	DMG Malaysia Kuala Lumpur (in formation)	DMG Service BAZ GmbH Geretsried
DMG Hilden Vertriebs und Service GmbH	DMG (Schweiz) AG Dübendorf	DMG America Inc. Houston	DMG Australia Melbourne, Sydney, Adelaide	DMG Service UFB GmbH Pfronten
DMG Bielefeld Vertriebs und Service GmbH	DMG (UK) Ltd. Luton	DMG America Inc. Los Angeles (in formation)	DMG China Beijing Representative Office	DMG Gebrauchtmaschinen GmbH, Geretsried
DMG Berlin Vertriebs und Service GmbH	DMG Danmark Kvistgård	DMG Canada Ltd. Toronto (in formation)	DMG Technology Trad. Co. Ltd. Shanghai	DMG Trainings-Akademie GmbH, Bielefeld
DMG Frankfurt Vertriebs und Service GmbH	DMG Nederland B.V. Veenendaal		DMG India Pvt. Ltd. Bangalore, Delhi, Mumbai	
	DMG Belgium B.V.B.A. Zaventem		DMG Nippon K.K. Yokohama	
	DMG Iberica Madrid		DMG Taiwan Ltd. Taipeh (51 %)	
	DMG Brno s.r.o. Brünn		DMG Korea Ltd. Seoul (in formation)	
	DMG Polska Sp.z. o.o. Pleszew (founded '00)			

## **Organization and administration**

The GILDEMEISTER group is composed of five production plants, a & f Stahl- und Maschinenbau GmbH and DMG Vertriebs- und Servicegesellschaft. GILDEMEISTER Aktiengesellschaft has the function of a holding company for these companies.

DECKEL MAHO Pfronten GmbH is the parent company of LASERTEC GmbH, Pfronten. Together with DECKEL MAHO Geretsried GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, Bielefeld, and FAMOT Pleszew S.A., these companies form the production plants of the group, while a & f Stahl- und Maschinenbau GmbH, Würzburg is specialized on component procurement. DMG Vertriebs und Service GmbH, Bielefeld, is also a parent company. With its numerous domestic and international technology centers, it forms the distribution and service interface to the market for the production works.

All companies within the group are consistently managed as profit centers to achieve the best possible performance and results. To assure the overall success of the GILDEMEISTER group, clear rules determine the framework for activities. So that the companies may fully concentrate on their core tasks, GILDEMEISTER for all administrative activities uses an integrated and uniform EDP infrastructure for the group. Sector-wide key functions are centrally discharged. These include tasks of controlling and financial functions as well as personnel and marketing.

The responsibilities of the board of directors of GILDEMEISTER Aktiengesellschaft were distributed as follows in 1999: Dr. Rüdiger Kapitza was the chairman of the board of directors and responsible for the divisions strategy and product development, distribution, marketing, technical services and personnel as well as press and PR work. Mr. Dieter Schäfer was responsible for the divisions finance and accounting as well as controlling. Dr. Raimund Klinkner was responsible for the divisions logistics, materials management and production as well as EDP and projects.



## Legal company organization

The shares of GILDEMEISTER Aktiengesellschaft are mainly in widespread shareholdings. The largest share of 6.75% is held by Westdeutsche Landesbank. Further shares are held by international investors and funds. Besides some private shareholders, in each case holding shares of 1 to 2%, a multitude of small shareholders dominates.

GILDEMEISTER Aktiengesellschaft has closed control agreements and profit and loss transfer 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.

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, has closed control agreements and profit and loss transfer agreements with the group companies listed below:

- DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER,
- DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER.

Due to five further new formations of distribution and service companies, two purchases of shares and sales of a minority share, in 1999 the company organization of the GILDEMEISTER group changed as follows:

During the reporting year, DMG India Pvt. Ltd. in Bangalore with further distribution and service locations in Delhi and Mumbai as well as DMG Machinery Taiwan Ltd. in Taipeh were formed as subsidiaries of DMG Vertriebs und Service GmbH. The newly formed Indian company is a wholly-held subsidiary of DMG Vertriebs und Service GmbH. The shares in DMG Taiwan are held for 51% by DMG Vertriebs und Service GmbH; 49% have been taken over by our Taiwanese partners.

In September, 1999, DMG Vertriebs und Service GmbH formed the following three service companies as wholly-owned subsidiaries:

- \_\_\_\_\_ DMG Service Drehen GmbH, Bielefeld,
- \_\_\_\_\_ DMG Service BAZ GmbH, Geretsried,
- \_\_\_\_\_ DMG Service UFB GmbH, Pfronten.

Effective January 1, 2000, these newly formed companies have taken over the centralized service business and corresponding technical services from DMG Vertriebs und Service GmbH.

GILDEMEISTER Aktiengesellschaft on June 7, 1999, has bought the majority of shares (75%) of FAMOT Pleszew S.A. The company is still listed at the Warsaw stock exchange.

Effective December 31, 1999, DMG Vertriebs und Service GmbH from Gildemeister Italiana S.p.A., Brembate di Sopra, bought 49% of DMG Nippon K.K., Yokohama. Therefore, DMG Nippon is now a wholly-owned subsidiary of DMG Vertriebs und Service GmbH.

GILDEMEISTER Aktiengesellschaft in 1999 sold its 6% holding in Heidenreich & Harbeck Werkzeugmaschinen GmbH, Hamburg, because it is of no meaning for the future product and market development of the GILDEMEISTER group. The sale of the holding was made to the majority shareholder. Therefore, the GILDEMEISTER group exclusively has affiliated undertakings and no longer participation holdings.

## **Affiliated undertakings**

### **GILDEMEISTER Drehmaschinen GmbH, Bielefeld**

The location Bielefeld is the competence center of turning technology of the group. The production program includes the sectors CNC universal turning machines and CNC turning automats and centers. The range of technology solutions and application performance has been expanded. In the turnkey business, turning machines were successfully able to enter future markets.

GILDEMEISTER Drehmaschinen GmbH during the reporting year has started production of the newly developed NEF 320 and NEF 520 in Bielefeld and therefore expanded the production program in the original works. This decision is strengthening the NEF brand image. With advancing flexibilization of turning machine production, which enables quick reaction to market demands and product mix translations, the company was able to again increase sales in the business unit universal turning machines by 6%.

In 1999, the company has further optimized its materials logistics and realized shorter production times with clocked box assembly. Due to cooperation with FAMOT taken up in the meantime, the procurement risk for high-quality components and pre-assembled unfinished machines has been reduced and for the following years the basis for improvement of the materials rate for universal turning machines has been laid. During the reporting year, GILDEMEISTER Drehmaschinen GmbH has achieved a positive result.

### **DECKEL MAHO**

#### **Pfronten, Geretsried, Seebach**

DECKEL MAHO is characterized within the group as specialist for milling and laser technology. At the locations Pfronten, Geretsried and Seebach, the three companies are operating as independent profit centers. Deliberate innovations and clearly established company strategies have established the brand DECKEL MAHO in the world markets. DECKEL MAHO is worldwide leader in the sector of milling machines as well as of vertical and horizontal machining centers. The traditional product range has been expanded in 1999 by the pioneering technology of laser milling and laser drilling and developed to application maturity by the subsidiary LASERTEC GmbH in Pfronten.



GILDEMEISTER Drehmaschinen GmbH, Bielefeld: the competence center for turning technology. The product range reaches from CNC universal turning machines to CNC turning centers for highly complex complete machining.



DECKEL MAHO Pfronten GmbH: trend setter in development and production of universal milling machines and machining centers for 5 axis and 5 side machining.

DECKEL MAHO puts its focal point on pioneering technologies, which include new machines, control concepts and software. Good cooperation with renowned universities and technical institutes supports the proprietary development competence.

#### **DECKEL MAHO Pfronten GmbH, Pfronten**

DECKEL MAHO Pfronten GmbH develops and manufactures the largest universal milling machines and machining centers and is innovation leader and trend setter in this sector. Universalism in Pfronten not only means horizontal and vertical 5 side or 5 axis complete machining on one machine. Universalism here already begins at the modular organization of the hardware and software sector of machine control and ends in integration of diverse technologies in one machine.

Besides the traditional milling technology and high-speed machining, DECKEL MAHO Pfronten through innovation has realized milling and turning as well as milling and laser-processing in one machine. By means of these developments, another important step of complete machining in one operation has been taken. The requirements of the market for shorter processing times, higher flexibility and lower investment volume were fulfilled by this. The machines manufactured according to the «building block system» are characterized by their versatility and reliability and ensure high workpiece precision and process safety. Within the GILDEMEISTER group in 1999, the location Pfronten has achieved the best result.

#### **LASERTEC GmbH, Pfronten**

LASERTEC GmbH, Pfronten, as subsidiary of DECKEL MAHO Pfronten GmbH with the pioneering product range of laser technology expands on the product range of the group. LASERTEC GmbH has developed laser milling and laser drilling to application maturity in 1999 and has for instance entered the very promising sector of micro technology. Using this innovative technology, very small, highly precise cavities may be produced for the computer industry, medical technology, the automotive and aerospace industry. Miniaturization will be an interesting growth market during the next years.

The new machine concept has been presented to the specialist audience in May, 1999, at the worldwide most important fair for machine tools, EMO. During the reporting year, LASERTEC GmbH has been able to achieve the first successful sales.

**DECKEL MAHO Geretsried GmbH, Geretsried**

DECKEL MAHO Geretsried GmbH is the competence center for vertical and horizontal machining centers in the group. The program range of vertical machines reaches from standardized, highly precise machining centers up to high-tech machines with specific characteristics of HSC machining (high speed cutting) for the greatest precision requirements in tooling and mold construction. The new vertical machine generation has been fitted with pioneering linear drive technology. This drive technology will assert itself increasingly against conventional drives.


The second large field of business is formed by horizontal machining centers. These machines with high dynamics are successfully employed in flexible series production. The customers of machining centers make specific requirements of availability, long-term precision and reliability of the products.

During the reporting year, the modern production plant for machining centers has been completed in Geretsried. The construction was performed during current operation; this was not without effect on performance and sales. The company therefore during the reporting year was not able to achieve a positive result. Due to the now improved general logistic conditions at DECKEL MAHO Geretsried, the pre-conditions for future increase in performance and improvement of the results were fulfilled.


**DECKEL MAHO Seebach GmbH, Seebach**

DECKEL MAHO Seebach GmbH manufactures the small and medium-sized milling machines and is the group-wide know-how holder for machining of machine components in the high precision sector. Due to modernization of mechanical manufacture, the production was further improved and expanded in quality as well as quantity.

The organization of application support and construction have been reinforced with personnel according to the increased market requirements. During the past year, the company was able to increase its formerly low export share to 44%. The reporting year was the most successful for DECKEL MAHO Seebach with the best percentage return on sales since it was formed.



DECKEL MAHO Geretsried GmbH:  
the first address for production of  
machining centers. Especially machines  
with specific characteristics for high-  
speed cutting are known worldwide.



DECKEL MAHO Seebach GmbH manufac-  
tures small to medium universal milling  
machines and is the know-how holder for  
mechanical manufacture of machine com-  
ponents in the high-precision sector.





Top: The technology center in Charlotte (North Carolina/USA) and the new DMG Vertriebs- und Service-gesellschaft in Bangalore (India).

### **FAMOT Pleszew S.A., Pleszew**

FAMOT Pleszew S.A. is one of the most important manufacturers of machine tools in Poland. GILDEMEISTER at the middle of the year 1999 has bought the majority of shares (75%) of this company. FAMOT has successfully developed during the past years and is achieving positive results. With 470 employees, the company with high manufacturing penetration achieves sales of about € 11.5 million. The company is listed at the stock exchange and is known throughout Eastern Europe due to its turning machine program and has a 120 year tradition in machine tool construction.

By means of this purchase, GILDEMEISTER has concentrated purchasing resources within the group with the goal of securing quality and realizing cost advantages. The successful cooperation with FAMOT existing for several years in procurement of mechanical components has been intensified in 1999. Furthermore, future-oriented expansion of the traditional Eastern European markets has been initiated. FAMOT achieved positive results in 1999.

### **DMG Vertriebs und Service GmbH, Bielefeld, and branch offices**

DMG Vertriebs und Service GmbH is the worldwide sales and service interface to the market for all products of the GILDEMEISTER group. DMG, with its 20 independent subsidiaries, managed as profit centers, and with nine further distribution and service offices with additional locations is present in all important customer markets for machine tools. DMG employs 1,043 employees, those are 31% of all employees in the group. Consistent proximity to the market, worldwide direct sales and customer-oriented technical services characterize the worldwide active organization with its domestic and international technology centers.

During the reporting year, DMG India Pvt. Ltd. in Bangalore with further distribution and service locations in Delhi and Mumbai as well as DMG Machinery Taiwan Ltd. in Taipei have begun their business operations. In North America, the initiated decentralization was continued with the goal of clearly improving proximity to the customer in the USA. DMG America Inc., Chicago (Illinois), has developed the location Houston (Texas) during the reporting year. The operational results of DMG Vertriebs und Service GmbH has been positive, inspite of the startup cost of the newly formed companies and locations. DMG achieved the second-best absolute results in the group.



### Branch offices

DMG Vertriebs und Service GmbH, Bielefeld, a wholly owned subsidiary of GILDEMEISTER Aktiengesellschaft, besides the 20 active sales and service companies additionally maintains six not legally independent branch offices abroad:

- DMG Danmark,  
Filial af DMG Vertriebs und Service GmbH  
DECKEL MAHO GILDEMEISTER, Tyskland,  
Kvistgård / Danmark
- DMG Vertriebs und Service GmbH  
DECKEL MAHO GILDEMEISTER, Sucursal en España,  
San Sebastian de Los Reyes (Madrid) / Spain
- DMG Brno / Brünn,  
Filiale der DMG Vertriebs und Service GmbH  
DECKEL MAHO GILDEMEISTER, Deutschland,  
Brno / Czech Republic
- DMG China DECKEL MAHO GILDEMEISTER  
Beijing Representative Office,  
Beijing / PR China
- DMG China DECKEL MAHO GILDEMEISTER  
Shanghai Representative Office,  
Shanghai / PR China
- DMG China DECKEL MAHO GILDEMEISTER  
Xian Representative Office,  
Xian / PR China

DMG Danmark, DMG España and DMG Brno are active as sales and service branch offices for the DECKEL MAHO and GILDEMEISTER range and partially also for third party products. DMG Beijing, DMG Shanghai and DMG Xian are accredited as distribution offices for the purchase of the products stated in the PR China. The service functions in this market are represented by DMG Technology Trading (Shanghai) Co., a wholly owned subsidiary of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld.

DMG America Inc., Chicago / Schaumburg (Illinois), a wholly owned subsidiary of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, by the end of 1999 maintained two legally not independent branch offices:

\_\_\_\_\_ DMG Charlotte,  
Charlotte, North Carolina / USA

\_\_\_\_\_ DMG Houston,  
Houston, Texas / USA

DMG Asia Pacific PTE LTD, Singapore, a wholly owned subsidiary of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, maintains the following legally not independent branch office:

\_\_\_\_\_ DMG Australia,  
Melbourne / Australien

DMG Charlotte, DMG Houston and DMG Australia are active as sales and service branch offices of the respective parent companies in their geographically limited territories. Domestically, no branch offices exist. DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, especially has holding functions besides its operational tasks.

The development of business in the branch offices during the reporting year conformed to expectations. In the Czech Republic, the business volume could be substantially increased.

#### **a & f Stahl- und Maschinenbau GmbH, Würzburg**

a & f Stahl- und Maschinenbau GmbH as 51% subsidiary of GILDEMEISTER Aktiengesellschaft is active in the sector of qualified procurement of mechanical parts as well as assembled subassemblies. Besides supplying German production works of the GILDEMEISTER group, a number of renowned customers from machine and plant construction are supplied as well. For procurement, good contacts to a powerful network of suppliers, especially in the countries of Eastern Europe, are used and consistently expanded upon. The procurement spectrum has been consistently developed in direction of more demanding, more complex and highly precise parts and subassemblies. a & f Stahl- und Maschinenbau GmbH thereby clearly delimits itself from competitors and was able to further expand on its position in the market. Consistent with the increased business volume, the results have again improved in comparison with the past year.

## Procurement, logistics and production

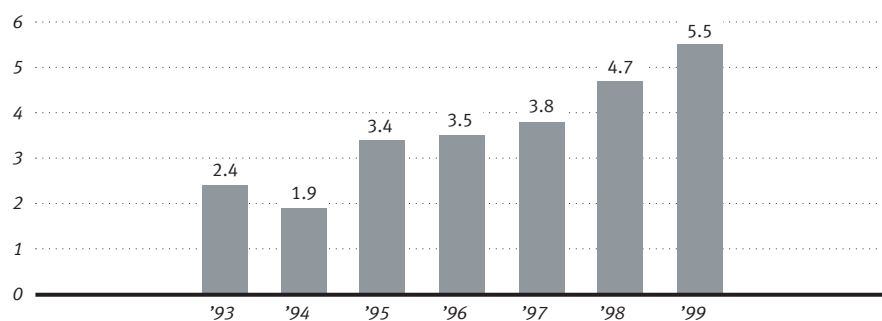
By continuously optimizing the flow of materials and production sequences, GILDEMEISTER is reducing delivery times for the overall process and simultaneously keeps stock low. This enables the company to fulfill the high customer requirements of individuality, short delivery times and observing deadlines for the machines ordered.

In 1999, the PULL system (production and logistics performance) has been implemented throughout the group. The first successes of the PULL workshop at the Bielefeld location started during the past year and the findings gained there form the basis for activities at the remaining production locations. Continuous improvement and flexible reaction to changing customer needs for the equipment of the machines is at the focal point of the new production and logistics concept. Starting from optimized assembly and smoothed supporting processes, a smooth flow of materials and information along the logistics chain is performed. The positive results confirm the course taken: the turnover rate of stocks as an indicator for the quality of logistics processes increased from 4.7 during the past year to 5.5 during the reporting year. This corresponds to an increase of 45% during the past two years.

Consistent implementation of PULL at the production locations Bielefeld and Geretsried has lead to comprehensive redesign of assemblies optimized for flow of materials. By means of new construction of the modern production plant for machining centers in Geretsried and associated concentration of formerly regionally distributed warehouses, the conditions for optimum flow of materials were created. Disposition times reduced by 66% in 1999 and customer wishes could be implemented even faster.

Turnover frequency of stock within  
the GILDEMEISTER group

Turnover rate





By optimization of the flow of materials and production sequences, GILDEMEISTER fulfills the high customer requirements of individuality, short delivery times and observing of deadlines.



Construction of the new assembly hall for the Mega-Universalfräszentrum DMU 200 P (mega universal milling center) in Pfronten has been primarily made under observance of hall layout optimized for flow of materials as well as using an intelligent disposition system. Due to the new logistics center in Pfronten, additionally customer-oriented and quick supply of spare parts was secured for the whole sector of milling. Since the middle of the past year, more than 90% of spare parts are dispatched on the day of ordering.

A pioneering innovation within the GILDEMEISTER group was performed at the Seebach location. As first production works in the group, DECKEL MAHO Seebach introduced clocked flow assembly for the series machine DMU 35 M. Deliberately, a low automation and cost-effective flow system has been selected, which completely fulfills all technical and logistics requirements. The result is productivity improved by 40% in the assembly process, which also has an effect on the supporting sectors of planning and procurement.

Improvement suggestions  
of the employees



In the sense of continuous improvement and employee suggestion plan (BVW), all implementation processes were decisively designed and supported by employees within the GILDEMEISTER group. This also shows in the impressive number of suggestions for improvement in the production works during the year 1999: At 1.85 suggestions per employee (1998: 0.64), the GILDEMEISTER group is today even ahead of the automobile industry (0.79). By means of the employee suggestion plan, GILDEMEISTER was in 1999 able to achieve net savings in the amount of € 1.0 million.

The procurement organization is of great importance within the GILDEMEISTER group. For procurement, the company is largely relying on German suppliers. But suppliers from Western and Eastern Europe and further international suppliers are considered. Large volume components are procured through a & f Stahl- und Maschinenbau GmbH with its local supplier networks. The production works purchase their parts and components with priority directly from selected suppliers. Constructional progress and part sharing concepts as well as the high purchasing volume have contributed to the fact that during the reporting year purchasing effects could be realized as well.

Specific attention was awarded to the supply of pre-assembled unfinished machines and cast components. The timely and high quality supply with these basic components forms an essential factor for performance of the production works. Since 1995, the individual locations are supplied by the company FAMOT with large cast parts and since 1996 with pre-assembled unfinished machines. Takeover of this important Polish machine tool manufacturer by GILDEMEISTER combines the cost advantage of Eastern Europe with supply of the German works true to deadlines from the now group-owned company.

Together with the machining capacity existing at the Seebach location, GILDEMEISTER now has a basis for expansion for group internal securing of these important components. Any demand exceeding this, was consistently switched to double sourcing during the course of the year.

The most important resource of the GILDEMEISTER group is and remains our employees. Due to high dynamics in implementation of modifications and improvements within the scope of the PULL system, they are securing the efficiency of the group.

## **Products and services**

The products of DECKEL MAHO and GILDEMEISTER have achieved a technological peak position by worldwide standards. Today, the GILDEMEISTER group is Europe's leading turning and milling machine manufacturer. With the innovative new products developed and successfully introduced to the market during the past years, GILDEMEISTER has fulfilled an important precondition for better contribution margins within the company. 90% of all machines of our current production program are younger than two years. The machines are characterized by technology setting trends and market-optimized prices.

Due to the new turning machine generation from Bielefeld, the international competitiveness in the business field turning has improved. The three DECKEL MAHO companies with their agreed product and market strategy in milling technology have expanded on their market leadership by means of further innovation. With their com-

plete product range for milling, they are today among the worldwide leading suppliers. Beyond this, GILDEMEISTER in the new pioneering field of business of laser technology has brought the innovative technology of laser milling and laser drilling to application maturity in 1999.

Technical services operated by DMG Vertriebs und Service GmbH and its subsidiaries have become a growing field of business with increasing meaning for the group.

#### **GILDEMEISTER Drehmaschinen GmbH, Bielefeld**

The product range of GILDEMEISTER Drehmaschinen GmbH has been expanded and consistently adjusted to the trend for complete machining. In the MF twin 300 TC, at the machine tool fair EMO in Paris, a machine was presented, which has functionally expanded production turning with tool changer and a B axis. MF twin 65 was upgraded by a new concept of integrated spindle motors in synchronous technology. In support of Netservice activities, the modern control generation based on Windows has been optimized further. The sector of universal turning has been expanded by CTX 400 twin with Y axis and the NEF 320 developed in accordance with the newest constructional principles. In September of the past year, the production turning machine TWIN 32 was presented, as was the NEF 520. The basis for expansion of sales of GILDEMEISTER Drehmaschinen GmbH was formed by universal turning machines. Due to further standardization measures, the company could offer attractive market prices inspite of tougher international competition.

#### **DECKEL MAHO Pfronten GmbH, Pfronten**

DECKEL MAHO Pfronten supplies the market with universal milling machines and machining centers in the working range from 600 mm to 2000 mm. Series start of the Mega-Fräsmaschine DMU 200 P (mega milling machine DMU 200 P) was performed perfectly. The Pfronten products, besides high technical performance parameters, have specific characteristics, like foundation-free setup of all products. A low material rate, optimum production processes and the highest quality form the basis for a good price/performance ratio. This also applies to products under development. The market is acknowledging this with corresponding good placement of orders. Due to increasing market enquiries in direction of flexible production of 5 axis and precision know-how, further markets and target groups have been developed.

**LASERTEC GmbH, Pfronten**

LASERTEC GmbH develops and manufactures the products for laser milling and laser drilling. This innovative technology is employed for manufacture of highly precise forms as they are found in the computer industry and medical technology, but also in the automobile and aeronautics industries. During the reporting year, the laser machines were matured for application. Startup of series production is planned for this year.

**DECKEL MAHO Geretsried GmbH, Geretsried**

In Geretsried, the product range of vertical machining centers was completed by machines with a totally new gantry concept. These centers achieve the maximum performance benchmarks in dynamics and fulfill the highest requirements made of precision of the workpiece to be machined.

The horizontal machining centers characterized by high productivity and long-term precision are mainly used for series production by the customers. Using DECKEL MAHO machining centers, especially complex machining is realized. Increasingly, automation equipment and robots are integrated into flexible production systems. The basis is formed by standardized machines, which are completed according to individual customer wishes using technologies and know-how intensive services like fixtures, tool selection and specific programs with the goal of maximum productivity and precision.

**DECKEL MAHO Seebach GmbH, Seebach**

With the introduction to market of the DMU 35 M, in Seebach the sector small milling machines has been expanded. Over 550 machines sold in the reporting year prove the high market acceptance of this size class. The product range of 5 axis technology has been expanded further with the introduction of the largest machine manufactured in Seebach to date, the DMU 70 VL as long bed version. The highly dynamic DMU 50 Evolution has been sold more than 200 times during the reporting year. The machine traditionally is used for tooling and mold construction and increasingly in the automobile industry, aeronautics technology and electrical industry, as well as in medical technology.





The internet is changing the application of machine tools: DMG Netservice enables access in seconds to the service know-how of the GILDEMEISTER group by mouseclick.

**FAMOT Pleszew S.A., Pleszew**

FAMOT Pleszew S.A. develops and produces conventional and CNC controlled universal turning machines which complete the program of GILDEMEISTER Drehmaschinen GmbH. Mainly, FAMOT manufactures about 1,000 pre-assembled unfinished machines annually and is therefore the main supplier for the production works in the group. The company has a powerful mechanical production with high manufacturing penetration. With corresponding know-how support from the group companies, the productivity of FAMOT is continuously increased.

**DMG Vertriebs und Service GmbH, Bielefeld**

DMG Vertriebs und Service GmbH and its subsidiaries form a central factor for success of the GILDEMEISTER group. The wish of customers for total customer support, i.e. competent technological consultation, training of customer employees, provision of application technology, service up to trade-in of used machines is constantly increasing. The customers are expecting the best quality, fastest reaction times and high reliability.

The technical services include the service and spare parts business, training products, qualification services, application technology, commissioning and the business with used machines. Further important components are the deliberate customer training and further training by the DMG training academy. DMG Gebrauchtmaschinen GmbH additionally offers a comprehensive service package from a single source. This not only includes taking back, but also technical reworking and resale of used machines.

The internet has also changed the application of machine tools: DMG Net-service enables access to service know-how of the GILDEMEISTER group in seconds at a mouseclick. Using this modern tool for fault analysis via the internet, machines are directly connected to our network. The connection to the DMG specialist is performed by simply pressing a button on the CNC control. DMG Vertriebs und Service GmbH offers a wide range in service products for the machines in the market.



Modern training programs secure the constantly increasing demand for highly qualified employees.

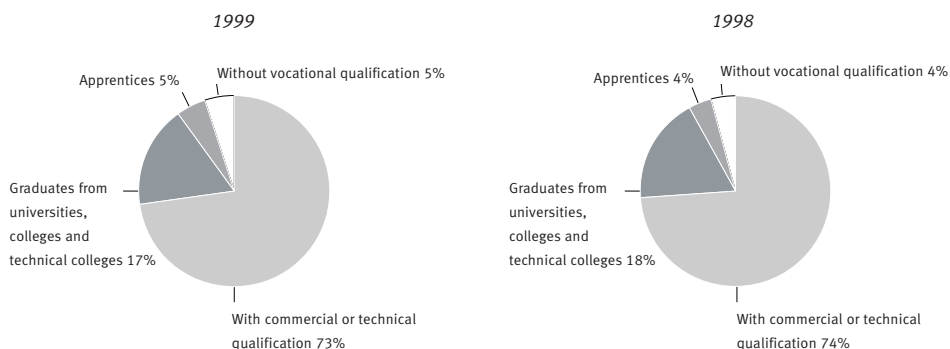
## Employees

On Dec. 31, 1999, 3,340 employees, of those 165 apprentices, were employed by the group (status Dec. 31, 1998: 2,617). In total, the number of employees during the reporting year increased by 723 specialists (incl. 44 apprentices). Of those, 470 employees (18 apprentices) concerned FAMOT Pleszew S.A., the largest turning machine manufacturer in Poland with high manufacturing penetration requiring much personnel. The additional 227 specialists and 26 apprentices hired were caused by the growth process of the company and was mainly performed in the sector of technical services and in further expansion of the DMG companies abroad (India, Taiwan and America) as well as our production works in Pfronten. A large share of the employment relationships was on short term contracts. At DMG Vertriebs und Service GmbH, in 1999, worldwide in total 1,043 employees were employed (past year: 935); thereof 76% in the sector of technical services (service, spare parts logistics, application technology and training). 42% of all DMG employees are employed abroad.

During the reporting year, 165 young people received vocational training in the GILDEMEISTER group. The number of employees was 36% higher than the past year's value. The growing demand for well trained employees forms the background for this special meaning of vocational training in the commercial-technical sector of the group. Besides classical vocational training, proven training courses were offered and developed further in cooperation with regional vocational academies and technical colleges.

The qualification structure of the employees mirrors the importance of qualified training in the GILDEMEISTER group:

Qualification structure of employees in the GILDEMEISTER group



In the group, 95% of employees (past year: 96%) have vocational qualifications or are in their apprenticeship. The good training level and permanent further training of employees form a competitive advantage for GILDEMEISTER as a technology and service company.

The DMG Trainings-Akademie during the reporting year performed 511 internal training measures; the number of training days has increased by 19% with respect to the past year. The employees in research and development were intensely trained for introduction of the new 3D-CAD system. The most comprehensive training measure during the reporting year was the qualification of our domestic and international service employees for the new machine generation. Language courses supported the internationalization process of the company. The total expenditure for internal employee training and external further training measures during the reporting year amounted to € 2.9 million.

Personnel expenditures 1999 in the group amounted to € 171.4 million (1998: € 145.8 million). Of those, wages and salaries accounted for € 143.1 million (1998: € 121.2 million), social contributions € 23.7 million (1998: € 21.0 million) and expenditure for old age pensions € 4.6 million (1998: € 3.5 million). The increase by € 25.6 million results from recruitment in the production works and in the sector of technical services, from tariff increases and from the variable share of success-dependent salaries.

The average personnel expenditure per capita in the domestic production companies of the GILDEMEISTER group was in 1999 at K€ 51.5 (past year: K€ 49.1). A reason for the higher expenditure is formed by tariff increases and the high capacity utilization of the works. Including the employees of FAMOT, a group figure of K€ 40.9 results. The average personnel expenditure in DMG Vertriebs und Service GmbH in 1999 was at K€ 70.0 (past year: K€ 67.5). The variable, success-dependent bonuses and the high utilization in the service sector essentially form the reason for the increased expenditure.

In the year 1999, in the GILDEMEISTER group, an innovative employee share plan was enacted, which offers employees the opportunity of participating in the company capital. The employee share plan in total includes three stages and runs until November 30, 2001. During this period, all employees of the group may purchase GILDEMEISTER shares and therefore increasingly participate in the economic success of the company.



The good training level and continuous further training of employees form a competitive advantage for GILDEMEISTER as a technology and service company.



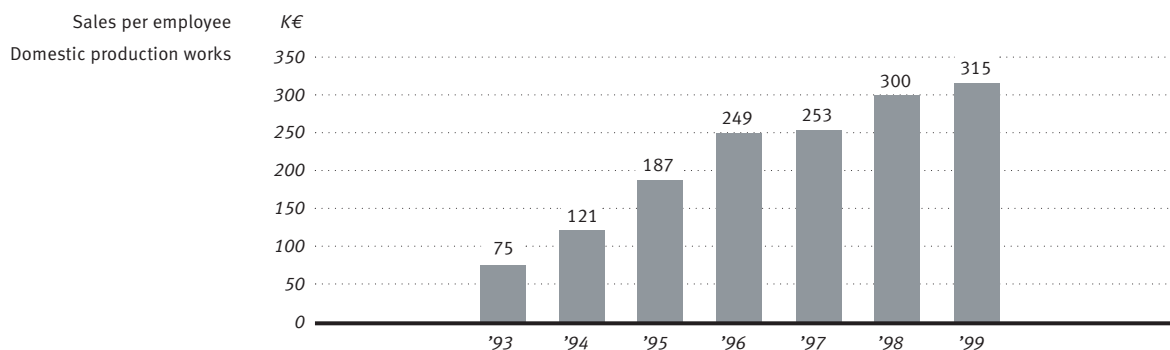
Within the scope of the old-age part time plan in the GILDEMEISTER group, 53 old-age part time agreements were closed. For this plan, mainly the «Blockmodell» (block model) is applied, i.e. the whole period of old-age part time is classified into an active and a passive phase of equal parts. The goal of the old-age part time plan is to enable more young people to enter the modern working world.

The operational suggestion plan was intensified throughout the group during the reporting year. The goal of this corporate shop agreement is that all employees share their ideas and experience with associated requests in the operational suggestion plan and therefore support continuous improvement of all products and work sequences of the overall group.

Traffic and operational accidents in 1999 at 91 exceeded the figure for the past year (1998: 50). With reference to the total number of employees, this means an increase to 2.7% (past year: 1.9%). The increase must be traced back to the increased number of road traffic accidents. The level of sick employee at on average 3.7% was slightly higher than during the past year (1998: 3.5%), but below the industry average of 4.5%.

During the reporting year, 14 employees of the GILDEMEISTER group had their 40 year anniversary and 57 employees their 25 year anniversary. We thank all employees celebrating anniversaries for their loyalty to the company and for good cooperation.

We would like to thank all employees here for their model commitment. Due to their personal commitment, they have contributed to make GILDEMEISTER successful once more. Finally, we would like to thank our works council members that they have contributed, through sovereign and especially non-bureaucratic mediation between general management and staff, so that decisions could be quickly and correctly implemented.



## Environmental protection

The technical progress and protection of natural resources by environmentally compatible developments find high regard with DECKEL MAHO and GILDEMEISTER. Even though the products of the company themselves form a low load on the environment, environmental protection is performed in many places within the GILDEMEISTER group. Already the selection of suppliers is performed under ecological criteria and considers environmental compatibility of materials used and the production processes.

For new development of machine tools, care is taken that the materials employed are able to be recycled. All materials applied in production are reviewed for their environmental compatibility and fulfill the safety standards of the European Union. The cast and steel materials used may be returned to the metal cycle without any problem. Plastic and rubber components as well as small parts may be easily disassembled and finally recycled separately. Only the emulsions employed in the machine must be professionally reworked. The use of minimal lubrication of guiding elements and drive spindles in the new machines substantially contributes to the protection of the environment. The new axis and main drives have already been fitted with restoring units, which during the braking process feed back electrical energy into the network. DECKEL MAHO and GILDEMEISTER are consistently implementing these measures in favor of the environment.

An extremely low load on the environment characterizes the production processes within the GILDEMEISTER group. In the assembly sector, the transition to multiway packaging for large-volume and packaging intense components, already begun during the past year, was continued during the reporting year. For the remaining components, separation of pure materials and return of the different packaging materials is performed. At the locations Bielefeld and Seebach, power supply was modernized using new transformers. The new, light floor coating seals the production areas and contributes to ergonomical improvement.

Measures for protecting the environment are actively promoted at DECKEL MAHO and GILDEMEISTER. Dry machining is the name of the challenge for the coming years. A trend which is increasingly accepted by operators as well. Using dry machining, with results similar to full cooling are being achieved. All high performance machines of the group have full enclosure of the work area, which clearly reduces the air load due to aerosols. The machines from DECKEL MAHO and GILDEMEISTER fulfill the

guidelines for electromagnetic compatibility and the regulations on noise emission. They therefore contribute to a healthy workplace for machine operators. In the GILDEMEISTER group in 1999, the environmental protection measures have reached a remarkable investment of € 3.6 million.

### **Investor Relations**

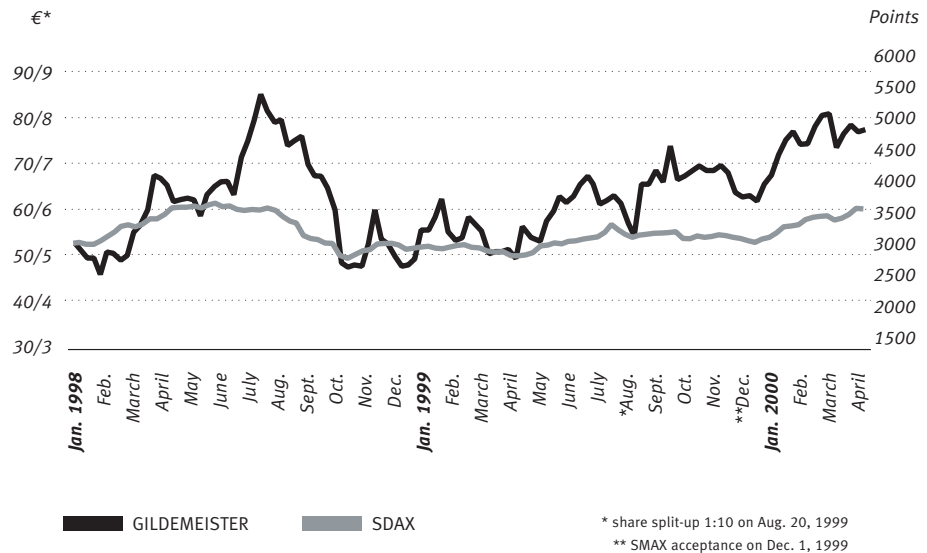
The stock exchanges in Western Europe and North America have continued their general positive trend in 1999 as well. After three years of decline, most of the Asian capital markets have also recovered. The international stock exchanges due to the good economic forecasts for 2000 during the fourth quarter had an upward trend. In New York, the Dow Jones index during the course of the year increased by 25%, and the London FTSE-100 index increased by 18%. The German share index (DAX) improved by 39%, the EURO Stoxx even by 47%. The Japanese Nikkei index increased by 37%, but from a weak starting point.

During the reporting year, the **GILDEMEISTER share** showed a price increase of 18% (past year: 15%); at Dec. 30, 1999, it was quoted at € 6.80. SDAX on Dec. 30, 1999, closed at a plus of 7%. Transition to quota shares and EURO in connection with a share split-up in the ratio of 1:10 from August, 1999, brought good momentum for the price. After publication of the interim report, the GILDEMEISTER share reached a high at € 7.30. The low for the year at the end of March was at € 5.05. The number of quota shares traded in 1999 amounted to on average about 30,000 per day.

Since December 1, 1999, the GILDEMEISTER share is traded in the SMAX, the new quality segment of the Frankfurt stock exchange. Due to fulfilment of the quality criteria of the SMAX by more comprehensive reporting, the shareholders and potential investors receive even more transparency. The chart of the GILDEMEISTER share in 1999 has developed dynamically compared with SDAX. Still, the price performance of the share did not correspond to the positive developments within the company. Many investors increasingly turned to growth shares – like telecommunications and information technology. The machine construction shares generally developed in a reserved manner. The price/earnings ratio of the Gildemeister share must be assessed as favourable for investors.



The GILDEMEISTER share in comparison to SDAX; January 1998 to March 2000



The shareholders also benefit from the improved results of the GILDEMEISTER group during the business year 1999. At the annual assembly on May 26, 2000, the managing board and the supervisory board will propose allocation of a **dividend** to the amount of € 0.50 per share for the business year 1999. That is 19% with reference to the computational nominal value of the quota share of € 2.60. In comparison: in 1998, the dividends amounted to DM 5.50 per share (11%) of a nominal value of DM 50. Considering the transition to quota shares and the share split-up at the ratio of 1:10, this corresponded to € 0.28. In comparison with the past year, the dividend for the business year 1999 will therefore almost double. For the 21,691,420 quota shares, the total amount of distribution amounts to € 10.9 million (1998: DM 11.9 million respectively € 6.1 million). It will be **the highest distribution in company history**. 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 investment income tax of 25% plus solidarity surcharge will be retained.

We have taken into account the increased demand for information of the international financial markets during the reporting year by intensification of our investor relations activities and as well as a DVFA analyst conference have performed numerous individual meetings as well as company presentations, domestically and abroad. We will further expand on the dialogue with our shareholders, potential investors and financial analysts to do justice to the increasing requirements of the capital market. With an open information policy, we want to strengthen the trust of the shareholders in GILDEMEISTER and gain new investors for our company, with the goal of sustained increase in the share value. Increase of the shareholder value of GILDEMEISTER Aktiengesellschaft will in future remain an important task for management.

#### Development of dividends

1999	0.50 € <sup>1)</sup>
1998	5.50 DM (corresponds to € 2.81)
1997 to 1991	no payment of dividends
1990	8.00 DM (corresponds to € 4.09)
1989	8.00 DM (corresponds to € 4.09)
1988	6.00 DM + 2.00 DM bonus (corresponds to € 4.09 in total)

1) after share split-up in the ratio of 1:10

#### Key figures for the GILDEMEISTER share

	1999	1998
Profit per share according to DVFA/SG <sup>1)</sup>	0.76 €	0.46 €
Dividend per share	0.50 €	0.28 €
Dividend yield <sup>2)</sup>	7.35%	4.84%
High price	7.30 €	8.96 €
Low price	5.05 €	4.81 €
Price at the end of the business year	6.80 €	5.78 €

1) Due to tax losses carried forward, GILDEMEISTER Aktiengesellschaft did not pay taxes on profits.

For calculation of the profit per share according to DVFA/SG, fictitious taxes were applied. In 1999, the share capital was split-up at a ratio of 1:10; the values for the past year were adjusted accordingly.

2) with reference to the price at the end of the business year.

## Marketing/press and public relations work

The marketing measures for 1999 were consistently aimed at supporting the new products to successfully accompany the numerous innovations in the European and international markets. The goal was to better utilize market potential, develop new market segments and to gain in market share. The GILDEMEISTER group in total invested € 11.3 million in the sectors of marketing as well as press and public relations work.

Fairs are among the most important marketing instruments for capital goods. DECKEL MAHO and GILDEMEISTER were present at 22 important specialist fairs of the industry. The highlight included the European machine tool exhibition EMO in Paris. On in total 4,500 square meters of exhibition space, during the past year around the globe 180 turning and 240 milling machines were presented in action. This was completed by 29 in-house exhibitions. By the middle of September, with a grand opening, the new building in Geretsried as the most modern production plant for machining centers in Europe was commissioned.

The customer magazine «DMG-Journal», communicating the newest trends of technology, comprehensively presents innovations and news as well as describes utilization of the machines by customers, during the reporting year appeared in 13 languages and with a total print run of more than one million copies. The focal point of classic product advertising in 1999 again was formed by product brochures, which in conformation with the strategic goals were printed in all important languages. 620,000 DECKEL MAHO brochures and 412,000 GILDEMEISTER brochures were printed and distributed. An advertising and insert campaign in domestic and international specialist magazines completed the introduction of new products. In total, more than three million inserts were distributed using the worldwide most important specialist magazines and 250,000 handouts were distributed at fairs.



DECKEL MAHO and GILDEMEISTER during the past year on more than 4,500 sq.m. of exhibition space presented 180 turning machines and 240 milling machines in operation. Using the DMG-Journal, the newest trends in turning, milling and laser processing were communicated and the innovations and new products were presented.



DECKEL MAHO and GILDEMEISTER also made use of the supporting effect of the internet which enables direct interaction with the customer. The new communications channel ([www.gildemeister.com](http://www.gildemeister.com)) was used increasingly. Besides new products, the internet pages for instance give information about the current share price and the newest company developments. Interested parties are also supplied with annual reports and interim reports. By means of specific offers and current information, **e-commerce** is completing the traditional distribution paths. Interactive CD-ROMs virtually representing the machines have been expanded to all high-tech products as sales documentation.

The GILDEMEISTER corporate identity has been consistently continued. The total of all marketing measures supported the worldwide presence of the GILDEMEISTER group and improved the image as well as the name recognition.

The basis for **press and public relations work** is formed by a longterm integrated communications concept ensuring active company communications, internally and to the outside, and therefore sets the position of the GILDEMEISTER group in the image of the public. Competent, quick and comprehensive information of printed and electronic media as well as of all interested target groups about developments in the GILDEMEISTER group is therefore an essential component of our press and public relations work. By means of regular press releases, the public is timely informed about the course of business. In future, GILDEMEISTER will communicate the company results quarterly. The goal is continuous and open communications with the international economic and specialist press, shareholders and financial experts, associations and other institutions of operational activities.

## ***Supplementary report***

### **Economic development 2000**

The general setting of the **overall economic development** has increasingly improved during the first months of the current year. The economic upturn has continued even stronger according to current surveys of the IFO-Institute. Worldwide recovery of the gross national products is looming.

The course of the economy for the **German machine tool industry** has improved at the start of the year 2000. The rising demand trend has continued. At the start of the year, the intake of orders of the industry was 28% above the corresponding past year's figure; but sales declined by 1% (status: February 2000). The backlog of orders in production months increased to 7.4 months by the end of February, 2000.

### **Corporate situation upon close of the year under review**

Group sales during the first two months of the current business year increased by € 2.2 million respectively 3% in comparison with the high value for the comparable months of the past year. The intake of orders in the GILDEMEISTER group in comparison with the past year during this period increased by € 19.0 million respectively 19%. The backlog of orders per February 29, 2000, increased to € 241.4 million. Any statement on the results for the first two months of the business year would be too early at the current time. We would like to refer to our quarterly report in this place, which we will for the first time publish within the scope of SMAX guidelines by the middle of May.

To adapt to the increasing globalization of international companies, at the start of the year key accounting was concentrated in the group, which has taken over care for key accounts. Key accounting works territory and product wide according to the requirements of key accounts. First orders could already be successfully closed.

In America, at the start of 2000, the former branch office DMG Charlotte according to its importance in the market was formed into an independent company and renamed to DMG America Inc., Charlotte (North Carolina). It is now a wholly-owned subsidiary of DMG Vertriebs und Service GmbH, Bielefeld. DMG Houston (Texas) since this change is a legally not independent branch office of DMG America Inc., Charlotte (North Carolina). Simultaneously, the former DMG America Inc., Chicago / Schaumburg was renamed to DMG Chicago Inc.

DMG Brno, Brünn was also formed into an independent company effective January 1, 2000. It is now managed as wholly owned subsidiary of DMG Vertriebs und Service GmbH, Bielefeld, and is still responsible for sales of our products in the Czech Republic and Slovakian Republic. In the traditional Eastern European markets, an expansion was also initiated. DMG Polska, Pleszew, formed in January of this year, has in close cooperation with FAMOT started systematic development of the market in Poland.

Since January 1, 2000, the three service companies in the group are performing the centralized service business and corresponding technical services.

The two in-house exhibitions in Seebach and Pfronten served to promote business at the start of the year. Besides the current product range, the GILDEMEISTER group presented two world premieres: DMP 60 linear – a production milling center with highly dynamic linear drives and peak technology for 5-sided machining – as well as the DMU T-range – a new range of universal milling machines in monobloc construction with high productivity and optimum ergonomics. The new product program with the trends 2000 in turning and milling was dispatched to our customers and interested parties worldwide in a print run of 100,000 copies.

Adjustment of the sales prices for our products has not been performed up to now. By careful determination of the market prices and realization of competitive sales prices for our new developments, price corrections only have to be made in case of substantial change of the general conditions.

The comprehensive preparations for adjustment of the EDP systems within the company for the Y2K problems have led to the fact that transition to January 1, 2000, could be performed without any problem and without delays worth mentioning. No problems have arisen for our customers with the machines and controls supplied by us due to the millenium change.

The **current status** (March 31, 2000) for the takeover bid of Gildemeister Italiana:

On January 31, 2000, GILDEMEISTER has made to the shareholders of Gildemeister Italiana S.p.A., Brembate di Sopra (Italy), a public purchasing offer (PPO) by the newly formed wholly-owned subsidiary Holding Macchine Utensili S.p.A., Milan. GILDEMEISTER strives to hold a majority of at least over 50%.

Within the scope of the PPO, on March 24, 2000, we have adjusted our bid from € 4.13 to € 4.52 per share, which would correspond to a purchasing price of in total € 126.6 million for 100%. The counter bid of G.I. Holding S.r.l., a subsidiary of Banca Popolare di Verona, was at € 4.50 per share and was increased to € 4.65 on March 27, 2000. To ensure proper handling, the Italian stock exchange supervisory authority CONSOB extended the term of the takeover bids until April 20, 2000 (our PPO was scheduled to terminate on March 31). On March 30, 2000, currently 66.8% of share capital of Gildemeister Italiana has submitted their shares for takeover. During the coming days, the reaction of shareholders to the counter bid remains to be expected.

Even though the business figures for 1999 recently published by Gildemeister Italiana S.p.A. have turned out lower than expected, the board of directors of GILDEMEISTER Aktiengesellschaft, due to its better industrial concept and the international machine tool economy picking up, assesses the future perspectives of the Italian turning machine manufacturer as positive.

GILDEMEISTER plans to castingly support and expand the product range of Gildemeister Italiana. The multi-spindle turning automats originally produced in Bielefeld complete the turning machine program of the GILDEMEISTER group in the sector of production of mass turned parts. Multi-spindle machines were the main products of GILDEMEISTER Aktiengesellschaft for many decades. In the sector of CNC turning machines, GILDEMEISTER with Gildemeister Italiana and its subsidiaries Graziano aims at synergies on the basis of an expanded product range. Under strategic aspects, a renewed merger of GILDEMEISTER and Gildemeister Italiana promises substantial synergy effects in sales, marketing, service as well as in research and development.



## **Forecast 2000**

The **overall economic development** should be better during this year than expected. The Munich IFO-Institute für Wirtschaftsforschung for the year 2000 expects a lasting economic upswing. The world economy is to grow by in total 4% (1999: 3.2%). In Japan, the signs of a lasting, even though sluggish recovery process are being confirmed. In the USA, economic experts are assuming a robust course and no longer only a slump of economic development. Average growth in Europe should clearly increase, on the other hand. According to the opinion of the economic scientists, the started economic recovery in the European Union will continue in light of the improved international economic environment and the still stimulating monetary policy.

In **Germany**, the economy after growth of only 1.5% in the past year, will also take a much more dynamic course. According to opinions of the experts, the weak phase has been overcome. Generally, for the year 2000, a growth rate of the gross national product of 2.5 to 3% is expected. Main support is the export business. The international competitiveness of the German economy is boosted by the weakness of the EURO, because German exports to countries outside of the Euro territory are lowered in price. Simultaneously, the inflation hazard is growing. Domestically, the ecological tax has an inflationary effect. On the German labor market, light easing is to take place. The IFO-Institut and leading economic experts are assuming that the recovery will last beyond the year 2000.

The **worldwide market for machine tools** in the year 2000 is gaining in momentum. For their consumption forecasts, the world associations are overwhelmingly assuming a recovery of the worldwide demand. The **German machine tool industry** is expecting a slight increase of orders, especially characterized by increased export orders. In Europe, the signs for a recovery of the demand for machine tools are also increasing. In North America, a stable course is being expected. The Asian market will continue to recover.


**GILDEMEISTER** will face this development in a **market-oriented** and **product-offensive** manner in 2000 as well: twelve new developments are presented at 56 domestic and international fairs and exhibitions. This again proves the technological peak position of DECKEL MAHO and GILDEMEISTER. New sectors of application in the aerospace industry, in computer and medical technology as well as in the automotive sector ensure additional sales potential. Additionally, the innovative laser technology expands the GILDEMEISTER product range.

In a market-oriented manner, the presence in North America and Asia is further reinforced. Besides expansion of technical services, sales is again promoted. During the past years, Canada has turned into a growing sales market. Corresponding to this increasing importance, DMG Toronto is being formed. To improve proximity to customers in the USA, another technology center is established in Los Angeles. DMG Australia with locations in Melbourne, Sydney and Adelaide is being established for Australia. In Asia, during the current business year, independent sales and service companies will begin operation in Malaysia and Korea.

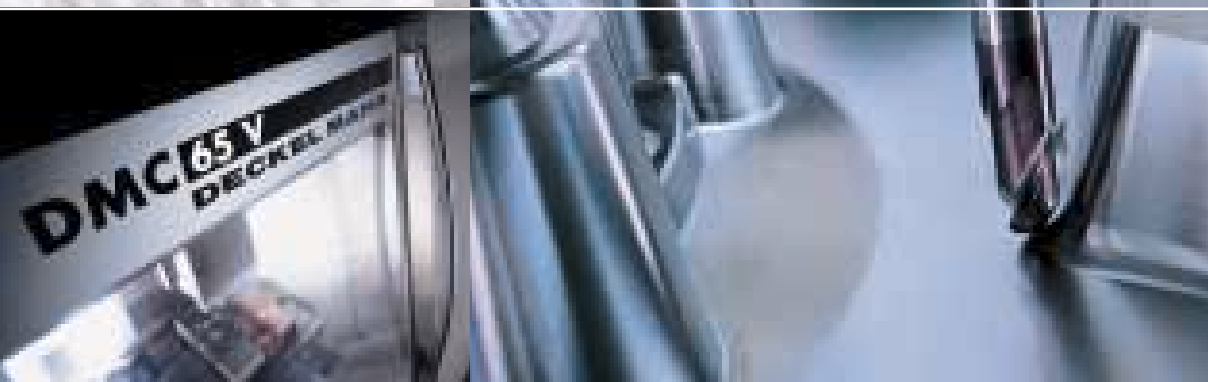
Supplementary to the fairs and exhibitions, comprehensive marketing measures are planned. It is the goal to present the new developments of DECKEL MAHO and GILDEMEISTER to the international market and to promote the current business. We are expecting new momentum from our internet activities. By means of special offers and current information, e-commerce supplements the traditional distribution channels.

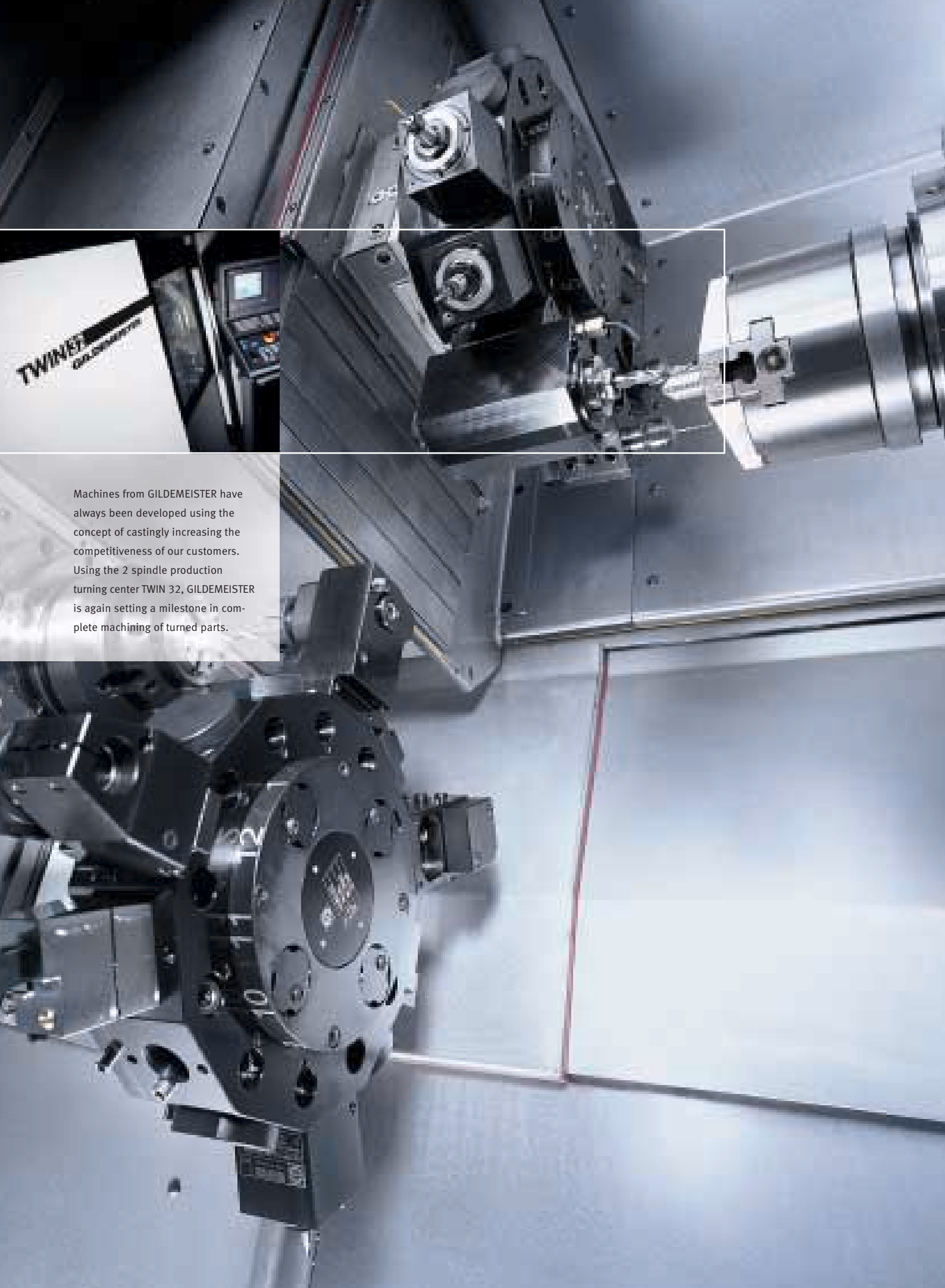
GILDEMEISTER is well prepared for the year 2000 and will continue in its growth. The **intake of orders** in the group during the first two months corresponded to plan. It amounted to € 116.5 million and was therefore 19% above the comparison value of the past year. Based on the innovative power and the initiated marketing measures, GILDEMEISTER for the current business year again plans a high level of incoming orders which will be in excess of € 700 million.

During January and February, 2000, the **group sales** were also according to plan and increased by € 2.2 million respectively 3% with respect to the corresponding past years figures. Starting from the solid backlog of orders and the satisfactory intake of orders for the current business year, we are expecting a sales volume which might for the first time exceed € 700 million, if business progresses according to plan.



With the DMC 65 V in gantry design, DECKEL MAHO has started into a new era of vertical machining. High-speed cutting, dry machining and universal use in mold construction and series with even more dynamics and precision.





TWIN 32  
GILDEMEISTER

Machines from GILDEMEISTER have always been developed using the concept of castingly increasing the competitiveness of our customers. Using the 2 spindle production turning center TWIN 32, GILDEMEISTER is again setting a milestone in complete machining of turned parts.

By the end of February, the **backlog of orders** rose to € 241.4 million. The increased backlog currently has no negative effect on the series machine business, because the necessary short delivery times for those machines have been ensured by special measures in the sector of logistics.

A statement on the **results** of the current business year would be too early at the current time. Further improvement of the profit situation remains the main goal of general management. Under condition of the assumed course of business during the year, a higher profit than in the past year is planned. We strive for reasonable payment of dividends for the business year 2000.

Our **risk policy** is determined by the principle of caution. From our current view, no substantial risks from external environmental factors concerning our locations or markets and which might have a substantial influence on the asset, financial and profit situation are in sight.

For the operational functional sectors (procurement, production, distribution, personnel, funding and investments), the board of directors is assuming the usual business risks. Market risks have been limited by corresponding measures. There is no high dependency on individual customers or specific market regions. Decentral organization of the worldwide sales system, a wide range of customers throughout big industry, medium-sized companies and many small companies in different industries as well as good customer commitment through our technical services are limiting the entrepreneurial risks.

Materials and production risks are reduced by proprietary production of know-how parts; critical supplier parts are secured by double sourcing. Due proprietary resources of the group with a & f Stahl- und Maschinenbau GmbH as well as with FAMOT Pleszew S.A. – as supplier for pre-assembled unfinished machines – there is opportunity for direct intervention. Due to the current exchange of information, technical risks of product development are minimized.

Cash funding of the group is secured by means of sufficient bank credit lines. The main share of sales is achieved in Europe and therefore a large share in the EURO territory without foreign exchange risks. Foreign exchange effects from the American and Asian economic regions are secured against for each transaction.

The GILDEMEISTER group plans **investments** in the amount of € 36 million for the business year 2000. The investment volume therefore again corresponds to the high level of the past year. It is the goal of the investments to realize rationalization potential for improvement of profits and for expansion of competitiveness. The modern EDP system is optimized further to increase integration of applications in all sectors of the group. The CAD system as platform for uniform research and development activity within the group is also expanded further.

GILDEMEISTER Drehmaschinen GmbH, Bielefeld, will invest € 3.1 million during the current business year to increase flexibility in production as well as for acceleration of processes in the sector of logistics. DECKEL MAHO Pfronten has planned investments of € 12.3 million for measures for optimizing the flow of production, further expansion of production and for quicker development of new machine models. At the Geretsried location, DECKEL MAHO will complete expansion of the technology center. The investment amount of € 3.1 million contains additional funds for improvement of process sequences and production of goods and services. At DECKEL MAHO Seebach, mechanical production and internal production processes for goods and services will be optimized. Funds in the amount of € 3.2 million are planned. The expansion and development of the distribution organization will be supported by investments in the amount of € 5.9 million into DMG Vertriebs und Service GmbH and its subsidiaries.

The focal point of PULL activities in the sector of **procurement** will be transferred from production and provision to the supporting processes from materials scheduling to suppliers. Optimization of interfaces and improvement of communications move into the foreground. Demand forecasts and demand calls for the most important suppliers will be systematically integrated into the perpetual planning system. Locating suppliers on the plant property allows optimum adjustment of quantities and variants by means of the shortest possible communications paths. Connection of suppliers via EDI (electronic data interchange) will in future lower communication times and the overall cost in the process chain as well as increase the security of transfer. Know-how of the group in milling processing will be assured by corresponding supply from mechanical production of DECKEL MAHO Seebach GmbH and by FAMOT.

In the sector of **products and services**, we will be presenting a totally new design at the middle of the year, which is characterized by high-quality stainless steel components. For the first time, all products will have a uniform appearance. The design change will also make a contribution to the **protection of the environment**. By use of stainless steel covers instead of varnished sheet metal, varnishing is omitted; the fine material used is very environmentally compatible, recyclable and durable. The numerous new developments to be realized during this business year as well should in future make their contribution to sales and profits.

The **legal company organization** could change due to possible acquisitions. With reference to **organization and administration**, no substantial changes are currently planned. Future **development of employees** will be determined by growth within the GILDEMEISTER group. Recruitment concentrates on production works and technical services. In the sector of training, all companies of the GILDEMEISTER group will intensify promotion of young talents.

Consistent market-oriented product development as well as strict and quick implementation of technical trends with short time-to-market times characterize our development strategy. **Research and development** are performed in close cooperation with suppliers, key accounts, universities and institutes. The cost for research and development will again be substantial during the current year. Twelve new developments again prove our high innovative power. With pioneering innovations and consistent market-orientation, GILDEMEISTER is well prepared for the global challenges of the year 2000.

## ***Research and development***

With consistent alignment of development to the requirements of the international markets, the products of DECKEL MAHO and GILDEMEISTER by international standards have reached a technological peak position. Besides this, strict and quick implementation of technical trends and market requirements is the goal of our developments. With high innovative speed, the largest product offensive up to now has been realized during the reporting year. By results, the international markets were presented 14 new developments. This means that statistically each month more than one new product has been developed.

The technological trends 2000 are: combining turning and milling, new drive systems with extreme acceleration and interlinking of the open control systems and software modules of our machines through the internet. Beyond that, the laser technology will develop into a new pioneering field of business for GILDEMEISTER. The innovative technology of laser milling and laser drilling is to advance into the promising market segment of microtechnology, because during the coming years, miniaturization will become an interesting growth market.

To further reduce development time inspite of increasing development quality, a system for preventive quality assurance has been introduced. Due to consistent review of the results during each phase of development using design reviews, it will be possible to secure during a very early phase of product development that the requirements of the market and of production are considered and that the conditions for short time-to-market times are created. Group-wide introduction of the modern 3D-CAD development system in this respect supports the new options of modeling, visualization and standardization.

During the business year 1999, GILDEMEISTER invested in total € 19.8 million into development of new products, which is 40% more than during the past year. The number of employees in research and development during the reporting year was increased by 56 to 207, which means that 10% of our employees in production plants are working in this sector. Beyond this, more than 100 further engineers are employed in external engineering offices.



### **GILDEMEISTER Drehmaschinen GmbH, Bielefeld**

The product range of GILDEMEISTER Drehmaschinen GmbH has been expanded by market-oriented further development and new optional machine equipments. The cost rose to € 5.8 million (past year: € 4.4 million). The sector of development was reinforced by additional personnel in 1999 and the organization was aligned to the future product range by division into three product ranges.

The CNC universal turning machines will be completed by the newly developed NEF 520 with two turning lengths. As in the smaller NEF 320, this machine also sets standards in ergonomics and technology. The electromagnetic main spindle drive is the cause for quiet running and good operating comfort.

The CTX universal turning machine range has also been completed. The Y axis was integrated into the model range CTX 400. The standardized concept of the CTX series 2 covers a large share of all customer requirements with its options.

Two new developments of the year 1999 come from the sector of production turning machines. TWIN 32 expands the existing machine spectrum to smaller turning diameters. Innovations are a new highly dynamic spindle technology and the axis kinematics allowing collision-free machining inspite of the highest productivity. The MF twin 300 TC expands the product range in the high-end sector. Developments conform to market requirements to completely machine even more complex work-pieces in a single machine.

GILDEMEISTER Drehmaschinen GmbH is currently participating in three ongoing projects subsidized by the European Commission respective the Federal Ministry for Education and Research. Jointly with universities, other German and European machine tool manufacturers, operators, tool and control manufacturers, research work is being performed for shortening development times, for integration of virtual product development and for development of highly precise machine tools. The projects have started at the beginning of 1997 and in the middle of 1998. They run to the year 2000 respectively 2002.

### **DECKEL MAHO Pfronten GmbH, Pfronten**

Numerous innovative new developments have been presented by DECKEL MAHO Pfronten GmbH. The great trust of customers in the products showed in the positive market reaction. In case of some machines, orders could even be booked before the prototype was completed.

On occasion of the EMO in Paris, the DMU 80 T and the DML 60 were presented for the first time, a joint project with LASERTEC GmbH. The DMU 80 FD, another highlight, integrates milling and turning in one machine. It is fitted with a quickly turning machine table which enables turning machining with cutting speeds up to 500 m/min.

Furthermore, development of the DMU 60 L must be emphasized. For this product, two processes were combined in one machine, milling and laser machining. This enables after milling laser machining of fine contours, like for instance molds for injection molding tools.

The DMC 200 U is a completion of the machine program, a universal machining center with pallet changer and other versatile automation options. By the end of 1999, innovations were completed by the presentation of DMU 60 / 80 P, DMC 60 / 80 U hi-dyn as well as DMU 100. The DMU 100 T is a new machine concept in monobloc construction. With a generation change in dynamics, the speed and tool change times, this product will especially develop new markets in the export sector.

DECKEL MAHO Pfronten researches and develops in future in cooperation with universities and technical institutes for pioneering technologies. In the foreground are examinations for new machine tool technologies, advanced controls and new production procedures. The number of employees in the sector of research and development during the reporting year increased from 59 to 67.



The DMU-T range from DECKEL MAHO is a unique new concept for universal milling machines. The monobloc design forms the basis for small footprint, excellent stability and optimum ergonomics.





With the DML 40, the GILDEMEISTER group is starting into the era of laser technology. It enables all options which CNC laser machining according to the state of research today offers in practice. Its scope of application includes molds and work-pieces with very fine contours.



### **LASERTEC GmbH, Pfronten**

LASERTEC GmbH, Pfronten, has presented two products. At the EMO in Paris, the laser machine DML 40 could be presented to the market. For the series milling machine DMU 60 L, LASERTEC supplies the option for laser technology to combine the processes of milling and laser machining.

### **DECKEL MAHO Geretsried GmbH, Geretsried**

To strengthen the innovative power, at DECKEL MAHO in Geretsried research and development were also expanded. The expenditure in this sector was increased by 33% in comparison with the past year.

DECKEL MAHO Geretsried GmbH could prove its creativity in the year 1999 by means of distinctive new products. At the EMO in Paris, as a world premiere the DMC 85 V linear was presented. Implementation of all axis movements in the machine basis enables the complete machining process with fixed workpiece. Due to simultaneous use of state-of-the-art linear motor technology, this machine has convinced with respect to dynamics, speed and precision. The presentation of further innovations was made on occasion of the grand opening in September in Geretsried. The new horizontal machining center, the DMC 63 H, was presented.

For the product line of vertical centers, from the middle of 1999, the new DMC 70 V hi-dyn and DMC 100 V hi-dyn could be delivered to customers. The increase of productivity achieved by means of the hi-dyn concept was well accepted by the market.

### **DECKEL MAHO Seebach GmbH, Seebach**


Due to classification of development into product ranges, in Seebach a new development organization was also introduced. DECKEL MAHO Seebach GmbH in 1999 has completed its product spectrum by further developments to market requirements.

The DMU 70 VL is now offered with the full range of options. The concept represents optimum combination opportunity of a universal 5-axis milling machine with the requirements of long bed machining. The dynamics of the machine has been improved in comparison with the DMU 70 V range.

The DMU 35 M has been successfully transferred to series. With the option of 5-sided machining, the application spectrum of the product has been expanded. In future, the DMU 35 M will be completed by further options.

The focal point of development is formed by the innovative production machine DMP 60 linear. The patented concept met with great interest during its first presentation. New is especially the slanted bed construction conceived for dry machining. It offers good conditions for high stiffness of the machine and therefore for the advantageous use of linear motors. The DMP 60 linear closes a gap in the product range of highly modern 5-side machining center with integrated pallet changer and linear motors.

DECKEL MAHO Seebach GmbH is participating in several research projects with external partners. A focal point is formed by the development of highly precise machines. Working for increase of dynamics and for mastering the requirements of the machine capability will increasingly develop the customers for production machines for the products from Seebach.



The highly dynamic DMP 60 linear from DECKEL MAHO with a patented slanted bed concept thanks to CNC swiveling round table and integrated pallet changer conforms to the trend of 5-sided and 5-axis complete machining.



# Group annex and annex of the GILDEMEISTER Aktiengesellschaft

## 1. Application of regulations

The annual financial statement of the GILDEMEISTER Aktiengesellschaft, the consolidated financial statement and the annual financial statements of the affiliated companies included in the consolidated financial statement 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 regulations, must be included in the consolidated financial statement and the financial statement of the GILDEMEISTER Aktiengesellschaft as annex.

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

Because for the business year 1999 no differentiation of business units concerning our products and the markets selected by us exists, no differentiation of segments must be given.

## 2. Consolidated group

<b>Number of fully consolidated companies</b>	<b>Dec. 31, 1999</b>	<b>Dec. 31, 1998</b>
Domestic	16	16
International	13	9
<b>Total</b>	<b>29</b>	<b>25</b>

The consolidated group at the date of the balance sheet including GILDEMEISTER Aktiengesellschaft includes 33 companies, of which 29 have been included in the consolidated financial statement within the scope of full consolidation. The companies GILDEMEISTER Seebach Fertigungstechnik GmbH, DMG Service Drehen GmbH, DMG Service BAZ GmbH as well as DMG Service UFB GmbH have not yet been included in the consolidated financial statement, because these are new formations and the business will only be started in the year 2000. Pro rata consolidation according to § 310 HGB respectively consolidation of associated companies according to § 311 HGB did not have to be performed.



### **3. Consolidating principles**

Capital consolidation was performed using the declining balance method. Statement of shares in the affiliated companies at depreciated book value by the parent company was substituted by the assets and the debtor items of the included companies. The subsidiaries' equity capital was compared with the depreciated book value at the parent company. Following deduction of the shares owned externally, a passive residual balance with reserve characteristics was stated in the consolidated balance sheet. This residual balance encompasses profits accumulated at the time of initial consolidation from shares in affiliated companies, in addition gains or losses on currency translations, and other changes. The overall amount was allocated to «other profit reserves». These reserves were already liquidated in preceding years to balance out group losses.

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 itemized as «shares of other partners».

Mutual accounts payable and receivable between the companies considered in the consolidated financial statement were offset against each other. The resulting residual balances were consolidated affecting current-period results. Group-eternal income and expenses were eliminated without affecting current-period results.

Intermediate profits were generated by stocks from deliveries and performances between the group companies to the amount of K€ 7,567 as well as the takeover of shares of the DECKEL MAHO Seebach GmbH and DECKEL MAHO, Geretsried GmbH by the GILDEMEISTER Aktiengesellschaft to the amount of K€ 8,322; the residual balances to the previous year were consolidated affecting current-period results.

#### **Intangible assets and fixed assets**

### **4. Balancing and valuation procedures**

The intangible assets and fixed assets were valued at purchase respectively production cost, reduced by regular depreciation. Depreciation was made according to the straight-line method of depreciation on the basis of usual period of use in the operation according to tax regulations.

	Period of use of the fixed asset
Intangible assets	4 to 10 years
Buildings	10 to 50 years
Plant and machinery	6 to 20 years
Office and plant equipment	2 to 20 years

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 considered for the full annual amount, additions in the second half of the business year were considered with 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.

#### **Financial assets**

Financial assets were balanced at purchasing cost. During the reporting year, no additions to financial assets were made

#### **Current assets**

Valuation of stocks was performed at purchasing respectively production cost or to lower market values respectively a lower value to be allocated. Components of the production cost are besides the production material and production wages pro rata material and production overhead under assumption of normal utilization. Expenditures for general administration and for voluntary social security benefits as well as expenditure for old age pension (K€ 1,311) were not capitalized. Inventory risks resulting from the warehousing period as well as reduced usability were considered 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 considered by means of corresponding depreciation to lower current values. General bad-debt provision was additionally made for trade debtors.

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 contrary to tax regulation, additions according to the new mortality charts were already fully added to reserves during the business year in the group. The remaining reserves were assessed so that they consider all detectable risks and uncertain obligations. Reserves for payments on occasion of employee anniversaries were discounted using an interest rate of 5.5% p.a.

Liabilities have been 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, however at the most with the original exchange rate; exchange-rate accounts payable are valued with the acquisition rate or with the higher rate at the balance-sheet date. Hedging transactions were concluded for individual transactions by the subsidiaries as well as by GILDEMEISTER Aktiengesellschaft.

Conversion of the annual statements made in foreign currency will exclusively be made at the official exchange rate (market price on reporting date method) at the balance-sheet date. The exchange-rate alterations of individual currencies in relation to the EURO between the balance-sheet dates did not affect current-period results.

The exchange rates of substantial currencies have changed as follows:

Currencies	ISO code	Rate = 1 €	
		Dec. 31, 1999	Dec. 31, 1998
US-Dollar	USD	1.00280	1.16906
Japanese Yen	JPY	102.51000	134.83833
Pound Sterling	GBP	0.62020	0.69901
Swiss Franc	CHF	1.60470	1.60052
Czech Kroner	CZK	36.03000	34.98801
Singapore Dollar	SGD	1.67000	1.93838
Chinese Rimimbi	CNY	8.13830	9.66319

## Annotations to individual balance-sheet items

### 6. Intangible assets

Of the itemized goodwill, K€ 5,050 relate to the residual balances from capital consolidation reduced by the depreciation and K€ 3,195 relate to the goodwills from the individual financial statements reduced by depreciation. The goodwills are amortized as scheduled over 10 years.

The trademarks and similar rights relate to the patents, utility-model patents, and trademarks as well as DP software purchased from the DECKEL MAHO Aktiengesellschaft i.K. These rights and software are depreciated over a utilization period of 4 years according to schedule.

### 7. Tangible fixed assets

The development of the fixed assets of the group and the GILDEMEISTER Aktiengesellschaft are illustrated in the annotations to the balance sheets. The investments are explained in the status report. The exchange-rate changes between the balance-sheet dates are itemized in Flow of Assets for the group under «other changes» as well as the change of fixed assets by addition of FAMOT Pleszew S.A.

The non-real-estate fixed assets up to now assigned as collateral for assuring credits in a collateral pool formed by the credit-granting banks for GILDEMEISTER Aktiengesellschaft, DECKEL MAHO Pfronten GmbH, DECKEL MAHO Geretsried GmbH as well as GILDEMEISTER Drehmaschinen GmbH have been released by the credit granting banks with effect from January 3, 2000. Bank credits are secured by mortgages.

### 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 featured under «shares in affiliated companies» and «participations» as well as details on domicile, equity capital, capital shares, and the results of the business year 1999 are listed in a separate synopsis.

- \_\_\_\_\_ 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.

The shares held by the parent company in the DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and the shares of the DECKEL MAHO GmbH conveyed as security to the credit-granting banks to secure credits of the GILDEMEISTER Aktiengesellschaft have been released by the credit-granting banks effective January 3, 2000.

## 9. Stocks

Stocks are allocated in the balance sheet. They were increased or decreased by customer prepayments for orders. As compared to the preceding year, stocks have increased up by K€ 1,065. The stocks of DECKEL MAHO Pfronten GmbH, DECKEL MAHO Geretsried GmbH as well as GILDEMEISTER Drehmaschinen GmbH assigned as collateral for bank loans have been released by the banks granting loans effective January 3, 2000.

## 10. Accounts receivable and other assets

	GILDEMEISTER-GROUP			GILDEMEISTER AG		
	Balance sheet statement as of Dec 31, 1999	Not due within one year	Balance sheet statement as of Dec 31, 1998	Balance sheet statement as of Dec 31, 1999	Not due within one year	Balance sheet statement as of Dec 31, 1998
	K€	K€	K€	K€	K€	K€
1. Accounts receivable	159,475	0	130,568	4	0	282
2. Amounts owed by affiliated companies	0	0	0	75,707	0	37,665
3. Other assets	18,818	481	14,480	6,447	443	5,448
	<u>178,293</u>	<u>481</u>	<u>145,048</u>	<u>82,158</u>	<u>443</u>	<u>43,395</u>

In the preceding year, other assets not due within one year were shown in the balance sheet at K€ 257 (GILDEMEISTER AG with K€ 257).

Individual risks were considered by direct depreciations. A flat-rate value adjustment was considered for general credit risks.

The amounts owed to the GILDEMEISTER Aktiengesellschaft by affiliated companies essentially are composed of cost and finance apportionments. The receivables of GILDEMEISTER Aktiengesellschaft, DECKEL MAHO Pfronten GmbH, DECKEL MAHO Geretsried GmbH GILDEMEISTER Drehmaschinen GmbH as well as DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER assigned as collateral for bank loans have been released by the banks granting loans effective January 3, 2000.

The other assets are composed of the following accounts:

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	As of Dec 31, 1999	As of Dec 31, 1998	As of Dec 31, 1999	As of Dec 31, 1998
	K€	K€	K€	K€
Accounts receivable loans and advance payments	5,383	2,667	20	5
Deutsche Factoring Bank	3,999	5,843	0	0
Claims to tax refunds	3,810	3,359	5,915	5,111
Security deposits and other warranties	1,840	623	15	15
Shortterm loans to third parties	1,575	0	0	0
Amounts owed by employees and former employees	520	497	2	0
Provisions for social security for employees	496	318	495	317
Others	1,196	1,173	0	0
	18,819	14,480	6,447	5,448

#### 11. Securities

This concerns shares of Gildemeister Italiana S.p.A.

#### 12. Cash on hand and on deposit with the Deutsche Bundesbank and cash in other bank accounts

This account essentially encompasses deposits with banks.

#### 13. Accruals and deferred income

The accruals essentially encompass interest, rent, leasing fees, and insurance premiums. During the business year 1999, no deferred taxes have to be charged to subsequent accounting years (past year K€ 441).

#### 14. Equity capital

##### Subscribed capital

The shareholders' meeting passed a resolution on June 25, 1999, to convert the equity capital in the amount of DM 108,457,100.00 to quota shares in the form that instead of one share in the nominal amount of DM 50.00, ten quota shares are received. The quota shares are embodied by the share certificates issued up to now as global certificates.

The equity capital of DM 108,457,100.00 established in Deutsche Mark was changed to EURO at the exchange rate for the ratio Deutsche Mark / EURO of 1.95583:1. Then, the equity capital of the company amounted to € 55,453,234.69. The equity capital of the company according to the regulations of the companies act about capital increase from corporate funds by transition of a part amount from other retained income has increased from € 55,453,234.69 by € 944,457.31 to € 56,397,692.00. Then, the pro rata amount of the equity capital allocated to an individual quota share amounts to € 2.60. The equity capital is divided into 21,691,420 quota shares issued to the bearer.

The board of directors is authorized until December 31, 2001, with the approval of the supervisory board, to increase the equity capital by up to nominally € 20,451,675.25 by single or multiple issue of quota shares against cash contribution. For a part amount of at least € 19,451,675.25, the statutory subscription right of the shareholders is preserved. With respect to a part amount of up to nominally € 1,000,000.00, new shares may be issued to employees of the company as well as to employees of affiliated undertakings; to this extent, the statutory subscription right of the shareholders is excluded.

### **Capital reserves**

The capital reserves come from a premium in connection with a capital increase.

### **Profit reserves**

#### *legal reserves*

Legal reserves stated in the consolidated financial statement and the annual financial statement of the GILDEMEISTER Aktiengesellschaft amount to K€ 681.

#### *Other profit reserves*

For GILDEMEISTER Aktiengesellschaft, K€ 6,135 from the profit for the year of 1998 as well as for GILDEMEISTER Aktiengesellschaft and in the group, K€ 19,112 from the profit for the year 1999 was allocated to the other profit reserves.

### **Suggestion for profit appropriation**

The GILDEMEISTER Aktiengesellschaft closes the business year 1999 with a profit for the year of € 38,333,283.54. Profit carried forward from the preceding year was € 591,931.41. The proposal is made to appropriate the balance sheet profit of

Group annex and annex of the  
GILDEMEISTER Aktiengesellschaft

€ 19,813,102.99 remaining after allocation of € 19,112,111.96 to other reserves as follows:

- \_\_\_\_\_ dividend distribution of € 10,845,710.00 to the shareholders by payment of a dividend of € 0.50 per share,
- \_\_\_\_\_ allocation of € 8,000,000.00 to other profit reserves,
- \_\_\_\_\_ balance carried forward to new account valued at € 967,392.99

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

<b>Development of the profit for the year of GILDEMEISTER Aktiengesellschaft</b>	K€
Profit for the year Dec. 31, 1998	12,827
Distribution to shareholders	-6,100
Allocation to other profit reserves	-6,135
	592
Profit for the year 1999	38,333
Allocation to other profit reserves	-19,112
Profit for the year Dec. 31, 1999	19,813

### Section group results

Starting from the profit for the year of GILDEMEISTER Aktiengesellschaft, the group profit for the year has developed as follows:

	K€
Profit for the year for GILDEMEISTER Aktiengesellschaft	38,333
Profit for the year of included subsidiaries according to principles uniform for the group	48,790
Consolidation income from investments in affiliates	-53,224
Intermediate profit elimination from stocks	-304
Other consolidation affecting operating results	-932
Group profit for the year	32,663
Profit/loss allocated to other partners	-923
profit carried forward	574
Allocation to other profit reserves	-19,112
Group net income shown in the balance sheet	13,202

### 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**

Calculation of the old-age pension reserves were based on their going-concern value acc. to §6a EStG and are based upon an assumed rate of interest of 6%. The reserve was calculated according to the «guideline schedule 1998». The additional expenditure resulting from this in the amount of K€ 2,355 was fully allocated within the business year in the group contrary to the tax guideline.

**17. Provisions for taxation**

Provisions for taxation relate to taxes on income and earnings as well as other company taxes for the ongoing business year and periods of time not yet assessed for taxation purposes.

**18. Other reserves**

The significant reserves accounts are listed below:

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	As of Dec 31, 1999	As of Dec 31, 1998	As of Dec 31, 1999	As of Dec 31, 1998
	K€	K€	K€	K€
Personnel expenditures	18,965	10,952	1,530	565
Risks from warranties and conversions	14,491	11,777	0	0
Selling expenses	9,380	5,072	0	0
Legal and consulting fees, costs of balance sheet	2,693	1,301	603	432
Deferred maintenances	603	554	0	0
Impending losses from pending proceedings	486	774	0	0
Others	5,144	3,930	1,289	1,007
	51,762	34,360	3,422	2,004

The other reserves essentially refer to open accounts with suppliers and, for the GILDEMEISTER Aktiengesellschaft, expenses of a provident 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 K€ 3,269 for old age part time as well as K€ 869 for employee participation in GILDEMEISTER Aktiengesellschaft.

Reserves for anniversaries and partial retirement were discounted and carried as liability with their cash value. All other reserves are not accumulated in installments over several years. All other reserves expire in less than a year. The determination of the reserve amounts is made effective at the balance sheet date.

Group annex and annex of the  
GILDEMEISTER Aktiengesellschaft

**19. Liabilities**

GILDEMEISTER-GROUP	Statement in the	of this	of this	of this	Statement in the
	balance sheet as Dec 31, 1999	of due within 1 year	due in 1 to 5 years	due after 5 years	balance sheet as of Dec 31, 1998
	K€	K€	K€	K€	K€
1. Amounts owed to banks <sup>1)</sup>	112,830	69,524	28,710	14,596	86,710
2. Accounts payable	67,618	66,128	1,424	66	76,791
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange	26,434	26,434	0	0	25,930
4. Other liabilities <sup>2)</sup>	19,865	19,585	122	158	18,056
	<b>226,747</b>	<b>181,671</b>	<b>30,256</b>	<b>14,820</b>	<b>207,487</b>
(residual terms on Dec. 31, 1998)		167,810	24,501	15,176	207,487

1) of these secured by mortgage: K€ 54,486 (Prev. year K€ 56,676)

2) of these for taxes: K€ 9,195 (Prev. year K€ 5,208), of these in the scope of social security: K€ 3,405 T€ (Prev. year K€ 2,784)

GILDEMEISTER AG	Statement in the of this		of this	of this	Statement in the	of this	of this
	balance sheet as Dec 31, 1999	of due within 1 year	due in 1 to 5 years	due after 5 years	balance sheet as of Dec 31, 1998	of due within 1 year	due in 1 to 5 years
	K€	K€	K€	K€	K€	K€	K€
1. Amounts owed to banks <sup>1)</sup>	24,350	12,334	11,709	307	18,183		
2. Accounts payable	4,068	3,913	155	0	5,393		
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange	924	924	0	0	50		
4. Liabilities to affiliated undertakings	9,041	9,041	0	0	3,895		
5. Other liabilities <sup>2)</sup>	3,225	3,225	0	0	1,646		
	<b>41,608</b>	<b>29,437</b>	<b>11,864</b>	<b>307</b>	<b>29,167</b>		
(residual terms on Dec. 31, 1998)		19,768	9,054	345	29,167		

1) of these secured by mortgage: K€ 15,594 (Prev. year K€ 11,504)

2) of these for taxes: K€ 3,000 (Prev. year K€ 128), of these in the scope of social security: K€ 41 (Prev. year K€ 33)

With the exception of loans secured by mortgages, all remaining security was released during the business year 2000.

## 20. Liabilities and other financial obligation

The following liabilities and other financial obligations were in effect at the balance sheet dates:

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	As of Dec 31, 1999	As of Dec 31, 1998	As of Dec 31, 1999	As of Dec 31, 1998
	K€	K€	K€	K€
<b>Liabilities</b>				
Bill indorsements - commitments	337	666	3,639	3,217
Sureties	1,812	2,850	109,478	103,765
Warranties	2,558	2,634	2,315	2,548
Other liabilities	0	0	3,155	2,823
	4,707	6,150	118,587	112,353
<b>Liabilities from rental and leasing contracts due within</b>				
1 year	8,225	7,908	822	832
between 1 and 5 years	12,061	10,267	1,812	2,046
after 5 years	3,488	4,149	3,321	3,738
	23,774	22,324	5,955	6,616
<b>Ordering commitments assets</b>	5,464	11,593	5,264	0

The GILDEMEISTER Aktiengesellschaft's sureties include maximum-sum sureties valued at K€ 58,610 (preceding year K€ 58,577). The corresponding bank liabilities as of December 31, 1999 were K€ 44,141 (preceding year K€ 24,208).

In addition, GILDEMEISTER Aktiengesellschaft has sureties for any claims from a factoring bank valued at K€ 21,228 (preceding year K€ 21,451).

Advance-payment sureties valued at K€ 1,161 (preceding year K€ 218) were issued to customers of the GILDEMEISTER Drehmaschinen GmbH, Bielefeld, the DECKEL MAHO Pfronten GmbH, Pfronten, the DECKEL MAHO Seebach GmbH, Seebach, and the DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

In addition, the GILDEMEISTER Aktiengesellschaft gave a declaration of patronage for the DECKEL MAHO Seebach GmbH, Seebach, a & f Stahl- und Maschinenbau GmbH, Würzburg, DMG Belgium B.V. B.A., Zaventem, DMG Stuttgart Vertriebs und Service GmbH, Kornwestheim, and FAMOT Pleszew S.A., Pleszew. Liabilities from such declaration were valued at K€ 21,995 (preceding year K€ 20,179) as of December 31, 1999.

## Annotations to items of the Statement of Income

### 21. Sales revenues

The sales revenues are comprised of the consideration for deliveries and services charged to customers minus the granted discounts, deductions, and penalties. The sales revenues are structured by product type as follows:

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	1999	1998	1999	1998
	K€	K€	K€	K€
Machine engineering	516,283	431,975	0	0
Services <sup>1)</sup>	174,080	148,353	16,669	12,607
	<b>690,363</b>	<b>580,328</b>	<b>16,669</b>	<b>12,607</b>

1) Including self-dealing margin

Sales revenues per sales territories are structured as follows:

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	1999	1998	1999	1998
	K€	K€	K€	K€
Germany	408,987	340,361	16,669	11,877
EU (w/o Germany)	163,924	147,097	0	730
USA	37,212	30,078	0	0
Other countries	80,240	62,792	0	0
	<b>690,363</b>	<b>580,328</b>	<b>16,669</b>	<b>12,607</b>

## 22. Other operating revenues

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	1999 K€	1998 K€	1999 K€	1998 K€
<b>Revenues unrelated to accounting period</b>				
Retransfer of reserves	2,528	3,311	7	1,052
Retransfer of value adjustments	2,214	459	10	0
Retransfer of special items for investment subsidies	521	0	0	0
Income from fixed-asset disposals	161	123	0	0
Additions to fixed assets	65	0	0	0
Payment of claims written-off	47	191	11	0
Tax refunds	13	0	13	0
Other revenues unrelated to accounting period	597	571	0	232
	<b>6,146</b>	<b>4,655</b>	<b>41</b>	<b>1,284</b>
<b>Other operating revenues</b>				
Charges and cost refunds	4,384	2,768	1,221	8,121
Consumption of reserves	3,810	4,490	0	1,312
Exchange-rate alterations	2,884	569	0	0
Payment of damages	549	227	0	0
Reversal of special reserves	423	16	0	0
Bonuses and subsidies	229	706	0	0
Balancing items from sales restructuring and income from margin support	0	3,002	0	0
Others	1,402	926	233	0
	<b>13,681</b>	<b>12,704</b>	<b>1,454</b>	<b>9,433</b>
	<b>19,827</b>	<b>17,359</b>	<b>1,495</b>	<b>10,717</b>

## 23. Material expenditures

The acquired services predominantly refer to expenses for external production.

## 24. Personnel expenditures

The expenditures for old-age pensions in business year 1999 in the GILDEMEISTER-GROUP amounted to K€ 4,550 (past year K€ 3,523) and in the GILDEMEISTER Aktiengesellschaft to K€ 2,018 (past year K€ 1,729). The increase in expenditures for old-age pensions within the group mainly results from the first time application of the new guiding schedules. Salaries paid to the board of management amounted to K€ 1,105 (previous year K€ 1,005). Current payments to former members of the board of management and their surviving dependents amounted to K€ 587 (previous year K€ 560).

A total of K€ 5,828 (previous year K€ 5,970) have been put into reserve for pension obligations to former members of the board of management and their surviving dependents.

Group annex and annex of the  
GILDEMEISTER Aktiengesellschaft

The work force on average in the year under review as compared to the previous year was composed as follows:

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	1999	1998	1999	1998
Wage recipients	1,197	782	0	0
Salary recipients	1,945	1,660	37	29
Apprentices	139	106	0	0
	3,281	2,548	37	29

**25. Other  
operating  
expenses**

	GILDEMEISTER-GROUP		GILDEMEISTER AG	
	1999 K€	1998 K€	1999 K€	1998 K€
<b>Expenses unrelated to the accounting period</b>				
Other personnel expenditures	869	0	869	0
Other taxes	154	43	125	0
Losses from decline in economic usefulness of fixed-asset items	126	0	0	0
Other expenses unrelated to accounting period	211	363	0	9
	1,360	406	994	9
<b>Other operating expenses</b>				
Other external services	13,553	10,356	4,928	4,497
Advertising costs	11,293	9,512	210	51
Traveling and entertainment expenses	11,180	9,046	311	272
Outgoing freight, packaging	10,476	7,335	0	0
Rent and leasing	10,308	9,979	894	846
Sales commissions	9,291	8,785	0	0
Additions to reserves	8,774	4,858	0	0
Legal and consulting fees, charges for balance sheet	5,964	4,753	1,813	1,308
Office material, mail, telephone	5,524	4,939	541	286
Other personnel expenditures	2,981	3,157	101	177
Losses from decline in economic usefulness of current-asset items	2,321	2,469	0	380
Insurances	1,627	1,421	439	312
Other taxes	819	637	77	76
Losses from currency translation	654	2,223	142	0
Monetary transactions and capital procurement	623	749	36	107
Licenses and trademarks	442	332	19	30
Others	4,724	3,429	1,162	1,016
	100,554	83,980	10,673	9,358
	101,914	84,386	11,667	9,367

	<p>Additions to reserves essentially encompass expenditures for guarantees, conversions and losses from pending transactions.</p> <p>In business year 1999, K€ 326 (previous year K€ 100) were put into reserve for fees paid the members of the supervisory board.</p>
<b>26. Income from profit transfer agreements</b>	<p>The income from profit transfer agreements of the GILDEMEISTER Aktiengesellschaft valued at K€ 42,362 (previous year K€ 31,087) relate to six (past year: five) affiliated companies.</p>
<b>27. Income from participations</b>	<p>The stated income in the amount of K€ 4,552 in the year under review by the GILDEMEISTER Aktiengesellschaft relate to allocation of dividends by the DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, as well as a &amp; f Stahl- und Maschinenbau GmbH.</p> <p>In the previous year an amount of K€ 8,537 DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, a &amp; f Stahl- und Maschinenbau GmbH, DECKEL MAHO Seebach GmbH and DECKEL MAHO Geretsried GmbH showed.</p>
<b>28. Expenditures from takeover of losses</b>	<p>This concerns the losses assumed from DECKEL MAHO Geretsried GmbH, Geretsried.</p>
<b>29. Other interest and similar income</b>	<p>Interest to affiliated undertakings are calculated by GILDEMEISTER Aktiengesellschaft in the amount of K€ 2,697 (past year: K€ 1,138).</p>
<b>30. Interest and similar expenditures</b>	<p>The predominant share of interest expenditures relates to interest for loans. The GILDEMEISTER Aktiengesellschaft was charged K€ 143 (previous years K€ 574) in interest by affiliated companies.</p>
<b>31. Taxes on income and revenues</b>	<p>This item shows corporate income tax for domestic companies and comparable taxes dependent upon income for foreign companies determined on the basis of the recommendations for profit appropriation.</p> <p>This determination was made on the basis of the tax regulations applicable to the individual companies.</p> <p>During the past year, K€ 441 as deferred taxes were settled, which are based on consolidation measures. During the business year 1999, no deferred taxes were to be deferred.</p>

## Affiliated undertakings

	Equity capital		Participation quota %	Result of the last business year in K€	
	National currency	K€			
GILDEMEISTER Drehmaschinen GmbH, Bielefeld <sup>1)</sup>		15,876	100.0	0	
DECKEL MAHO Pfronten GmbH, Pfronten <sup>1)</sup>		25,565	100.0	0	
LASERTEC GmbH, Pfronten <sup>5)</sup>		1,341	97.2	-348	
DECKEL MAHO Geretsried GmbH, Geretsried		5,113	100.0	0	
DECKEL MAHO Seebach GmbH, Seebach <sup>1)</sup>		8,363	62.5	0	
a & f Stahl- und Maschinenbau GmbH, Würzburg		1,610	51.0	1,429	
GILDEMEISTER Seebach Fertigungstechnik GmbH, Seebach <sup>4)</sup>		30	100.0	0	
FAMOT Pleszew S.A., Pleszew, Polen	K PLN	15,659	3,782	75.0	330
DMG Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld (Group financial statement)			3,561	100.0	-1,973
DMG Stuttgart Vertriebs und Service GmbH			511	100.0	
DECKEL MAHO GILDEMEISTER, Kornwestheim <sup>2/3)</sup>					
DMG München Vertriebs und Service GmbH für Werkzeugmaschinen			511	100.0	
DECKEL MAHO GILDEMEISTER, München <sup>1/3)</sup>					
DMG Hilden Vertriebs und Service GmbH			767	100.0	
DECKEL MAHO GILDEMEISTER, Hilden <sup>1/3)</sup>					
DMG Bielefeld Vertriebs und Service GmbH			256	100.0	
DECKEL MAHO GILDEMEISTER, Bielefeld <sup>1/3)</sup>					
DMG Berlin Vertriebs und Service GmbH			256	100.0	
DECKEL MAHO GILDEMEISTER, Berlin <sup>2/3)</sup>					
DMG Frankfurt am Main Vertriebs und Service GmbH			262	100.0	
DECKEL MAHO GILDEMEISTER, Frankfurt am Main <sup>2/3)</sup>					
DMG Service Drehen GmbH			26	100.0	
DECKEL MAHO GILDEMEISTER, Bielefeld <sup>3/4)</sup>					
DMG Service BAZ GmbH			25	100.0	
DECKEL MAHO GILDEMEISTER, Geretsried <sup>3/4)</sup>					
DMG Service UFB GmbH			25	100.0	
DECKEL MAHO GILDEMEISTER, Pfronten <sup>3/4)</sup>					
DMG Gebrauchtmachines GmbH			511	100.0	
DECKEL MAHO GILDEMEISTER, Geretsried <sup>2/3)</sup>					
DMG Trainings-Akademie GmbH			123	100.0	
DECKEL MAHO GILDEMEISTER, Bielefeld <sup>2/3)</sup>					
DMG FRANCE S.A.R.L., Les Ulis, Frankreich <sup>3)</sup>	K FFR	26,572	4,051	100.0	
DMG Italia S.r.l., Gorgonzola, Italien <sup>3)</sup>	K ITL	884,896	457	100.0	
DMG (Schweiz) AG	K CHF	5,046	3,145	100.0	
DECKEL MAHO GILDEMEISTER, Dübendorf, Schweiz <sup>3)</sup>					
DMG (U.K.) LIMITED, Luton, Großbritannien <sup>3)</sup>	K GBP	286	461	100.0	
DMG NEDERLAND B.V., Veenendaal, Niederlande <sup>3)</sup>	K NLG	4,003	1,816	100.0	
DMG Belgium B.V.B.A., Zaventem, Belgien <sup>3)</sup>	K BEF	12,387	307	100.0	
DMG America Inc., Schaumburg, USA <sup>3)</sup>	K USD	535	533	100.0	
DMG ASIA PACIFIC PTE LTD, Singapore <sup>3)</sup>	K SGD	158	95	100.0	
Nippon DMG K.K., Yokohama, Japan <sup>3)</sup>	K JPY	-2,687	-26	100.0	
DMG Technology Trading (Shanghai) Co. Ltd., Shanghai, China <sup>3)</sup>	K RMB	734	90	100.0	
DMG DECKEL MAHO GILDEMEISTER (India) Pvt. Ltd., Bangalore, Indien <sup>3)</sup>	K INR	10,028	230	100.0	
DMG Machinery Taiwan Ltd., Taipeh, Taiwan <sup>3)</sup>	K NTD	8,326	264	51.0	

- 1) profit and loss transfer agreement with the GILDEMEISTER Aktiengesellschaft, Bielefeld
- 2) profit and loss transfer agreement with the DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld
- 3) participation of the DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld
- 4) no business operations in 1999
- 5) participation of the DECKEL MAHO GmbH, Pfronten



## Organs of the company

### Supervisory board

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

Essen,  
Chairman,  
independent industry consultant

- Bayer AG, Leverkusen
- Deilmann-Haniel GmbH, Dortmund (chairman)
- Deutsche Post AG, Bonn
- IVG Holding AG, Bonn (chairman)
- Thyssen Krupp AG, Düsseldorf

**Harry Domnik,**

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

- MHP Mannesmann Präzisrohr GmbH, Hamm

**Gerhard Dirr,**

Vils/Österreich,  
Chairman of the works council of the  
DECKEL MAHO Pfronten GmbH,  
Pfronten

**Alfred Geißler,**

Pfronten,  
as member representing senior executives

**Dr.-Ing. Peter-Jürgen Kreher,**

München,  
Chairman of the board of the  
Schaltbau AG, München

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

**Arno Kruck,**

Bielefeld,  
Chairman of the works council of the  
DMG Vertriebs und Service GmbH  
DECKEL MAHO GILDEMEISTER,  
Bielefeld

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

Zeitlarn,  
Senior Advisor Lazard & Co. GmbH,  
Frankfurt

- Basler AG, Ahrensburg (Vorsitz)
- Götz AG, Regensburg (Vorsitz)
- Suspa Holding GmbH, Altdorf (Vorsitz)
- \* Autoliv Inc., Stockholm

**Hans Henning Offen,**

Düsseldorf,  
Vice Chairman of the board of the  
Westdeutschen Landesbank Girozentrale,  
Düsseldorf/Münster

- Basler AG, Ahrensburg
- Deutsche Shell AG, Hamburg
- Kaufhof Warenhaus AG, Cologne
- Kaufring AG, Düsseldorf
- Preussag AG, Hanover/Berlin
- Thyssen Handelsunion AG, Düsseldorf
- Trienekens AG, Viersen
- WestLB (Europa) Holding AG, Düsseldorf
- \* AKA Ausfuhrkreditgesellschaft mbH,
- \* WestKA Westdeutsche Kapitalanlageges. mbH,  
Düsseldorf (chairman)  
Frankfurt am Main (bis 29.3.2000)
- \* Banque d'Orsay, Paris

**Peter Oxfart,**

Creuzburg,  
Chairman of the works council of the  
DECKEL MAHO Seebach GmbH,  
Seebach

**Dr. jur. Rupert Pfeffer,**

Geretsried,  
Chairman of the board of the  
LfA Förderbank Bayern, Munich

- Schmidt Bank KG aA, Hof
- \* Bavaria Film GmbH, Geiseltal
- \* Bavaria Film- und Fernsehstudios GmbH,  
Grünwald
- \* Bayerische LfA-Finance N. V.,  
Amsterdam

**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, Düsseldorf,  
Member of the board of the German  
shareholders' association  
(Deutsche Schutzvereinigung für Wertpapierbesitz  
e.V. DSW), Düsseldorf

- K + S AG, Kassel
- Metro AG, Cologne
- Thyssen Industrie AG, Essen  
(until 2.8.1999)

**Board of directors**

**Dipl.-Kfm. Dr. Rüdiger Kapitza,**

Bielefeld,

Chairman

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

Bielefeld

- Dürkopp Adler AG, Bielefeld

**Dipl.-Kfm. Dieter Schäfer,**

Steinhagen

- Supervisory board according to § 100 AktG
- \* membership in comparable domestic and international control bodies of business enterprises

# Annexes

**Consolidated balance sheet**

**Consolidated income statement**

**Statement of the consolidated fixed assets**

**Balance sheet of the GILDEMEISTER Aktiengesellschaft**

**Income statement of the  
GILDEMEISTER Aktiengesellschaft**

**Statement of the  
GILDEMEISTER Aktiengesellschaft's fixed assets**

**Consolidated balance sheet as of December 31, 1999  
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Consolidated income statement for the period  
from January 1 to December 31, 1999  
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Consolidated income statement for the period  
from January 1 to December 31, 1999  
of GILDEMEISTER Aktiengesellschaft**

	Annex	1999			1998
		€	€	€	€
1. Sales revenues	21		690,362,892.18		580,327,517.35
2. Inventory increase in finished goods and work in progress			9,317,473.18	699,680,365.36	2,719,496.75
3. Work performed by the undertaking for its own purposes				331,623.60	511,150.58
4. Other operating income	22			19,826,810.46	17,359,480.31
				719,838,799.42	600,917,644.99
5. Material expenses	23				
a) Expired cost of raw materials supplies and acquired merchandise		324,207,252.66			278,362,712.95
b) Expired cost of acquired services		61,010,875.31	385,218,127.97		42,246,405.12
6. Personnel costs	24				
a) Wages and salaries		143,128,229.46			121,174,936.37
b) Social security levies and cost of retirement plans and related benefits		28,276,748.86	171,404,978.32		24,611,055.64
7. Depreciation on property, plant and equipment as well as intangible assets			14,946,171.06		9,959,918.45
8. Other operating charges	25		101,913,942.86	673,483,220.21	84,385,502.13
9. Other interest and similar income	29		388,901.54		307,145.96
10. Other interest and similar expensesN operations	30		12,292,130.08	11,903,228.54	10,869,391.07
11. Profit or loss on ordinary operations				34,452,350.67	29,614,869.22
12. Nonrecurring profit				0,00	2,389,011.32
13. Nonrecurring expenses				0,00	14,989,186.18
14. Extraordinary profit or loss				0,00	-12,600,174.86
15. Taxes on income	31			1,789,531.45	872,730.59
16. Net income for the year				32,662,819.22	16,141,963.77
17. Share in profit to other partners				-923,264.52	-1,849,090.70
18. Balance-sheet profit carried forward (past year: loss carried forward)				574,358.55	6,898,702.62
				32,313,913.25	7,394,170.45
19. Transfer to legal reserves				0,00	680,529.50
20. Transfer to other revenue reserves				19,112,111.96	0.00
21. Balance sheet profit				13,201,801.29	6,713,640.95

**Consolidated balance sheet as of December 31, 1999  
of the GILDEMEISTER Aktiengesellschaft**

Assets	Annex	As of		As of
		Dec 31, 1999		Dec 31, 1998
		€	€	€
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>	6			
1. Goodwill		8,245,336.29		5,511,128.02
2. Patents, trademarks and similar rights		9,793,891.74		10,759,831.61
3. Payments on account		637,131.55		55,913.65
			18,676,359.58	16,326,873.28
<b>II. Tangible assets</b>	7			
1. Land and buildings		54,804,697.34		36,475,230.25
2. Plant and machinery		5,106,311.40		3,401,168.67
3. Other fixtures and fittings, tools and equipment		16,240,234.57		12,806,108.86
4. Payments on account and tangible assets in course of construction		3,300,269.93		4,814,771.07
			79,451,513.24	57,497,278.85
<b>III. Financial assets</b>	8			
1. Shares in affiliated companies		105,564.59		114,976.77
2. Participations		0.00		0.00
			105,564.59	114,976.77
			98,233,437.41	73,939,128.90
<b>B. Current assets</b>				
<b>I. Stocks</b>	9			
1. Raw materials and consumables		51,204,104.32		54,123,024.78
2. Work in progress		40,705,157.54		40,702,504.02
3. Finished goods and goods for resale		49,666,931.97		46,547,509.48
4. Payments on account		1,100,031.78		1,415,104.22
5. Payments received on account of orders		17,703,127.69		18,880,638.97
			124,973,097.92	123,907,503.53
<b>II. Accounts receivable and other assets</b>	10			
1. Accounts receivable		159,474,651.26		130,568,395.50
2. Other assets		18,818,809.64		14,480,022.10
			178,293,460.90	145,048,417.60
<b>III. Securities</b>	11		1,294,568.36	0.00
<b>IV. Cash on hand and on deposit with the Deutsche Bundesbank and cash in other bank accounts</b>	12		13,586,732.87	8,560,967.25
<b>C. Prepaid expenses and deferred charges</b>	13		2,682,529.58	2,317,537.25
			419,063,827.04	353,773,554.53

Liabilities	Annex	As of		As of
		Dec 31, 1999		Dec 31, 1998
		€	€	€
<b>A. Equity capital</b>	14			
<b>I. Subscribed capital</b>			56,397,692.00	55,453,234.69
<b>II. Capital reserves</b>			12,568,578.08	13,513,035.39
<b>III. Reserves</b>				
1. Legal reserves			680,529.50	680,529.50
2. Other revenue reserves			19,112,111.96	0.00
<b>IV. Net profit for the year</b>			13,201,801.29	6,713,640.95
<b>V. Shares held by other shareholders</b>			5,213,618.95	5,221,937.13
			107,174,331.78	81,582,377.66
<b>B. Special account for investments subsidies</b>	15		1,632,002.38	49,941.69
<b>C. Provisions for liabilities and charges</b>				
1. Provisions for pensions	16	27,523,792.80		25,384,078.64
2. Provisions for taxation	17	2,185,810.41		2,397,485.08
3. Other provisions	18	51,762,130.08		34,359,827.74
			81,471,733.29	62,141,391.46
<b>D. Liabilities</b>	19			
1. Amounts owed to credit institutions		112,830,202.09		86,709,931.64
2. Trade creditors		67,618,305.52		76,790,893.53
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange		26,434,078.88		25,930,080.76
4. Other creditors		19,864,764.72		18,056,009.10
			226,747,351.21	207,486,915.03
<b>E. Accruals and deferred income</b>			2,038,408.38	2,512,928.69
			419,063,827.04	353,773,554.53



**Statement of the consolidated fixed assets  
as of December 31, 1999 of the GILDEMEISTER Aktiengesellschaft**

**Statement of the consolidated fixed assets  
as of December 31, 1999 of the GILDEMEISTER Aktiengesellschaft**

Costs of acquisition and production	As of	Others	Additions	Depreciation	Disposals	Book transfers	As of
	Jan 1, 1999	Changes					Dec 31, 1999
	€	€	€	€	€	€	€
<b>I. Intangible assets</b>							
1. Goodwill	16,258,757.87	0.00	4,225,554.22	0.00	0.00	-38,346.90	20,445,965.19
2. Patents, trademarks and similar rights	13,376,621.34	539,776.43	2,660,793.45	564,048.84	0.00	94,260.55	16,107,402.93
3. Payments on account	55,913.65	0.00	637,131.55	0.00	0.00	-55,913.65	637,131.55
	29,691,292.86	539,776.43	7,523,479.22	564,048.84	0.00	0.00	37,190,499.67
<b>II. Tangible assets</b>							
1. Land and buildings	52,931,671.00	2,117,596.98	14,867,022.68	0.00	0.00	4,631,846.88	74,548,137.54
2. Plant and machinery	8,863,401.37	4,381,693.84	1,676,326.14	1,708,750.60	0.00	586,608.92	13,799,279.67
3. Other fixtures and fittings, tools and equipment	36,879,294.16	596,485.35	10,179,599.43	1,192,809.99	65,131.71	-89,399.37	46,438,301.29
4. Payments on account and tangible assets in course of construction	4,814,771.07	343,614.59	3,300,269.94	29,329.24	0.00	-5,129,056.43	3,300,269.93
	103,489,137.60	7,439,390.76	30,023,218.19	2,930,889.83	65,131.71	0.00	138,085,988.43
<b>III. Financial assets</b>							
1. Shares in affiliated companies	114,976.77	-63,847.60	54,435.42	0.00	0.00	0.00	105,564.59
2. Participations	490,840.21	0.00	0.00	490,840.21	0.00	0.00	0.00
	605,816.98	-63,847.60	54,435.42	490,840.21	0.00	0.00	105,564.59
<b>Total fixed assets</b>	<b>133,786,247.44</b>	<b>7,915,319.59</b>	<b>37,601,132.83</b>	<b>3,985,778.88</b>	<b>65,131.71</b>	<b>0.00</b>	<b>175,382,052.69</b>

**Net book value**

Depreciation	As of	Others	Additions	Depreciation	Book transfers	As of	As of	As of
	Jan 1, 1999	Changes				Dec 31, 1999	Dec 31, 1999	Dec 31, 1998
	€	€	€	€	€	€	€	€
<b>I. Intangible assets</b>								
1. Goodwill	10,747,629.85	0.00	1,457,792.41	0.00	-4,793.36	12,200,628.90	8,245,336.29	5,511,128.02
2. Patents, trademarks and similar rights	2,616,789.73	356,641.84	3,495,099.95	159,813.69	4,793.36	6,313,511.19	9,793,891.74	10,759,831.61
3. Payments on account	0.00	0.00	0.00	0.00	0.00	0.00	637,131.55	55,913.65
	13,364,419.58	356,641.84	4,952,892.36	159,813.69	0.00	18,514,140.09	18,676,359.58	16,326,873.28
<b>II. Tangible assets</b>								
1. Land and buildings	16,456,440.75	1,101,459.62	2,185,539.83	0.00	0.00	19,743,440.20	54,804,697.34	36,475,230.25
2. Plant and machinery	5,462,232.70	3,062,488.40	1,083,845.39	925,053.47	9,455.25	8,692,968.27	5,106,311.40	3,401,168.67
3. Other fixtures and fittings, tools and equipment	24,073,185.30	316,843.60	6,723,893.48	906,400.41	-9,455.25	30,198,066.72	16,240,234.57	12,806,108.86
4. Payments on account and tangible assets in course of construction	0.00	0.00	0.00	0.00	0.00	0.00	3,300,269.93	4,814,771.07
	45,991,858.75	4,480,791.62	9,993,278.70	1,831,453.88	0.00	58,634,475.19	79,451,513.24	57,497,278.85
<b>III. Financial assets</b>								
1. Shares in affiliated companies	0.00	0.00	0.00	0.00	0.00	0.00	105,564.59	114,976.77
2. Participations	490,840.21	0.00	0.00	490,840.21	0.00	0.00	0.00	0.00
	490,840.21	0.00	0.00	490,840.21	0.00	0.00	105,564.59	114,976.77
<b>Total fixed assets</b>	<b>59,847,118.54</b>	<b>4,837,433.46</b>	<b>14,946,171.06</b>	<b>2,482,107.78</b>	<b>0.00</b>	<b>77,148,615.28</b>	<b>98,233,437.41</b>	<b>73,939,128.90</b>

**Balance sheet as of December 31, 1999  
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

**Income statement for the period  
from January 1 to December 31, 1999  
of GILDEMEISTER Aktiengesellschaft, Bielefeld**

## Income statement

January 1 to December 31, 1999

for the GILDEMEISTER Aktiengesellschaft, Bielefeld

	Annex	1999			1998
		€	€	€	€
1. Sales revenues	21		16,668,876.23		12,607,100.62
2. Other operating income	22		1,494,932.80		10,717,484.51
				18,163,809.03	23,324,585.13
3. Material expenses	23				
a) Expired cost of raw materials - supplies and acquired merchandise		3,385.43			858,324.84
b) Expired cost of acquired services		1,659,985.14	1,663,370.57		1,164,507.73
4. Personnel costs	24				
a) Wages and salaries		3,358,141.11			2,829,238.66
b) Social security levies and cost of retirement plans and related benefits		2,360,256.85	5,718,397.96		1,966,752.10
5. Depreciation on property, plant and equipment as well as intangible assets			4,718,120.87		2,374,284.58
6. Other operating charges	25		11,666,889.16	23,766,778.56	9,367,458.48
7. Income from profit transfer agreements	26		42,362,068.80		31,087,364.18
8. Income from investments	27		4,551,831.85		8,537,003.73
9. Expenditure from takeover of losses	28		2,544,611.92		0.00
10. Other interest and similar income	29		2,709,018.24		1,159,074.47
11. Other interest and similar expenses	30		3,142,053.90	43,936,253.07	2,870,796.86
12. Profit or loss on ordinary operations				38,333,283.54	42,676,664.26
13. Nonrecurring profit				0.00	2,389,011.32
14. Nonrecurring expenses				0.00	14,989,186.18
15. Extraordinary profit or loss				0.00	-12,600,174.86
16. Net income for the year				38,333,283.54	30,076,489.40
17. Balance-sheet profit carried forward from previous year				591,931.41	5,247,643.19
18. Transfer to other reserves				19,112,111.96	22,496,842.78
19. Balance sheet profit				19,813,102.99	12,827,289.81

**Balance sheet as of December 31, 1999  
of the GILDEMEISTER Aktiengesellschaft, Bielefeld**

Assets	Annex	As of Dec 31, 1999		As of
		€	€	Dec 31, 1998 €
<b>A. Assets</b>				
<b>I. Intangible assets</b>	6			
1. Patents, trademarks and similar rights		8,601,611.62		9,786,229.11
2. Payments on account		637,131.55		55,913.66
			9,238,743.17	9,842,142.77
<b>II. Tangible assets</b>	7			
1. Land and buildings		14,990,511.04		15,160,722.42
2. Other fixtures and fittings, tools and equipment		3,515,116.13		3,292,202.13
			18,505,627.17	18,452,924.55
<b>III. Financial assets</b>	8			
1. Shares in affiliated companies		85,049,220.47		77,904,889.49
2. Participations		0.00		0.00
			85,049,220.47	77,904,889.49
			112,793,590.81	106,199,956.81
<b>B. Current assets</b>				
<b>I. Accounts receivable and other assets</b>	10			
1. Accounts receivable		3,844.40		281,857.54
2. Amounts owed by affiliated companies		75,707,231.63		37,664,466.64
3. Other assets		6,447,000.11		5,448,212.91
			82,158,076.14	43,394,537.09
<b>II. Securities</b>	11		1,294,568.36	0.00
<b>III. Cash on hand and on deposit with the Deutsche Bundesbank and cash in other bank accounts</b>	12		7,910.79	313,514.97
<b>C. Prepaid expenses and deferred charges</b>	13		115,884.88	349,519.15
			196,370,030.98	150,257,528.02

Liabilities	Annex-	As of		As of
		Dec 31,1999		Dec 31,1998
		€	€	€
<b>A. Capital and reserves</b>	14			
I. Subscribed capital			56,397,692.00	55,453,234.69
II. Capital reserves			13,513,035.39	13,513,035.39
III. Profit reserves				
1. legal reserves			680,529.50	680,529.50
2. Other reserves			46,800,000.00	22,496,842.78
IV. Net profit for the year			19,813,102.99	12,827,289.81
			137,204,359.88	104,970,932.17
<b>B. Reserves</b>				
1. Provisions for pensions	16	14,134,881.87		13,982,726.52
2. Provisions for taxation	17	0.00		132,935.89
3. Other provisions	18	3,422,100.60		2,004,319.40
			17,556,982.47	16,119,981.81
<b>C. Liabilities</b>	19			
1. Amounts owed to credit institutions		24,349,755.17		18,183,234.69
2. Trade creditors		4,068,211.48		5,393,072.38
3. Amounts owed from acceptance of drawn bills of exchange and making out own bills of exchange		924,431.07		49,529.44
4. Amounts owed to affiliated companies		9,041,433.40		3,894,955.21
5. Other creditors		3,224,857.51		1,645,822.32
			41,608,688.63	29,166,614.04
			196,370,030.98	150,257,528.02

**Statement of the GILDEMEISTER Aktiengesellschaft's  
fixed assets as of December 31, 1999**

**Statement of the GILDEMEISTER Aktiengesellschaft's  
fixed assets as of December 31, 1999**

<b>Costs of acquisition and production</b>	As of	Additions	Depreciation	Book transfers	As of
	Jan 1, 1999				Dec 31, 1999
	€	€	€	€	€
<b>I. Intangible assets</b>					
1. Patents, trademarks and similar right	11,164,722.14	1,738,572.35	0.00	55,913.66	12,959,208.15
2. Payments on account	55,913.66	637,131.55	0.00	-55,913.66	637,131.55
	11,220,635.80	2,375,703.90	0.00	0.00	13,596,339.70
<b>II. Tangible assets</b>					
1. Land and buildings	26,697,515.06	328,742.36	0.00	0.00	27,026,257.42
2. Other fixtures and fittings, tools and equipment	4,332,581.65	1,462,977.63	20,486.50	0.00	5,775,072.78
	31,030,096.71	1,791,719.99	20,486.50	0.00	32,801,330.20
<b>III. Financial assets</b>					
1. Shares in affiliated companies	77,904,889.49	7,169,895.58	25,564.60	0.00	85,049,220.47
2. Participations	490,840.21	0.00	490,840.21	0.00	0.00
	78,395,729.70	7,169,895.58	516,404.81	0.00	85,049,220.47
<b>Total fixed assets</b>	<b>120,646,462.21</b>	<b>11,337,319.47</b>	<b>536,891.31</b>	<b>0.00</b>	<b>131,446,890.37</b>

**Net book value**

<b>Depreciation</b>	As of	Additions	Depreciation	As of	As of	As of
	Jan 1, 1999			Dec 31, 1999	Dec 31, 1999	Dec 31, 1998
	€	€	€	€	€	€
<b>I. Intangible assets</b>						
1. Patents, trademarks and similar rights	1,378,493.03	2,979,103.50	0.00	4,357,596.53	8,601,611.62	9,786,229.11
2. Payments on account	0.00	0.00	0.00	0.00	637,131.55	55,913.66
	1,378,493.03	2,979,103.50	0.00	4,357,596.53	9,238,743.17	9,842,142.77
<b>II. Tangible assets</b>						
1. Land and buildings	11,536,792.64	498,953.74	0.00	12,035,746.38	14,990,511.04	15,160,722.42
2. Other fixtures and fittings, tools and equipment	1,040,379.52	1,240,063.63	20,486.50	2,259,956.65	3,515,116.13	3,292,202.13
	12,577,172.16	1,739,017.37	20,486.50	14,295,703.03	18,505,627.17	18,452,924.55
<b>III. Financial assets</b>						
1. Shares in affiliated companies	0.00	0.00	0.00	0.00	85,049,220.47	77,904,889.49
2. Participations	490,840.21	0.00	490,840.21	0.00	0.00	0.00
	490,840.21	0.00	490,840.21	0.00	85,049,220.47	77,904,889.49
<b>Total fixed assets</b>	<b>14,446,505.40</b>	<b>4,718,120.87</b>	<b>511,326.71</b>	<b>18,653,299.56</b>	<b>112,793,590.81</b>	<b>106,199,956.81</b>



## **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 January 1 to December 31, 1999. 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). 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 as well as proof about 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.

Hanover, April 3, 2000

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Schumacher	Luther
Qualified Auditor	Qualified Auditor

## Planned dates

Balance-sheet press conference	April 13, 2000
Intermediate report per March 31, 2000	May 10, 2000
DVFA-Analyst conference	May 11, 2000
Shareholders' meeting	May 26, 2000 at 10 a.m. at municipal hall Bielefeld
Dividend payment	May 29, 2000
Intermediate report per June 30, 2000	August 9, 2000
Intermediate report per September 30, 2000	November 9, 2000
Preliminary report about the business year 2000	February 9, 2001
Shareholders meeting	May 18, 2001 at 10 a.m. at municipal hall Bielefeld

### **Contact**

GILDEMEISTER Aktiengesellschaft  
Presse- und Öffentlichkeitsarbeit  
Gildemeisterstraße 60  
33689 Bielefeld  
Telephone: ++49 (0) 52 05 / 74 - 30 01  
Telefax: ++49 (0) 52 05 / 74 - 30 81

Internet: [www.gildemeister.com](http://www.gildemeister.com)

e-mail: [info@gildemeister.com](mailto:info@gildemeister.com)

# Glossary

<b>Fixed assets</b>	Assets meant to permanently serve the business operation
<b>Cash-flow</b>	Flow of financial funds achieved from the current business of a period of time, adjusted by expenditures and revenues of substantial meaning not effective for payment
<b>DVFA/SG–results</b>	Calculation scheme jointly developed by the method commission of Deutsche Vereinigung für Finanzanalyse und Anlageberatung e. V. (DVFA) and the work group «external company accounting» of Schmalenbach – Gesellschaft – Deutsche Gesellschaft für Betriebswirtschaft e. V. (SG) with the goal of establishing as objective a benchmark for assessment of the earning power of the companies, under adjustment of the profit/loss for the year for expenditures and revenues from special effects (compare cash-flow according to DVFA/SG)
<b>Equity capital</b>	Funds provided to the company from the owners by depositing and/or contribution respectively from retained profits
<b>Loan capital</b>	Summarizing name for provisions, liabilities and accruals and deferred income to be shown on the liabilities side of the balance sheet
<b>Goodwill</b>	Part of the purchasing price exceeding the value of the going-concern value of assets determined
<b>Flow of funds analysis</b>	Analysis of the development of liquid funds / flow of payments under consideration of the source and use of funds within the business year
<b>KonTraG</b>	Law for control and transparency in the sector of businesses
<b>Deferred taxes</b>	Temporally limited differences between calculated taxes on results shown according to the commercial and tax balance sheets with the goal of showing the tax expenditure according to the commercial result
<b>Letter of comfort</b>	Declaration of commitment – for instance of a parent company in favor of a subsidiary – with respect to a bank as collateral for a loan
<b>Accruals and deferrals</b>	Payments during the reporting period, whose effect on the results concern a period of time after the effective date of the balance sheet
<b>SDAX</b>	Stock exchange index which daily shows the 100 strongest SMAX values
<b>SMAX</b>	«Small Cap Exchange» was introduced in April, 1999, by Deutsche Börse AG, Frankfurt a.M., as a new quality segment; participants are small and medium-sized share companies from traditional industries
<b>Subsidiary</b>	All companies which are directly or indirectly under control of a parent company due to majority shareholding and/or uniform management
<b>Current assets</b>	Assets meant to serve the business operation in the short term
<b>Affiliated undertaking</b>	See subsidiary

## Explanation of key figures

### Balance sheet ratios (in %)

Capitalization ratio of fixed assets	$\text{fixed assets} : \text{total assets} \times 100$
Working intensity of current assets	$\text{current assets} : \text{total assets} \times 100$
Equity ratio	$\text{equity capital} : \text{total capital} \times 100$
Loan capital ratio	$\text{loan capital} : \text{total capital} \times 100$
Asset structure	$\text{fixed assets} : \text{current assets} \times 100$
Capital structure	$\text{equity capital} : \text{loan capital} \times 100$

### Benchmarks for structural analysis

Turnover rate of the raw materials and supplies	$\text{Expenditure for raw materials and supplies} : \text{stock of raw materials and supplies}$
Turnover rate of stock	$\text{sales revenues} : \text{stock}$
Turnover rate of trade debtors	$(\text{sales revenues} + \text{VAT}) : \text{average trade debtors}$
Turnover rate of capital	$\text{sales revenues} : \text{total capital}$
Working capital	$\text{current assets} - \text{short-term liabilities}$

### Efficiency ratios (in %)

Equity return	$\text{profit for the year} : \text{equity capital per Jan. 1 of the year} \times 100$
Return on total investment	$\text{profit for the year before taxes and interest on loan capital} : \text{average total capital} \times 100$
Percentage return on sales (profit for the year + interest on loan capital/sales revenues)	$\text{profit for the year and interest on loan capital} : \text{sales revenues} \times 100$
Percentage return on sales (EGG)	$\text{profit or loss on ordinary activities} : \text{sales revenues} \times 100$

### Productivity ratios (in %)

Intensity of materials	$\text{materials expense} : \text{total operating performance} \times 100$
Personnel intensity	$\text{personnel expenditure} : \text{total operating performance} \times 100$

## A look at recent developments

<b>GILDEMEISTER-Group</b>		1993	1994	1995	1996	1997	1998	1999	Change to last year
<b>Sales</b>	<b>K€</b>	<b>130,328</b>	<b>207,319</b>	<b>381,343</b>	<b>423,384</b>	<b>444,543</b>	<b>580,328</b>	<b>690,363</b>	<b>19%</b>
Domestic	K€	60,040	113,021	198,404	225,551	249,357	340,361	408,987	20%
Export	K€	70,288	94,298	182,939	197,833	195,186	239,967	281,376	17%
% Export	%	54	45	48	47	44	41	41	
<b>Total result</b>	<b>K€</b>	<b>128,896</b>	<b>246,250</b>	<b>374,084</b>	<b>424,547</b>	<b>447,319</b>	<b>583,558</b>	<b>700,012</b>	<b>20%</b>
<b>Personnel costs</b>	<b>K€</b>	<b>63,353</b>	<b>85,450</b>	<b>121,114</b>	<b>121,710</b>	<b>126,877</b>	<b>145,786</b>	<b>171,405</b>	<b>18%</b>
<b>Operating result</b>	<b>K€</b>	<b>-34,504</b>	<b>-21,427</b>	<b>-3,410</b>	<b>7,332</b>	<b>17,259</b>	<b>36,626</b>	<b>47,478</b>	<b>30%</b>
<b>Financial result</b>	<b>K€</b>	<b>-15,338</b>	<b>-8,109</b>	<b>-11,316</b>	<b>-10,153</b>	<b>-11,339</b>	<b>-10,562</b>	<b>-11,903</b>	<b>13%</b>
<b>Profit or loss on ordinary operations</b>	<b>K€</b>	<b>-48,196</b>	<b>-24,040</b>	<b>-6,849</b>	<b>669</b>	<b>9,371</b>	<b>29,615</b>	<b>34,452</b>	<b>16%</b>
<b>Net income/loss</b>	<b>K€</b>	<b>-30,242</b>	<b>-21,038</b>	<b>-11,694</b>	<b>3,925</b>	<b>6,433</b>	<b>16,142</b>	<b>32,663</b>	<b>102%</b>
<b>Fixed assets</b>	<b>K€</b>	<b>43,429</b>	<b>66,914</b>	<b>60,498</b>	<b>47,967</b>	<b>54,162</b>	<b>73,939</b>	<b>98,234</b>	<b>33%</b>
Intangible assets	K€	5,799	12,319	10,169	8,341	11,140	16,327	18,676	
Tangible assets	K€	34,125	51,271	47,620	39,375	42,771	57,497	79,452	
Financial assets	K€	3,505	3,324	2,709	251	251	115	106	
<b>Current assets</b>	<b>K€</b>	<b>128,481</b>	<b>207,675</b>	<b>242,669</b>	<b>221,163</b>	<b>234,019</b>	<b>279,835</b>	<b>320,830</b>	<b>15%</b>
Stocks	K€	54,496	107,436	113,427	122,385	116,819	123,908	124,973	
Accounts receivable incl. prepaid expenses	K€	67,798	79,753	111,381	91,819	108,723	147,366	182,270	
Cash resources	K€	6,187	20,486	17,861	6,959	8,477	8,561	13,587	
<b>Equity capital</b>	<b>K€</b>	<b>24,028</b>	<b>40,576</b>	<b>58,611</b>	<b>44,114</b>	<b>46,179</b>	<b>81,582</b>	<b>107,174</b>	<b>31%</b>
Equity capital as per balance sheet	K€	24,028	40,576	58,611	44,114	46,179	81,582	107,174	
Subscribed capital	K€	21,643	38,958	48,697	48,697	48,697	55,453	56,398	
Capital reserves	K€	0	0	0	0	0	13,513	12,568	
Reserves	K€	0	0	0	0	0	681	19,793	
Net profit/loss for the year	K€	-881	-1,723	-4,017	-8,086	-6,579	6,713	13,202	
Shares held by other shareholders	K€	3,266	3,341	13,931	3,503	4,061	5,222	5,213	
<b>External capital</b>	<b>K€</b>	<b>147,882</b>	<b>234,013</b>	<b>244,556</b>	<b>225,016</b>	<b>242,002</b>	<b>272,192</b>	<b>311,890</b>	<b>15%</b>
Participating certificate capital	K€	2,537	0	0	2,851	7,669	0	0	
Special account for investments									
subsidies	K€	0	0	300	144	66	50	1,632	
Provisions	K€	48,659	50,613	50,353	60,154	57,434	62,141	81,472	
Accounts payable including prepaid expenses and deferred charges	K€	96,686	183,400	193,903	161,867	176,833	210,001	228,786	
<b>Balance sheet total</b>	<b>K€</b>	<b>171,910</b>	<b>274,589</b>	<b>303,167</b>	<b>269,130</b>	<b>288,181</b>	<b>353,774</b>	<b>419,064</b>	<b>18%</b>

<b>GILDEMEISTER-Group</b>		1993	1994	1995	1996	1997	1998	1999	Change to last year
<b>Balance sheet ratios</b>									
Capitalization ratio of fixed assets	%	25.3	24.4	20.0	17.8	18.8	20.9	23.4	12%
Working intensity of current assets	%	74.7	75.6	80.0	82.2	81.2	79.1	76.6	-3%
Equity ratio	%	14.0	14.8	19.3	16.4	16.0	23.1	25.6	11%
External capital ratio	%	86.0	85.2	80.7	83.6	84.0	76.9	74.4	-3%
Assets structure	%	33.8	32.2	24.9	21.7	23.1	26.4	30.6	16%
Capital structure	%	16.2	17.3	24.0	19.6	19.1	30.0	34.4	15%
<b>Employees (Dec. 31.)</b>		1,482	2,517	2,644	2,324	2,356	2,617	3,340	28%
<b>Investments</b>	K€	3,287	24,309	9,031	6,511	13,500	29,798	37,601	26%
<b>Depreciation</b>	K€	7,313	8,031	9,773	9,248	7,388	9,960	14,946	50%
<b>Ratios on structure analysis</b>									
Turnover rate raw materials and supplies		3.1	3.1	2.8	3.9	4.9	5.1	6.3	24%
Turnover rate of inventory		2.4	1.9	3.4	3.5	3.8	4.7	5.5	17%
Turnover rate of receivables		4.8	3.3	5.1	5.7	5.2	5.2	5.0	-4%
Turnover rate of capital		0.8	0.8	1.3	1.6	1.5	1.6	1.6	0%
Working capital	K€	56.2	66.4	86.8	88.4	91.2	112.0	137.1	22%
<b>Profitability ratios</b>									
Equity return	%	-105.0	-87.4	-28.8	6.7	14.6	35.0	40.0	14%
Return on total assets	%	-12.6	-5.4	1.9	7.0	7.5	8.7	12.1	39%
Profit on sales (ni+interest f. ec/sales)	%	6.1	-6.2	0.2	3.7	4.0	4.7	6.5	38%
Profit on sales (profit on ordinary operations)	%	-37.0	-11.6	-1.8	0.2	2.1	5.1	5.0	-2%
<b>Productivity ratios</b>									
Material intensity	%	51.4	56.8	50.5	54.5	56.4	54.9	55.0	0%
Personnel intensity	%	49.2	34.7	32.4	28.7	28.4	25.0	24.5	-2%

# Index

- A** Administration 48
  - Affiliated companies 51, 112
  - Annual report 12
- B** Balance sheet 34, 100
  - Board of directors/Responsibilities of the board of directors 8, 48, 115
  - Branches 57
- C** Cash-flow 35, 37
  - Communication 77
  - Company situation 24, 78
  - Company suggestion system 61, 70
  - Continued training 68
  - Course of business 8, 24
- D** Depreciation 31, 41
  - Dividend 32, 73
- E** Economic report 12
  - Employees 67, 87
  - Environmental protection 71, 87
  - Equity capital 36, 102
  - Exchange environment 72
- F** Financial assets 40, 43, 98, 100
  - Financial situation 30, 34
- G** Group organization 46, 48
- I** Income statement 32, 108
  - Industry sector economy 17, 78, 81
  - Internet 75
  - Investments 40, 86
  - Investor relations 72
- L** Locations 40, 51, 89
  - Logistics 59
- M** Marketing 75
  - Market presence 56, 79, 82
- O** Order position 26, 28, 78, 82, 85
  - Organization 48
  - Organigram 46
  - Outlook 81
  - Overall economy 12, 78, 81
- P** PR 77
  - Procurement 59, 86
  - Production 59
  - Products 62, 82
- Q** Quota share 72, 102
- R** Real net output 37
  - Research and development 87, 88
  - Results 30
  - Revised report 78
  - Risk management 39, 85
- S** Sales 25, 78, 82, 108
  - Services 62
  - Share price 72
  - Supervisory board 6, 112
  - Supply plants 43, 51, 89
- T** Technical services 63, 66
  - Training 67
- Y** Year 2000 79



**GILDEMEISTER Aktiengesellschaft**

Gildemeisterstraße 60

D-33689 Bielefeld

Tel.: ++49 (0) 52 05 / 74 - 30 01

Fax: ++49 (0) 52 05 / 74 - 30 81

Internet: [www.gildemeister.com](http://www.gildemeister.com)

e-mail: [info@gildemeister.com](mailto:info@gildemeister.com)