

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

# Interim Report

3<sup>rd</sup> quarter 2003

**GILDEMEISTER**

DEAR SHAREHOLDERS,

World-wide, both economic development and demand for machine tools continued to be restrained. As previously announced, the third quarter went well for GILDEMEISTER. We were able to close the quarter on target and, compared with the rest of the industry, to maintain our current position in the continuing difficult environment.

In the first nine months, sales reached € 701.5 million, which is just slightly below the preceding year's figure (-1%). The intake of new orders amounted to € 700.8 million (-5%). As announced, EBIT (earnings before interest and tax) were positive at € 19.4 million. At € 1.1 million EBT (earnings before tax) were also positive as at 30<sup>th</sup> September (previous year: € -17.5 million). At € 328.1 million, orders on hand continue to represent a satisfactory basic capacity utilisation.

GILDEMEISTER intends to close the fourth quarter with better results than the preceding quarters, as is customary in the industry. With an improved demand situation resulting from a fresh stimulus caused by the autumn trade fairs, particularly the EMO in Milan, we will largely be able to achieve our planned intake of new orders for the entire year despite a continuing difficult market situation. Sales might again exceed € 1 billion. Based on measures already initiated, we still expect an overall positive result for the financial year. The distribution of a dividend will only be considered once the group has obtained another adequate net profit for the year.

## KEY FIGURES

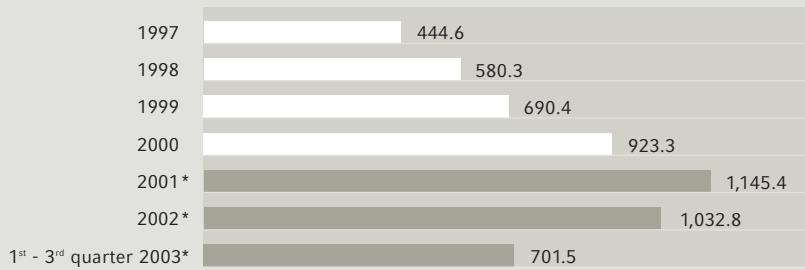
The Consolidated Interim Financial Statements of the GILDE-MEISTER Aktiengesellschaft were prepared in accordance with International Financial Reporting Standards (IFRS). This Interim Report has not been audited.

GILDEMEISTER-group	2003	2002	Changes	
	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	2003 against 2002	
	€ M	€ M	€ M	%
Sales				
Total	701.5	712.1	-10.6	-1
Domestic	346.0	353.1	-7.1	-2
International	355.5	359.0	-3.5	-1
% International	51	50		
Order Intake				
Total	700.8	737.1	-36.3	-5
Domestic	324.6	345.9	-21.3	-6
International	376.2	391.2	-15.0	-4
% International	54	53		
Orders on hand*				
Total	328.1	405.6	-77.5	-19
Domestic	119.8	170.1	-50.3	-30
International	208.3	235.5	-27.2	-12
% International	63	58		
Investments**	20.7	22.3	-1.6	-7
Staff costs	199.8	201.7	-1.9	-1
Employees	4,835	4,868	-33	-1
plus trainees	207	220	-13	-6
Total employees*	5,042	5,088	-46	-1
EBITDA	45.7	29.0	16.7	
EBIT	19.4	0.5	18.9	
EBT	1.1	-17.5	18.6	
Profit/loss for the year	-7.5	-23.6	16.1	

\* Reporting date 30<sup>th</sup> September 2003

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

Sales  
in € M



<< GILDEMEISTER-  
group key  
figures

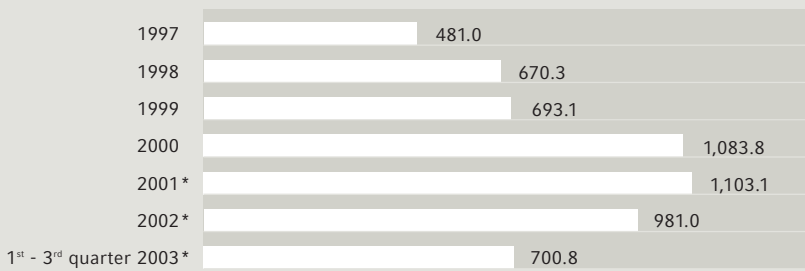
<< Sales

Order intake

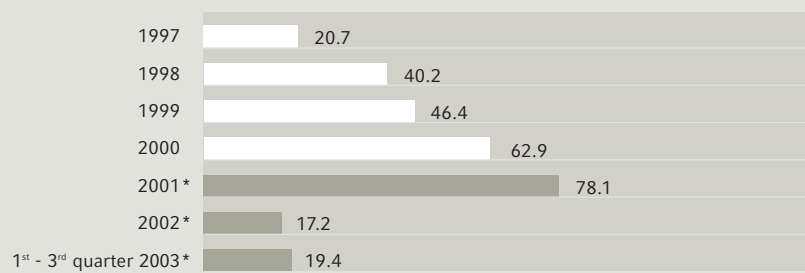
EBIT

Employees

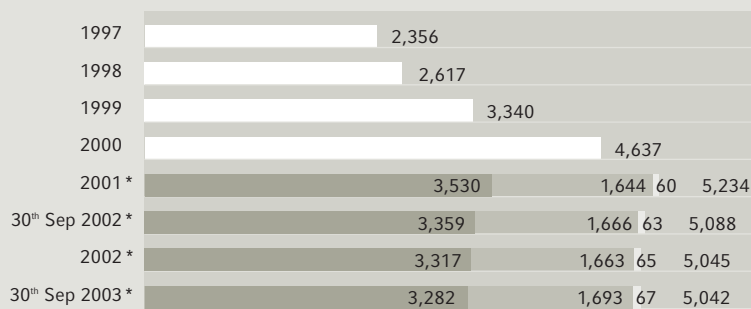
Order intake  
in € M



EBIT  
in € M



Number of employees  
(incl. trainees)



\* in acc. w. IFRS

Machine tools	Corporate Services
Services	Total employees

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## COVER PICTURE



Complex turning and milling machining on the **GMX 200 linear** with 5-axis interpolation (World premiere at EMO 2003)  
Work piece: adjusting unit used in fluid technology



## Overall Economic Development

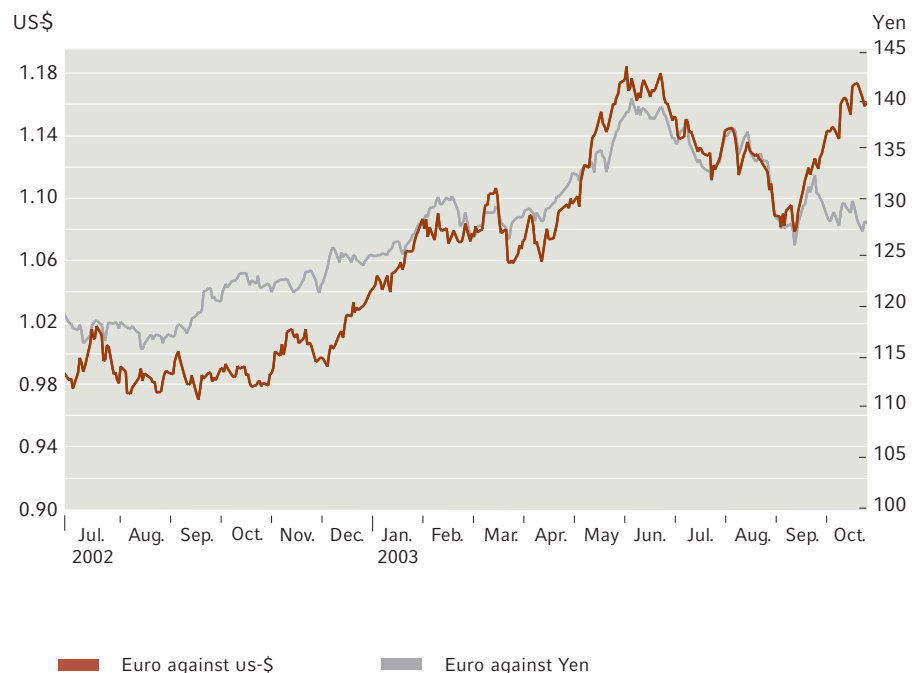
**Overall economic development** remained restrained during the first nine months. However, the indicators of an improvement in global economic conditions have increased in the third quarter. In Asia, the speed of expansion accelerated; this was mainly due to the continually dynamic economic situation in China. Upward trends have been detected in the USA, too. In the Euro area, including Germany, economic development remained weak. However, according to forecasts by the ifo Institute (Economic Research Institute), the economic climate is slowly picking up. For the first time, the figures of the ifo Business Climate Index improved in September. The Kiel-based Institute for World Economics (IfW) also reports a noticeable tendency to recovery; an effect on growth, however, is not expected before the beginning of 2004.

The **exchange rates** with respect to those currencies that are relevant to us, i. e. the US-\$ and the Yen, continued to fluctuate in the third quarter. The US-\$ varied between US-\$ 1.08 and 1.17 US-\$ against the Euro. The Yen lost ground against the stronger Euro. The exchange rate oscillated between Yen 127 and 137. Developments in this exchange rate relation could affect our export business.

Source: ifo - Economic Research Institute, Munich  
IfW - Institute for World Economics, Kiel

Exchange rate development  
Euro against US-\$ and Yen

Source: European Central Bank



## Development of the Machine Tool Industry

In the third quarter of the reporting year **world-wide demand for machine tools** remained below industry expectations. Due to the continuing uncertainties in the world markets, a forecast remains difficult. A valid projection is not expected before the end of the year. We stick to our assessment that both global output and global consumption of machine tools will be around 2 - 5% below the preceding year's figure. Indicators of a recovery become increasingly apparent, and we expect demand to pick up by the end of the financial year, or at least early 2004.

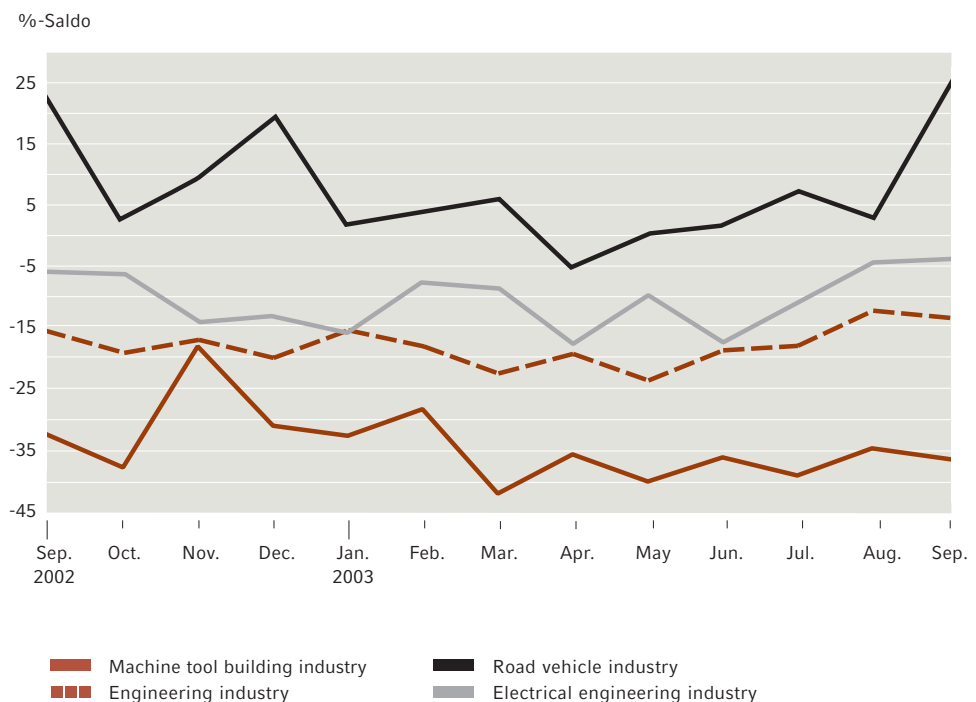
With respect to cutting machines that are comparable with our production programme, the **German machine tool industry** has recorded a 2% decline in the order intake for the first nine months when compared with the previous year. International orders were 7% above the preceding year's figure, whilst domestic orders declined by 14%. Sales by German machine tool manufacturers dropped by 7% when compared with the previous year. In its latest publication, the vdw (Association of German Machine Tool Factories) now predicts an 8% drop in production for this year against the previous year. The industry pinned its hopes for fresh impetus in demand on the EMO that ended recently, and on the related post-trade business.

The expected shift in sentiment can also be detected in the ifo business climate for the major purchasing industries of the machine tool industry, particularly in road vehicle construction and electrical engineering. The current situation in mechanical engineering continues to be estimated as weak. German machine tool manufacturers remain cautious, as investment will only pick up once customers' plants are working at full capacity again.

Source: VDW (Association of German Machine Tool Factories)

ifo business climate  
Balance from the percentage of positive and negative company reports, excluding the Neue Bundesländer (former East German states)

Source: ifo Institute (Economic Research Institute), Munich



## Business Development in the GILDEMEISTER Group

<b>GILDEMEISTER</b> Aktiengesellschaft Bielefeld	<b>PRODUCTION PLANTS</b>				
	<b>GILDEMEISTER</b> Drehmaschinen GmbH Bielefeld 100%	<b>GILDEMEISTER</b> Italiana S.p.A. Bergamo 100%	<b>DECKEL MAHO</b> Geretsried GmbH Geretsried 100%	<b>DECKEL MAHO</b> Seebach GmbH Seebach 100%	<b>FAMOT Pleszew S.A.</b> Pleszew 99,3%
		<b>GRAZIANO</b> Tortona S.p.A. Tortona 100%	<b>DECKEL MAHO</b> Pfronten GmbH Pfronten 94,9%		
		<b>SACO S.p.A.</b> Castelleone 100%	<b>LASERTEC GmbH</b> Pfronten 100%		

As at 30 September, 2003, the GILDEMEISTER group comprised of 62 companies, including GILDEMEISTER Aktiengesellschaft. The consolidated group was expanded by DMG Australia. Compared with the last Interim Report, the following changes occurred in the legal corporate structure of the GILDEMEISTER group: the share in SAUER GmbH (formerly SAUER GmbH & Co. KG) has increased to 95% (previously 50.5%). GILDEMEISTER Aktiengesellschaft took over the 100% interest in GILDEMEISTER Italiana S.p.A. from Holding Macchine Utensili S.p.A. At DECKEL MAHO Geretsried GmbH an increase in capital resulted from the contribution of a 94.9% interest in DECKEL MAHO Pfronten GmbH by GILDEMEISTER Aktiengesellschaft, which remains a 5.1% shareholder in DECKEL MAHO Pfronten, GmbH.

As far as we are aware, the shareholders' structure of the GILDEMEISTER Aktiengesellschaft has not changed significantly since the first six months of 2003.

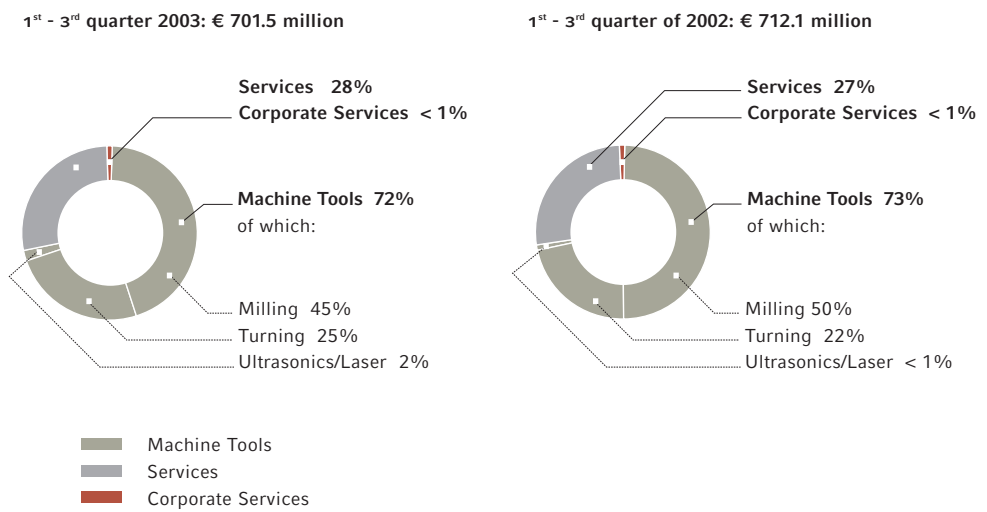
### Sales

Group sales for the third quarter amounted to € 230.7 million, and by 30 September had reached € 701.5 million, which is almost the level for the corresponding period of the previous year (-1%). Compared with the rest of the industry, which suffered a 7% deficit, GILDEMEISTER was able to develop well. At 51% the export share remained constant. International sales amounted to € 355.5 million (corresponding period of the preceding year: € 359.0 million). Domestic sales reached € 346.0 million (corresponding period of the preceding year: € 353.1 million).



			PROCUREMENT	SALES AND SERVICES ORGANISATION
SAUER GmbH Idar-Oberstein 95%	DMG Microset GmbH Bielefeld 100%	DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. Shanghai 100%	a & f Stahl- und Maschinenbau GmbH Würzburg 90%	DMG Vertriebs und Service GmbH Bielefeld 100%
				48 Sales- and Services organisations world-wide

GILDEMEISTER group sales distribution by segments / divisions:



In the "Machine Tools" segment, the group's ten production plants with their six domestic and four international sites contributed 72% of sales. The contribution of the "Services" segment amounted to 28%.

Based on our order backlog of approximately three months and the new orders that will turn into sales in this financial year, we stick to our forecast that sales could again exceed € 1 billion in the year 2003.

### Order Intake

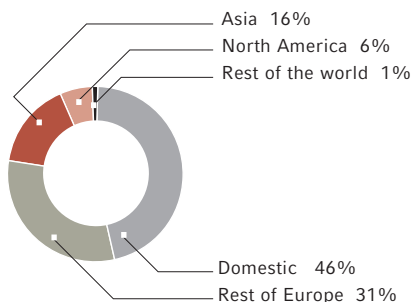
Demand in the financial year 2003 has been rather restrained with a gradual recovery towards the end of the year. Important indicators include the new types of demand generated by the EMO and the increasing number of project inquiries, particularly from abroad.

In the third quarter the intake of new orders of € 229.1 million was 6% below the figure for the previous quarter, which was due to the holiday season and customers' wait-and-see attitude in the run-up to the EMO. In all, the order intake as of 30 September amounted to € 700.8 million and was € 36.3 million or 5% below the benchmark figures for the previous year. The intake of domestic orders amounted to € 324.6 million, which is € 21.3 million or 6% less than during the corresponding period of the preceding year. International orders amounted to € 376.2 million. This is a decline of € 15.0 million or 4%. The export share rose to 54% (same period of the preceding year: 53%). As planned, we continued to increase our export share in Asia, particularly in the PR of China.

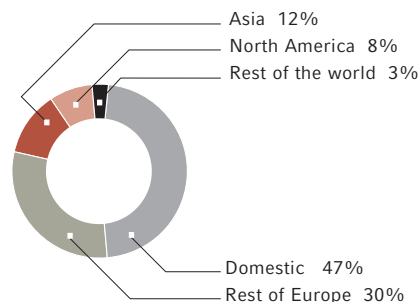
73% of the new orders were attributed to the "Machine Tools" and 27% to the "Services" segment.

GILDEMEISTER group order intake by regions

1<sup>st</sup> - 3<sup>rd</sup> quarter 2003: € 700.8 million



1<sup>st</sup> - 3<sup>rd</sup> quarter 2002: € 737.1 million

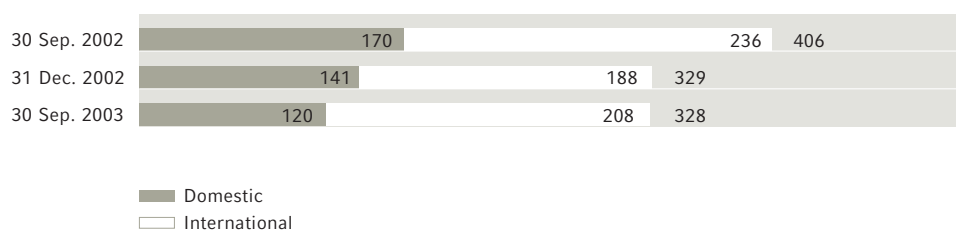


For the fourth quarter we expect an increase in new orders. We expect that we will be able to achieve our planned order intake in the financial year despite the continuing difficult market environment. We further expect the fresh stimulus resulting from the autumn trade fairs, particularly the EMO, to show a positive effect as early as this year.

## Orders on Hand

On 30 September, 2003, the group's orders on hand amounted to € 328.1 million; 63% of which were attributed to international orders (previous year: 58%). In comparison with the same time last year, the backlog of export orders decreased by € 27.2 million or 12%. In the same period, the backlog of domestic orders dropped by € 50.3 million or 30%. During the course of the year, orders on hand remained at an almost constant level.

GILDEMEISTER group  
orders on hand  
in € M



By the end of the third quarter, the orders on hand pertaining to "Machine Tools" amounted to € 275.4 million, representing an 84% share. € 52.7 million or 16% were attributed to "Services".

## Results, Net Worth and Financial Position

Despite the continuing difficult economic setting, GILDEMEISTER achieved the planned business targets for the **third quarter**. Both **EBIT** (earnings before interest and taxes) of € 8.4 million (previous year: € -10.6 million) and **EBT** (earnings before taxes) of € 2.6 million (previous year: € -17.8 million) were positive in the third quarter. In the first nine months, EBIT amounted to € 19.4 million (previous year: € 0.5 million) and EBT also showed a profit of € 1.1 million (previous year: -17.5 € million). **EBITDA** amounted to € 45.7 million (previous year: € 29.0 million). As at 30 September, 2003 the net loss for the year had been reduced to € 7.5 million (previous year: € -23.6 million).

In the third quarter, the quality of performance has noticeably improved against the corresponding figure for the previous year. The improvement in performance (EBT) in the third quarter against the previous year amounts to € 20.4 million.

In relation to the company's gross performance of € 737.7 million, the materials quota is about 54.1%, which is an improvement of 0.8 percentage points when compared with the previous year. Due to the improved materials quota and with a € 19.0 million reduction in gross performance, gross yield reduced only slightly by € 3.0 million to € 338.3 million (gross yield margin 45.9%). Staff costs were reduced by € 1.9 million to € 199.8 million when compared to the corresponding period of the preceding year. The greatest reduction in costs occurred in other operating charges. The balance from income and expenses was reduced by € 17.8 million to € 92.8 million. Major cost

savings occurred in the sales and marketing area. Depreciation was reduced by € 2.2 million to € 26.3 million due to a reduction in investments. At € -18.3 million, the financial result slightly exceeds the figure for the previous year of € -18.0 million by € 0.3 million. With the application of the IFRS accounting principles and the setting-up of deferred taxes, tax expenditure as of 30 September amounted to € 8.6 million (previous year: € 6.1 million).

## Net worth position

	30 Sep. 2003	31 Dec. 2002	30 Sep. 2002
Fixed assets	274.5	276.3	270.1
Current assets	626.3	622.1	626.3
Equity	183.7	193.8	190.9
Outside capital	717.1	704.6	705.5
<b>Balance sheet total</b>	<b>900.8</b>	<b>898.4</b>	<b>896.4</b>

The Consolidated Balance Sheet as of 30 September, 2003 shows an almost unchanged balance sheet total (€ 900.8 million) against the Annual Balance Sheet 2002.

In the reporting period, the **cashflow** from running operations showed a slight loss of € 2.3 million (previous year: € 30.2 million profit). Basically, the cashflow as of 30 September has been affected by changes in short-term provisions (tax payments from the previous year) and the current stock building. In addition, the growth in international business caused an adjustment in the terms of payment in line with market trends. In order to remain competitive in Germany, we increasingly have to allow for these longer term trends for the first time. The reduction in accounts receivable since the beginning of the year had a positive impact on the cashflow. By the end of the year we expect a reduction in the commitment of funds due to reductions in stocks. € 24.4 million were paid out for investments, which is around 62% below the figure for the previous year.

## Financial position

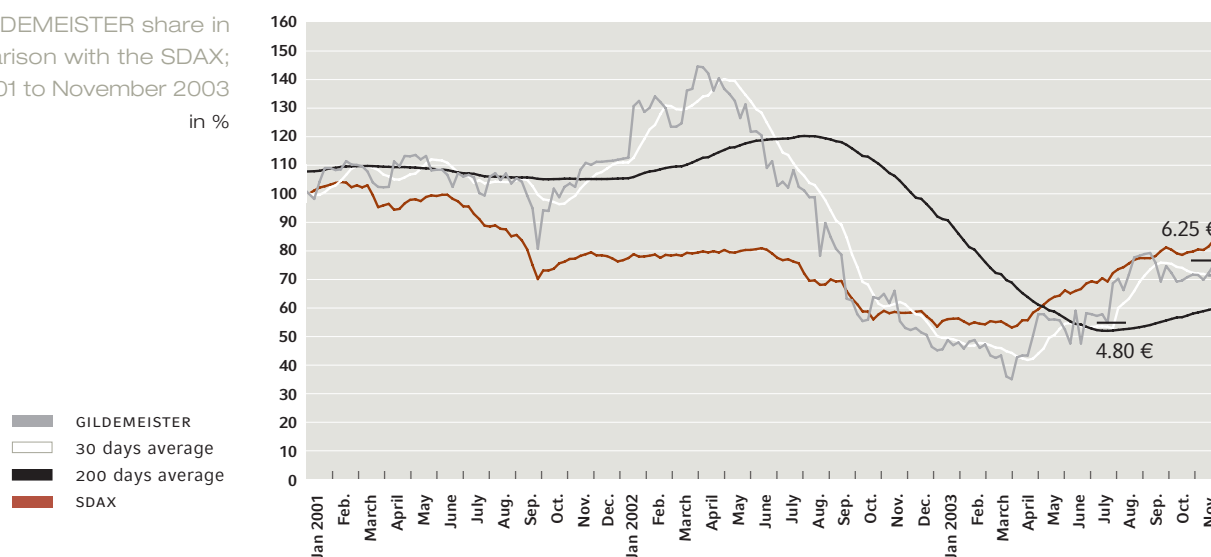
	30 Sep. 2003	30 Sep. 2002
Cashflow from current activities	-2.3	30.2
Cashflow from investment activities	-24.4	-64.8*
Cashflow from financing activities	21.8	30.4*
Change in cash and cash equivalents	-7.5	0.3
Cash and cash equivalents 1 January	17.7	15.3
Cash and cash equivalents 30 September	10.2	15.6

\* During the drawing up of the Annual Financial Statements as of 31 December, 2002, a reclassification within the cashflow was undertaken (€ 2.8 million repayment of capital to other company members). The figures as of 30 September, 2002, were adjusted accordingly.

## The GILDEMEISTER Share

The GILDEMEISTER share recorded another price advance. The share that was quoted at € 3.35 on 31 March, reached € 4.80 by the end of the first six months and closed the third quarter at a price of € 5.75. It is currently quoted at € 6.25 (4 November 2003). According to experts, the price of the GILDEMEISTER share has further potential. Along with the research mentioned in the six months figures, the following up-to-date valuations are currently available: Bankhaus Lampe (8 August 2003), HypoVereinsbank (8 August 2003), WestLB (8 August 2003), ING BHF-BANK (7 August 2003; 23 September 2003) and Landesbank Baden-Württemberg (29 September 2003). These studies can be viewed on the Internet or can be obtained through our Investor Relations Team.

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



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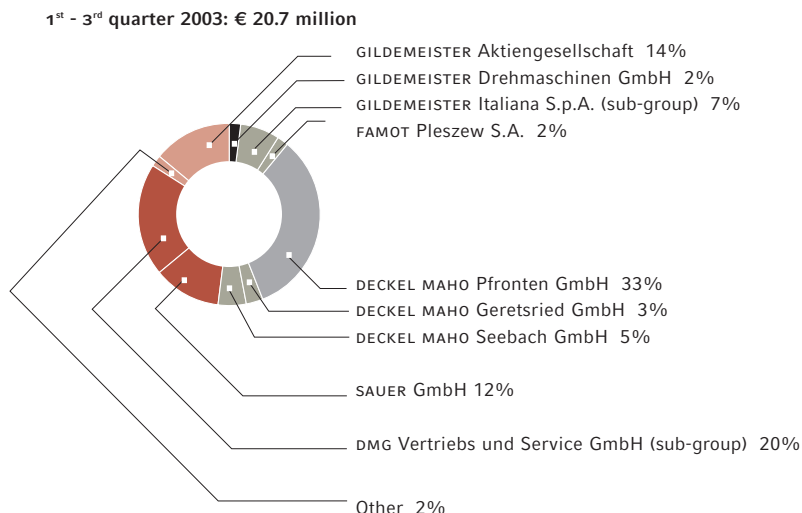
Katalin Jánosi (Public Relations)

Birgitt Frein (Investor Relations)

### Investments

In the first nine months, investments reached € 20.7 million (preceding year's period: € 22.3 million). Of the planned investments of € 25.5 million for the current financial year, 81% were carried out during the first three quarters of the year. Activities focused on the technology and assembly centre of SAUER GmbH for the growing ultrasonics business, the technology centre of DMG Nippon in Yokohama and an industrial building neighbouring DECKEL MAHO Pfronten GmbH, which rounds off our factory site. This building will house certain areas of our Technical Services, which used to be in rented premises.

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



### Employees

On 30 September, 2003, GILDEMEISTER employed 5,042 people, 207 of whom were trainees. Compared with the previous year this is a decrease of 46 employees. Whilst the production site in Shanghai and the sales and services companies in Asia, Europe and Germany were specifically reinforced, staff levels at the production sites Geretsried, Bielefeld, Bergamo and Seebach were reduced in line with business development. In this financial year, the group's reconstruction along with the further strengthening of the service area and the internationalisation of our production, resulted in a relocation of staff capacity. One of the key aims of this measure was to safeguard the locations in Germany. 207 trainees have contributed to the continued high standard of vocational training, which safeguards the future of our company.

In the reporting period 3,158 employees (63%) worked at the domestic companies and 1,884 (37%) at our international companies. Staff costs of € 199.8 million were below those for the same period of the preceding year (€ 201.7 million).

## Research and Development

Due to the focus on our EMO innovations, spending on Research and Development reached € 33.0 million in the first three months of the year (corresponding period of the previous year: € 35.2 million). Group-wide 400 technical designers are currently working on the development of new products; which means that at our production sites 13% of staff are employed in Research and Development. In the financial year 2003, GILDEMEISTER will present a total of ten innovative high-tech products. Following the presentation of the DMP 45 v *linear* in May, the EMO in Milan as the most important trade fair, constituted the focus of our activities with six world premières. With the GMX 200 *linear*, the GMX line of turning and milling centres for high precision six-sided integrated machining has been expanded by a smaller machine. The new vertical precision centre, the DMC 75 v *linear*, marks the benchmark in mould making, enabling maximum performance with regard to precision, surface quality and productivity. Like our other exhibits, it was met with keen interest by a specialist audience. At the Grand Opening of the new technology and assembly centre of SAUER GmbH on 10 November, GILDEMEISTER will present two new ultrasonic machines for 5-axis machining. The presentation of innovations will be completed with the première of the DMU 100 P in December, a universal machining centre for the high precision 5-axis machining of complex work pieces.

## Segments

### „Machine Tools“

KEY FIGURES	2003	2002	Changes	
	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	2003 against 2002	
	€ M	€ M	€ M	%
<b>Sales</b>				
Total	504.8	521.7	-16.9	-3
Domestic	239.8	236.9	2.9	1
International	265.0	284.8	-19.8	-7
% International	52	55		
<b>Order intake</b>				
Total	511.0	540.8	-29.8	-6
Domestic	220.9	231.1	-10.2	-4
International	290.1	309.7	-19.6	-6
% International	57	57		
<b>Orders on hand*</b>				
Total	275.4	333.8	-58.4	-17
Domestic	113.6	156.4	-42.8	-27
International	161.8	177.4	-15.6	-9
% International	59	53		
<b>Investments**</b>	13.2	16.6	-3.4	-20
<b>Employees</b>	3,075	3,139	-64	-2
plus trainees	207	220	-13	-6
<b>Total employees*</b>	3,282	3,359	-77	-2
<b>EBIT</b>	12.3	6.9	5.4	
<b>Profit/loss for the year</b>	-3.2	-8.0	4.8	

\* Reporting date 30 September

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

The "Machine Tools" segment includes the group's new machines business. In the reporting period **sales** amounted to € 504.8 million, therefore remaining € 16.9 million or 3% below the figures for the previous year.

In the first nine months, GILDEMEISTER achieved **EBIT** of € 12.3 million in the "Machine Tools" segment. Profitability was improved by capacity adjustments and cost savings.

### „Services“

KEY FIGURES	2003	2002	Changes	
	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	2003 against 2002	
	€ M	€ M	€ M	%
<b>Sales</b>				
Total	196.3	190.0	6.3	3
Domestic	105.8	115.8	-10.0	-9
International	90.5	74.2	16.3	22
% International	46	39		
<b>Order intake</b>				
Total	189.4	195.9	-6.5	-3
Domestic	103.3	114.4	-11.1	-10
International	86.1	81.5	4.6	6
% International	45	42		
<b>Orders on hand*</b>				
Total	52.7	71.8	-19.1	-27
Domestic	6.2	13.7	-7.5	-55
International	46.5	58.1	-11.6	-20
% International	88	81		
<b>Investments**</b>	4.6	4.5	0.1	2
<b>Employees</b>	1,693	1,666	27	2
<b>EBIT</b>	14.8	1.8	13.0	
<b>Profit/loss for the year</b>	2.6	-3.5	6.1	

\* Reporting date 30 September

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

The "Services" segment is operated by DMG Vertriebs und Service GmbH and its subsidiaries. With its products and Technical Services it represents an independent operating area. Also included are the procurement services of a & f Stahl- und Maschinenbau GmbH, the components and tools of SACO S.p.A. and the tool management products and software of DMG Microset.



In the reporting period **sales** amounted to € 196.3 million, which is 3% above the figures for the previous year. Profitability improved chiefly due to increases in efficiency and the growing business volume. **EBIT** amounted to € 14.8 million.

### „Corporate Services“

KEY FIGURES	2003	2002	Changes	
	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	1 <sup>st</sup> - 3 <sup>rd</sup> quarter	2003 against 2002	
	€ M	€ M	€ M	%
Sales	0.4	0.4	0.0	0
Order Intake	0.4	0.4	0.0	0
Investments	2.9	1.2	1.7	142
Employees*	67	63	4	6
EBIT	-7.3	-8.2	0.9	
Profit/loss for the year	-7.1	-11.8	4.7	

\*Reporting date 30 September

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

## Forecast 2003

The general economic setting for a boost in **world economy** has improved, and economic researchers expect the level of business activity to pick up by the end of the year. The **world-wide market for machine tools** will not reach the preceding years' level in 2003. An up-to-date trade association forecast is not expected before the end of the year. We still expect a 2 - 5% drop in production. In their latest statements, the ifo Institute and the vdw now expect an 8% (formerly 5%) drop in **German machine tool production** for the current year. With an assumed rise in incoming orders, a 4% increase in production is expected for 2004. On a medium-term basis, the German machine tool building industry sees itself back on the road to recovery.



**GILDEMEISTER** continues to plan for the financial year 2003 with restrained optimism. Thanks to our innovative products and world-wide operating sales and services organisation, the DMG Vertriebs- und Serviceorganisation, we are well prepared for any market recovery.

With respect to the **order intake** we expect a gradual improvement in demand for machine tools. An indicator of this improvement was our success at the EMO in Milan. In all, 172 machines totalling almost € 30.3 million were sold. In addition, the number of project enquiries has steadily risen so that we expect to be close to our planned order intake for the entire year.

In line with industry trends, we anticipate higher **group sales** figures for the fourth quarter so that sales could again exceed € 1 billion over the entire year. Further activities to improve performance have been initiated. We intend to close the fourth quarter with a profit. For the overall year 2003 we expect earnings to be positive (EBT) and a balanced result after taxes. The distribution of a dividend will only be considered once the group has obtained another adequate net profit for the year.

# Consolidated Interim Financial Statements of GILDEMEISTER Aktiengesellschaft as of 30 September, 2003

## Notes to the Consolidated Interim Financial Statements

### 1 APPLICATION OF REGULATIONS

The Consolidated Interim Financial Statements of the GILDEMEISTER Aktiengesellschaft as of 30 September 2003 were prepared, as were the Consolidated Interim Financial Statements as of 30 September 2002 and the Consolidated Annual Financial Statements for the year ending 31 December 2002, in accordance with International Financial Reporting Standards (IFRS) applicable on the reporting date and in accordance with the interpretation of the above Standards. The regulations of the IAS 34 on interim reporting were specifically applied.

All Interim Financial Statements of those companies that were included in the Consolidated Interim Financial Statements were prepared in accordance with uniform accounting and valuation principles that also formed the basis for the Consolidated Interim Financial Statements as of 30 September, 2002 and the Consolidated Annual Financial Statements for the year ending 31 December, 2002.

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

The accounting and valuation principles and applied consolidation methods have not changed since the financial year 2002.

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

### 2 CONSOLIDATED GROUP

As at 30 September, 2003, the GILDEMEISTER group comprised of 62 companies, including GILDEMEISTER Aktiengesellschaft, 60 of which were included in the Interim Financial Statements as part of the full consolidation process.

### 3 EARNINGS PER SHARE

In accordance with IAS 33, earnings per share are determined by dividing the consolidated earnings by the average number of shares. There were no dilution effects in the shown reporting periods.

Consolidated result excluding profit shares of other company members	€ -7,756 K
Number of shares	28,879,427
Earnings per share	€ -0.27

4 SEGMENTAL REPORTING The information with respect to segmental reporting is given in accordance with IAS 34 and IAS 14. Explanatory notes are included in the Segments chapter.

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

5 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE No material events have occurred after the date of the Interim Financial Statements.

### Consolidated Balance Sheet as of 30 September, 2003

	30 Sep. 2003	31 Dec. 2002	30 Sep. 2002
	€ M	€ M	€ M
<b>Assets</b>			
<b>Fixed assets</b>	274.5	276.3	270.1
<b>Current assets</b>			
Stocks	290.2	250.8	299.5
Accounts receivable and other assets	287.4	316.6	271.1
Securities and liquid funds	10.2	17.9	16.2
<b>Deferred taxes</b>	31.8	32.9	34.1
<b>Prepaid expenses and accrued income</b>	6.7	3.9	5.4
	900.8	898.4	896.4

	30 Sep. 2003	31 Dec. 2002	30 Sep. 2002
	€ M	€ M	€ M
<b>Total Equity and Liabilities</b>			
<b>Equity/shares held by other company members</b>			
Subscribed capital	75.1	75.1	75.1
Capital reserves	48.7	48.7	48.7
Revenue reserves	67.7	70.0	83.4
Net loss for the year	-7.8	0.0	-16.3
	183.7	193.8	190.9
Shares held by other company members	1.2	1.2	1.2
	184.9	195.0	192.1
<b>Provisions</b>	126.1	148.4	146.2
<b>Accounts payable</b>	570.6	537.3	544.6
<b>Deferred taxes</b>	10.4	8.0	7.9
<b>Accruals and deferred income</b>	8.8	9.7	5.6
	900.8	898.4	896.4

## Consolidated Income Statement

3 <sup>rd</sup> quarter	2003 1 June - 30 September		2002 1 June - 30 September		Changes 2003 against 2002	
	€ M	%	€ M	%	€ M	%
Gross performance	244.2	100.0	240.2	100.0	4.0	1.7
Cost of materials	-133.1	-54.5	-136.6	-56.9	3.5	2.6
Gross yield	111.1	45.5	103.6	43.1	7.5	7.2
Staff costs	-63.4	-25.9	-63.9	-26.6	0.5	0.8
Other income and expenses	-30.0	-12.3	-41.3	-17.2	11.3	27.4
Depreciation of fixed assets	-9.3	-3.8	-9.0	-3.7	-0.3	3.3
Financial result	-5.8	-2.4	-7.2	-3.0	1.4	19.4
Profit/loss on ordinary activities	2.6	1.1	-17.8	-7.4	20.4	114.6
Taxes on corporate income and business profits	-5.0	-2.0	1.6	0.7	-6.6	412.5
<b>Profit/loss for the year</b>	<b>-2.4</b>	<b>-0.9</b>	<b>-16.2</b>	<b>-6.7</b>	<b>13.8</b>	<b>85.2</b>
Earnings per share in acc. w. IAS 33 (in Euro/share)	-0.08		-0.56			

1 <sup>st</sup> - 3 <sup>rd</sup> quarter	2003 1 January - 30 September		2002 1 January - 30 September		Changes 2003 against 2002	
	€ M	%	€ M	%	€ M	%
Gross performance	737.7	100.0	756.7	100.0	-19.0	2.5
Cost of materials	-399.4	-54.1	-415.4	-54.9	16.0	3.9
Gross yield	338.3	45.9	341.3	45.1	-3.0	0.9
Staff costs	-199.8	-27.1	-201.7	-26.7	1.9	0.9
Other income and expenses	-92.8	-12.6	-110.6	-14.6	17.8	16.1
Depreciation of fixed assets	-26.3	-3.5	-28.5	-3.8	2.2	7.7
Financial result	-18.3	-2.5	-18.0	-2.3	-0.3	1.7
Profit/loss on ordinary activities	1.1	0.2	-17.5	-2.3	18.6	106.3
Taxes on corporate income and business profits	-8.6	-1.2	-6.1	-0.8	-2.5	41.0
<b>Profit/loss for the year</b>	<b>-7.5</b>	<b>-1.0</b>	<b>-23.6</b>	<b>-3.1</b>	<b>16.1</b>	<b>68.2</b>
Earnings per share in acc. w. IAS 33 (in Euro/share)	-0.27		-0.81			

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## Statement of Changes in Equity

	Subscribed capital	Capital reserves	Revenue reserves	Net profit/loss for the year	Group equity	Shares held by other company members	Total
	€ M	€ M	€ M	€ M	€ M	€ M	€ M
As of 1 Jan. 2002	75.1	48.7	83.0	24.3	231.1	10.8	241.9
Dividend	0.0	0.0	0.0	-17.3	-17.3	-0.8	-18.1
Profit/loss for the year	0.0	0.0	0.0	-23.3	-23.3	-0.3	-23.6
Fluctuations in currencies/changes in the market value of derivative financial instruments	0.0	0.0	0.4	0.0	0.4	0.0	0.4
Consolidation measures/other changes	0.0	0.0	0.0	0.0	0.0	-8.5	-8.5
As of 30 September 2002	75.1	48.7	83.4	-16.3	190.9	1.2	192.1
As of 1 Jan. 2003	75.1	48.7	70.0	0.0	193.8	1.2	195.0
Profit/loss for the year	0.0	0.0	0.0	-7.8	-7.8	0.3	-7.5
Fluctuations in currencies/changes in the market value of derivative financial instruments	0.0	0.0	-2.3	0.0	-2.3	0.0	-2.3
Consolidation measures/other changes	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3
As of 30 September 2003	75.1	48.7	67.7	-7.8	183.7	1.2	184.9

## Consolidated Cashflow

	30 Sept. 2003	30 Sep. 2002
	€ M	€ M
<b>Cashflow from current activities</b>		
1. Net loss for the year	-7.5	-23.6
2. Depreciation of fixed assets	26.3	28.5
3. Change in deferred taxes	3.4	-9.3
4. Change in long-term provisions	-0.5	1.1
5. Change in short-term provisions	-21.6	8.6
6. Change in stocks, trade debtors and other assets	-13.0	15.4
7. Change in trade creditors and other liabilities	10.6	9.5
	<b>-2.3</b>	<b>30.2</b>
<b>Cashflow from investment activities</b>		
1. Amounts received from the disposal of financial assets	3.6	
2. Amounts paid out for investments in fixed assets	-28.0	-41.8
3. Amounts paid out from investments in financial assets		-23.0
	<b>-24.4</b>	<b>-64.8*</b>
<b>Cashflow from financing activities</b>		
1. Amounts received from raising (financing) credits	21.8	47.6
2. Distribution of dividend to shareholders		-17.2
	<b>21.8</b>	<b>30.4*</b>
Changes affecting payments	-4.9	-4.2
Changes not affecting payments due to changes in consolidation and exchange rate fluctuations	-2.6	4.5
Liquid funds as at 1 January	17.7	15.3
Liquid funds as at 30 September	10.2	15.6

\* During the drawing up of the Annual Financial Statements as of 31 December, 2002, a reclassification within the cashflow was undertaken (€ 2.8 million repayment of capital to other company members). The figures as of 30 September 2002 were adjusted accordingly.

## Segmental Reporting

GILDEMEISTER GROUP	Machine tools	Services	Corporate Services	Transition	Group
	€ M	€ M	€ M	€ M	€ M
<b>3<sup>rd</sup> Quarter 2002</b>					
Sales	161.9	63.9	0.1		<b>225.9</b>
EBIT	-4.6	-3.8	-2.7	0.5	<b>-10.6</b>
Profit/loss for the year	-8.2	-4.2	-4.7	0.9	<b>-16.2</b>
Investments	6.3	1.3	0.3		<b>7.9</b>
Employees	3,359	1,666	63		<b>5,088</b>

GILDEMEISTER GROUP	Machine tools	Services	Corporate Services	Transition	Group
	€ M	€ M	€ M	€ M	€ M
<b>3<sup>rd</sup> Quarter 2003</b>					
Sales	160.5	70.1	0.1		<b>230.7</b>
EBIT	6.1	4.9	-2.7	-0.1	<b>8.4</b>
Profit/loss for the year	-0.3	0.4	-2.6	0.1	<b>-2.4</b>
Investments	6.9	2.0	1.8		<b>10.7</b>
Employees	3,282	1,693	67		<b>5,042</b>

GILDEMEISTER GROUP	Machine tools	Services	Corporate Services	Transition	Group
	€ M	€ M	€ M	€ M	€ M
<b>1<sup>st</sup> - 3<sup>rd</sup> quarter 2002</b>					
Sales	521.7	190.0	0.4		<b>712.1</b>
EBIT	6.9	1.8	-8.2	0.0	<b>0.5</b>
Profit/loss for the year	-8.0	-3.5	-11.8	-0.3	<b>-23.6</b>
Investments	16.6	4.5	1.2		<b>22.3</b>
Employees	3,359	1,666	63		<b>5,088</b>

GILDEMEISTER GROUP	Machine tools	Services	Corporate Services	Transition	Group
	€ M	€ M	€ M	€ M	€ M
<b>1<sup>st</sup> - 3<sup>rd</sup> quarter 2002</b>					
Sales	504.8	196.3	0.4		<b>701.5</b>
EBIT	12.3	14.8	-7.3	-0.4	<b>19.4</b>
Profit/loss for the year	-3.2	2.6	-7.1	0.2	<b>-7.5</b>
Investments	13.2	4.6	2.9		<b>20.7</b>
Employees	3,282	1,693	67		<b>5,042</b>

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## Financial Calendar

10 February 2004	Press release on provisional figures for the financial year 2003
30 March 2004	Press Conference on Financial Statements
31 March 2004	Discussion with analysts
14 May 2004	General meeting of shareholders at 10 am at the Town Hall in Bielefeld

Subject to alteration

Bielefeld, 7 November 2003

Yours truly,  
GILDEMEISTER Aktiengesellschaft  
The Executive Board

Supervisory Board:  
Dr.-Ing. Manfred Lennings, Chair  
Gerhard Dirr, Deputy

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

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