

Interim Report

1st quarter 2002



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Dear ladies and gentlemen,

The course of the overall economy during the first quarter 2002 did still not show many signs of vigour in the engineering industry. GILDEMEISTER was, however, able to start the new financial year satisfactorily. Although our recorded figures were declining in contrast with the high level in the corresponding period last year, they were respectable compared with the rest of the industry. The group's sales reached € 231.6 million (-1%) during the first three months. At € 235.2 million (-25%) the development of the order intake was restrained as expected. Profit on ordinary activities reached € 6.1 million (previous year's quarter: € 7.7 million). EBIT amounted to € 11.7 million compared with € 13.3 million in the previous year's quarter. For the first time, the financial statements for the 1st quarter 2002 were prepared in accordance with International Accounting Standards (IAS). This resulted in some changes in results and thus in the direct comparability with the previous year's report. Detailed notes are included from page 40 in the Notes to the Consolidated Financial Statements.

Orders on hand amounting to € 385.4 million mean that the basic capacity utilisation of most of our production companies is still satisfactory in the second quarter.

Further impetus is expected from the METAV 2002, the leading trade fair of the metal working industry, which this year will take place in June in Düsseldorf.

KEY FIGURES

For the first time, the Consolidated Interim Financial Statements of GILDEMEISTER Aktiengesellschaft were prepared in accordance with applicable International Accounting Standards (IAS). The rules of IAS 34 pertaining to interim reporting were specifically applied, which include an obligation to state all comparison figures for the corresponding period of the previous year in accordance with IAS. This means that the previous year's figures stated in this report may differ from those stated in former reports. The applied accounting and valuation methods in accordance with IAS are set out in detail in the Notes to the Consolidated Financial Statements. The Interim Report has not been audited.

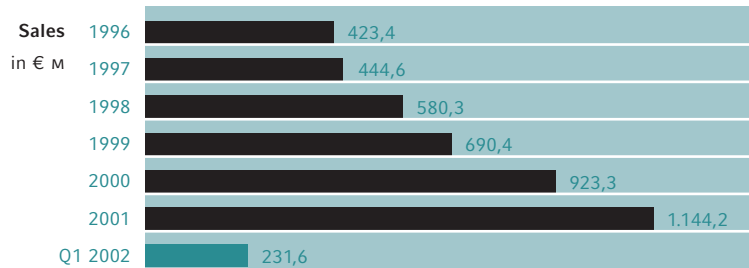
GILDEMEISTER group	2002*	2001	Changes 2002 against 2001	
	1 st quarter € M	1 st quarter € M	€ M	%
Sales				
Total	231.6	233.3	-1.7	-1
Domestic	114.1	123.9	-9.8	-8
International	117.5	109.4	8.1	7
% International	51	47		
Order intake				
Total	235.2	315.3	-80.1	-25
Domestic	116.8	162.3	-45.5	-28
International	118.4	153.0	-34.6	-23
% International	50	49		
Orders on hand**				
Total	385.4	504.9	-119.5	-24
Domestic	181.0	217.5	-36.5	-17
International	204.4	287.4	-83.0	-29
% International	53	57		
Investments	6.7	6.5	0.2	3
Staff costs	68.5	65.7	2.8	4
Employees	5,203**	5,212***	-9	0
of which trainees	178	203	-25	-12

	2002*	2001	Changes 2002 against 2001	
	1 st quarter € M	1 st quarter € M	€ M	%
EBITDA	21.0	21.5	-0.5	-2
EBIT	11.7	13.3	-1.6	-12
Profit on ordinary activities	6.1	7.7	-1.6	-21
Profit for the year	1.0	5.2	-4.2	-81

* including SAUER GmbH & Co KG and PCG GmbH

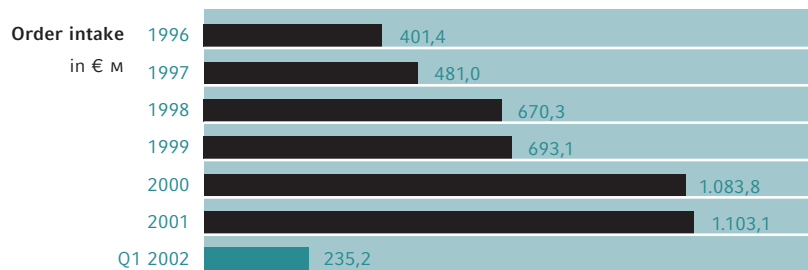
** reporting date 31st March

*** reporting date 31st December 2001

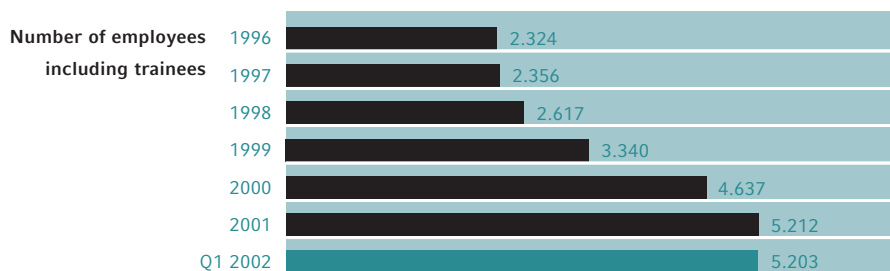


<< GILDEMEISTER group
key figures

<< Sales
Order intake
Profit on
ordinary activities
Employees



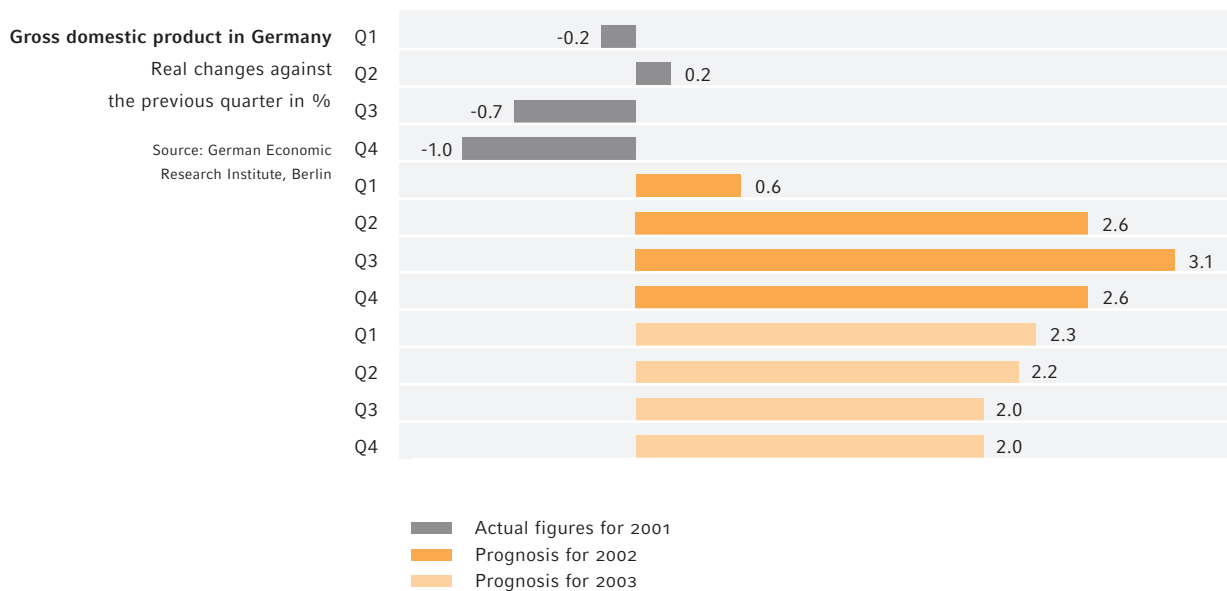
■ HGB Financial Statements
■ IAS Annual Financial Statements/Interim Financial Statements



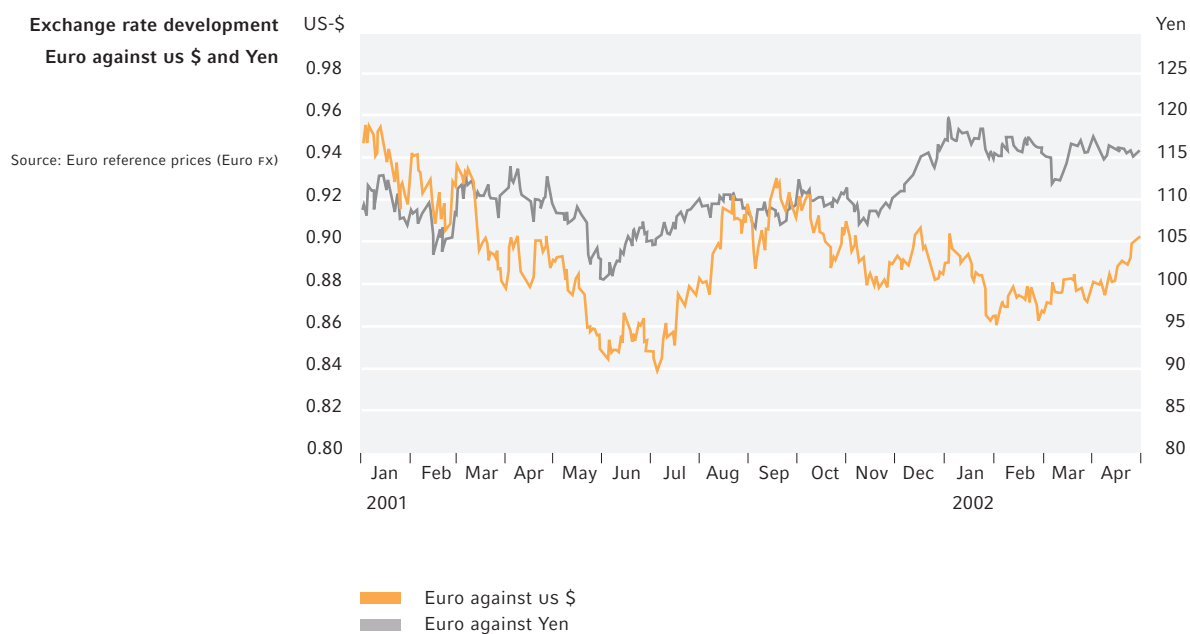
Overall Economic Development

During the first three months of the current year, **overall development** in the engineering industry did not show many signs of vigour. The level of business activity in the major industrial states is still weak. First signs of recovery have only been noted in the **USA**. According to calculations by the Ministry of Trade in Washington the American economy has grown by 5.8% in the first quarter of 2002 (previous year's quarter: 1.6%). Whilst the economic situation has come out of depression in most Asian countries, recession in **Japan** is continuing. According to estimates by the Kiel-based Institute for World Economics (IfW), the gross domestic product (GDP) of the second largest industrial state will shrink by 1.0% between January and March 2002 (31st March 2001: -3.1%). Although production in **Europe** rose only slightly at the beginning of the year, both consumers' trust and the business climate have clearly picked up. The EU Commission in Brussels expects a growth in GDP in the European Union of 0.8% during the first quarter of 2002 (31st March 2001: 0.3%). This also applies to the cyclical trend in **Germany**. The business climate in the manufacturing sector has livened up notably in the past months. The external sector of the economy has particularly improved. According to estimates by the Kiel-based Institute, the German gross domestic product recorded a quarterly growth of 0.6% (previous year's quarter: -0.2%).

Sources: Institute for World Economics, Kiel
EU Commission, Brussels



In view of the weak world-wide activity, GILDEMEISTER has begun the financial year 2002 satisfactorily. As one of the major producers of metal-cutting machine tools we were able – despite world-wide declining demands and investment activities in the major industrial countries – to achieve a very slight improvement in order intake compared with the previous quarter. Detailed information is included on page 13. Exchange rate development of those currencies that are important to us (Euro against us \$ and Yen) remained almost unchanged, as described in detail in the Annual Report 2001.



Development of the Machine Tool Building Industry

World-wide declining demand within the machine tool building industry continued unchanged in the first quarter of the year. There are no new forecasts for the major markets in America, Asia and Europe. We stick to our assessment that consumption will probably only increase during the second half of the year.

With respect of economic activity in the sector, the **German machine tool building industry** expects a difficult year in 2002. In the first three months of the year the order intake remained below the previous year's figures by 21%. Both domestic demand (-26%) and international orders (-17%) were declining. Even more extreme were the trends in metal-cutting machines that are in line with the production programme of DECKEL MAHO GILDEMEISTER. Here the intake of orders

Our machines. To let you enjoy every day.

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



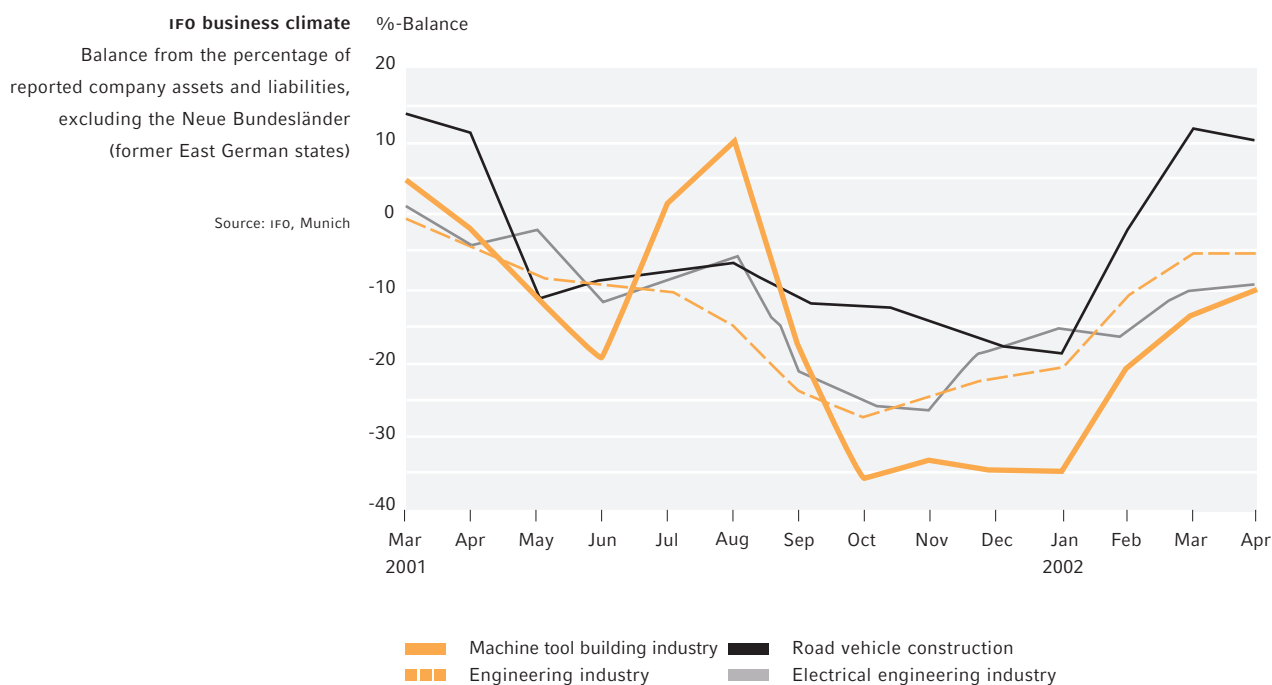
decreased by 27%. In contrast with these trends – according to calculations of the Munich-based Economic Research Institute (ifo) – the **business climate** of our principal customers, such as the general engineering industry, road vehicle construction and electrical engineering industry, is expected to be much more positive during the first four months of the year.

There have been no further forecasts with regard to **production**, exports, imports and consumption since our last Annual Report. Therefore this year's forecast by the vdw for a decline in production of 10%, which was published in our Annual Report, still applies. A deficit of 11% was expected for **exports**, and a decrease of 10% for **domestic sales**.

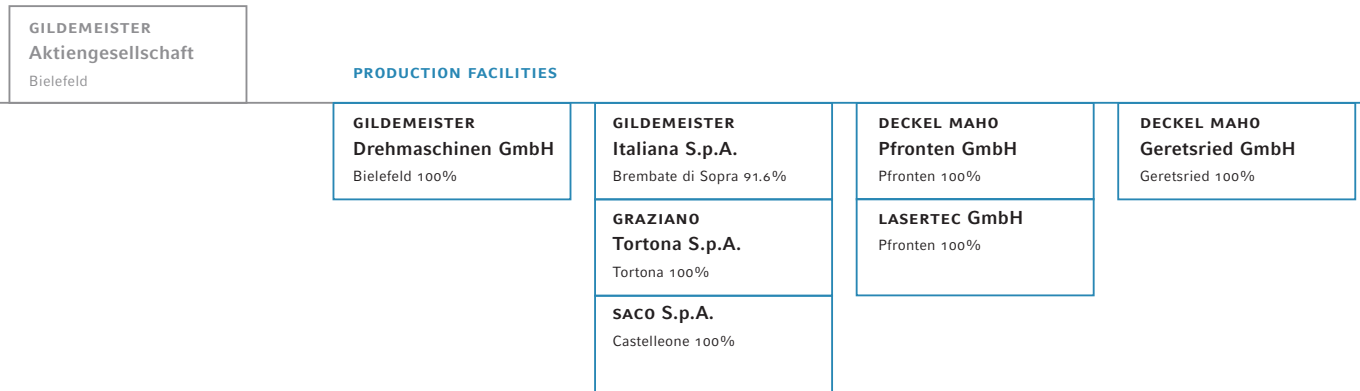
In addition to the figures pertaining to **exports** based on the first three quarters of 2001 that were set out in our Annual Report, we now also have available the figures for exports in the fourth quarter 2001. According to these figures, the sequence of the four major exporting countries remains unchanged: 1st USA, 2nd France, 3rd Italy, and 4th Switzerland. Great Britain is now placed fifth, followed by the PR of China.

At the end of 2001 **capacity utilisation** was at 93.4%, dropping to 89.5% at the end of the first quarter of 2002. The extent of orders on hand reduced from 7.4 months in October of the previous year to 7.1 months in February of this year.

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



GILDEMEISTER group business development



At 31st March 2002, the GILDEMEISTER group consisted of

- ___ GILDEMEISTER Aktiengesellschaft as parent company, the following affiliated companies and their subsidiaries:
- ___ GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- ___ GILDEMEISTER Italiana S.p.A., Brembate di Sopra,
- ___ DECKEL MAHO Pfronten GmbH, Pfronten,
- ___ DECKEL MAHO Geretsried GmbH, Geretsried,
- ___ DECKEL MAHO Seebach GmbH, Seebach,
- ___ FAMOT Pleszew S.A., Pleszew,
- ___ SAUER GmbH & Co. KG, Stipshausen,
- ___ a & f Stahl- und Maschinenbau GmbH, Würzburg,
- ___ DMG Vertriebs und Service GmbH, Bielefeld,
- ___ PCG Personnel Consulting GmbH, Erkelenz.

At 31st March 2002 the GILDEMEISTER group comprises 56 companies including GILDEMEISTER Aktiengesellschaft, of which 55 are included in the Interim Financial Statements as fully consolidated companies. According to relevant IAS requirements we have included SAUER GmbH & Co. KG (50.5%), which was acquired on 1st November 2001, and PCG Personnel Consulting GmbH (51%) in the consolidated group at 31st December 2001 as the effective date. DMG France Sud S.A.S., Lyon, will be consolidated from 1st January 2002.

PROCUREMENT				SALES AND SERVICE ORGANISATION
DECKEL MAHO Seebach GmbH Seebach 100%	FAMOT Pleszew S.A. Pleszew 98%	SAUER GmbH & Co. KG Stipshausen 50.5%	a & f Stahl- und Maschinenbau GmbH Würzburg 51%	DMG Vertriebs und Service GmbH Bielefeld 100%
				51 Sales- and Service Locations Worldwide

The **business development** of the GILDEMEISTER group in the first two months of the current financial year was set out in detail in the current Annual Report 2001. In addition to the changes in company structure, described in the Supplementary Report, GILDEMEISTER Aktiengesellschaft has – apart from the increased participation in GILDEMEISTER Italiana S.p.A by the Holding Macchine Utensili S.p.A. to 91.55% (previously 85.97%) on 25th February 2002 – purchased further shares in FAMOT Pleszew S.A. in the course of a public bid, and now holds 98.04% of the company's share capital (previously 96.03%).

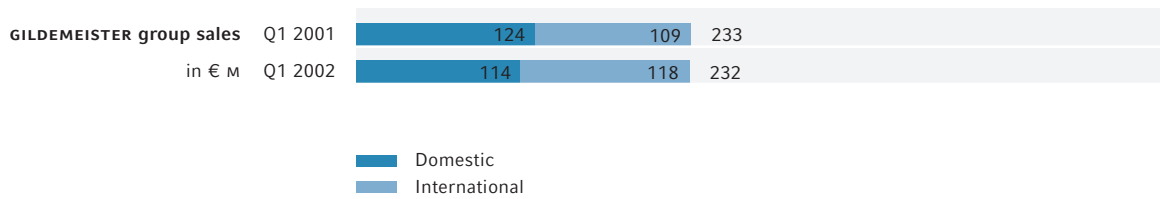
As far as we are aware, the shareholding structure of GILDEMEISTER Aktiengesellschaft has not changed substantially in the first quarter of 2002. The GILDEMEISTER shares are still primarily held in portfolio investments. The largest share is held by the Westdeutsche Landesbank with an unchanged 6.75%. According to information from Deutsche Balaton AG, which previously held 5.01% of the GILDEMEISTER shares, this company has now sold their interest.

There were no further changes in the **legal structure** of the company during the reporting period. No acquisitions or sales of **interests** or operating units were made. An **increase in, or reduction of, capital** did not take place in the said period. With regard to **organisation and administration**, the group companies are continued to be run as profit centres, which has proved to be successful.

As the previous year, business activities include the "Machine Tools", "Services" and "Corporate Services" **segments**. In the current reporting year, however, the "Machine Tools" segment includes the ultrasonic machines of SAUER. The "Corporate Services" segment was expanded by the personnel services of PCG Personnel Consulting GmbH.

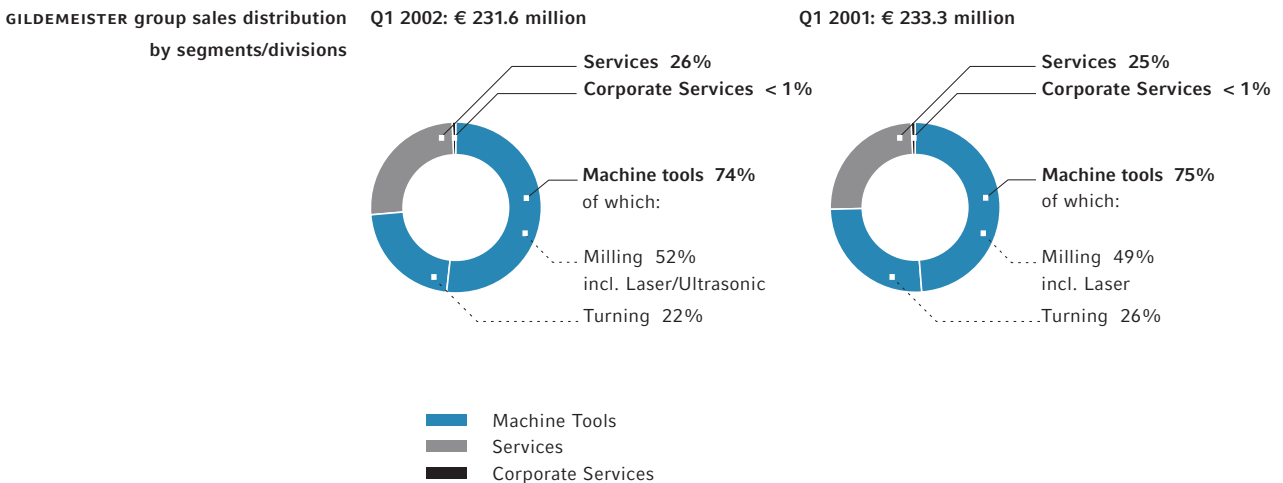
Sales

In the first quarter the **group's sales** developed according to plan and, at € 231.6 million, were on approximately the same high level of the previous year (€ 233.3 million). In comparison with the previous year, international sales rose by 7% or € 8.1 million to € 117.5 million. Domestic sales decreased by 8% or € 9.8 million to € 114.1 million. The export share thus increased to 51% (corresponding period for the previous year: 47%).



In the “Machine Tools” segment the group’s nine production facilities with their six domestic and three international plants contributed 74% to the group’s sales volume (previous year’s corresponding period: 75%). In the first quarter, the share of milling machines and processing centres of DECKEL MAHO and of the laser and ultrasonic technology amounted to an expected 52% of the new machines business (previous year: 49%). The lathes and turning centres of GILDEMEISTER, GRAZIANO and FAMOT contributed 22% to the group’s sales (previous year: 26%).

In the first quarter, the “Services” segment, which includes the services of DMG

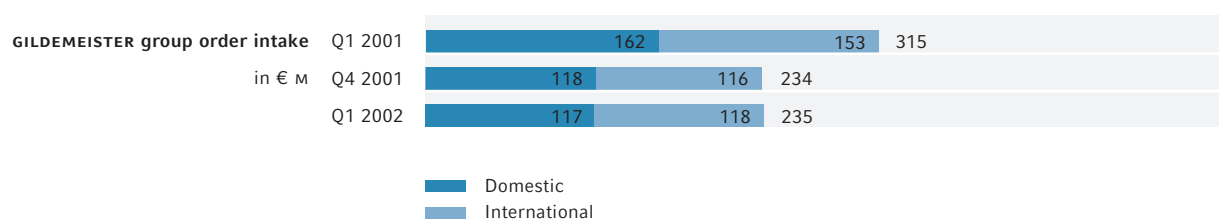


Vertriebs und Service GmbH, a & f Stahl- und Maschinenbau GmbH and SACO S.p.A. with their equipment and components business, increased its sales performance by 2% compared with the corresponding period for the previous year; its sales contribution thereby increased to 26% (previous year's quarter: 25%).

Based on the satisfactory level of existing orders extending for approximately four months, and the intake of new orders that are expected in the current financial year, we stick to our forecast that sales in 2002 could again reach € 1 billion.

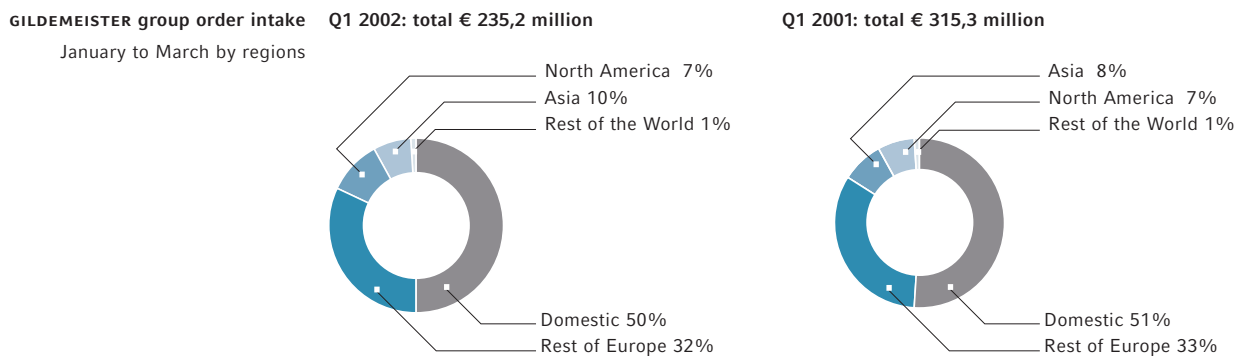
Order Intake

GILDEMEISTER is expecting a more restrained course of demand for the current financial year. In the first quarter of the reporting year, the order intake amounted to € 235.2 million and – as announced in the Annual Report 2001 – was thereby slightly above the figure of € 234.5 million for the fourth quarter 2001. After we were able to increase the order intake by 20% as early as February 2002 in contrast to the moderate order intake of January, we have achieved the planned level of order intake for March.



Compared with this quarter of the previous year, when we were able to achieve an extraordinarily high order intake of € 315.3 million with an enormous rate of increase, the decrease in orders in the first quarter of this financial year amounted to € 80.1 million or 25%. We are thus slightly above the trends of the section that, in this period, suffered a 27% deficit in respect of metal cutting machine tools. Domestic orders reached € 116.8 million, this is € 45.5 million or 28% less than the previous year's quarter. International orders amounted to € 118.4 million, which is a decrease of € 34.6 million or 23%. The export share rose to 50% (previous year's corresponding period: 49%).

The order intake in the individual market regions developed as follows:



The domestic companies of the DMG sales and service organisation were once again successful. They almost reached the comparatively high domestic share of the previous year's quarter. The rise in the export share is mainly due to an increase in Asia. Here GILDEMEISTER was able to expand its competitive position despite the continuing weakness of the market.

We were able to increase our order intake compared with the previous year's period in individual countries, such as the PR of China, Taiwan, Korea and also Japan. A good 75% of new orders (previous year's quarter: 79%) were attributed to the "Machine Tools" segment in the reporting period, a good 24% to the "Services" segment (previous year's quarter: 21%), and less than 1% to the "Corporate Services" area.

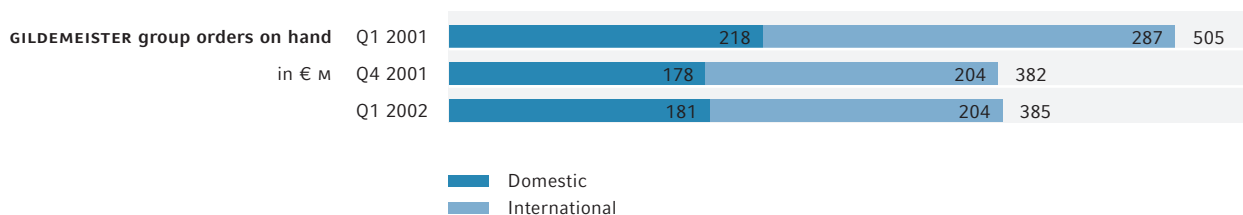
In the first quarter of 2002 we sold 1,151 lathes, milling, laser/ultrasonic and used machines to 944 different customers in Germany and abroad. Although the **sales volume** for the reporting period is less than in the corresponding quarter of the previous year, the average individual value per machine was 8% above the previous year's value due to the improved technological equipment. **Selling prices** were not changed in the first quarter of this financial year. Pressure on selling prices remains high due to the finished goods stocks in the global markets, particularly of our Japanese competitors. As a result, our sales revenues weakened increasingly. However, thanks to the more modern technology of our products compared with that of the competition we are, on the whole, achieving better sales revenues.

Along with two major orders from the automobile industry to the value of over € 8 million and an order from the packaging industry of more than € 11 million that are processed via the group's key accounting, we were able to attract 180 orders to a total value of € 34 million at the traditional in-house exhibitions in Pfronten and Seebach and at the other spring trade fairs and exhibitions. The new developments presented were met with great interest by a specialist audience.

With the support of our intensified marketing activities and our new innovative machines we intend to increase our share in the global market volume. Even after four months, a forecast for the current financial year remains problematic. We, too, expect an improved demand for machine tools during the course of the year. From today's point of view we anticipate that our order intake will reach € 1 billion in the financial year.

Orders on Hand

At 31st March 2002 orders on hand at the GILDEMEISTER group amounted to € 385.4 million. 53% of orders on hand were attributed to international orders (previous year's quarter: 57%). Compared with the corresponding period of the previous year, the existing export orders decreased by € 83.0 million or 29% to € 204.4 million. In the same period, domestic orders on hand decreased by € 36.5 million or 17% to € 181.0 million.



In the first quarter of 2002 the volume of orders on hand did not change significantly, since the order intake for this period was slightly above the group's sales volume. In contrast with the balance at 31st December 2001 of € 381.8 million, orders on hand have even increased by € 3.6 million in the reporting period.

To its computed extent our orders on hand still represent an industrial capacity utilisation of about four months. With regard to this average value, which represents a good basic capacity utilisation for the current financial year, one must consider that some of the delivery dates for individual projects and machines that have been agreed with our customers, reach as far ahead as the year 2003.

Orders on hand in the "Machine Tools" segment amounted to € 325.5 million at the end of the year; this is an 84% share to the group's orders on hand (previous year's quarter: 84% also). 54% of these were export orders (previous year's quarter: 54% also). € 59.9 million or 16% (previous year's quarter: 16% also) of the group's orders on hand were attributed to "Services". The export share was 50% (previous year's quarter: 74%). There are no orders on hand for the "Corporate Services" segment.

Results, Net Worth and Financial Position

In contrast with the Financial Statements published in the Annual Report 2001, the Consolidated Interim Financial Statements for the first quarter of 2002 have been prepared in accordance with the guidelines of the International Accounting Standards Committee (IASC) for the first time. The stated comparative figures for the previous year's corresponding period are also shown in accordance with IAS. They may differ from the figures published in the previous reports. Detailed information on the accounting and valuation methods applied in the Interim Financial Statements are set out in the Notes on pages 40 to 45.

In the first quarter of the current financial year, GILDEMEISTER achieved a **profit on ordinary activities** of € 6.1 million (previous year's quarter: € 7.7 million). This result corresponds with the announcement made in the last Interim Report 2001 and in the Annual Report 2001. **EBIT** amounts to € 11.7 million, thus remaining below the corresponding figure for the previous year by € 1.6 million. At € 21.0 million, **EBITDA** almost reached the previous year's figure of € 21.5 million. The profit for the year at 31st March 2002 is € 1.0 million (31st March 2001: € 5.2 million). Compared with the previous year, the quarterly result is bearing the strain of an increased tax burden resulting partly from the actual tax load on income and partly from deferred taxes. Our tax-loss carryforward was applied for the last time in 2001; as a result the group's tax burden has increased in the current financial year. A more detailed statement on the profit movement for the financial year 2002 is currently not possible. We are working on maintaining the company's earning power even under unfavourable global economic conditions. With the currently assumed course of business we can expect distribution of a dividend. We are currently not able to comment on the amount of the dividend.

In relation to the gross performance of € 260.8 million, at 55% the material quota remained on the same level as the previous year's quarter; gross yield decreased by € 2.4 million to € 117.4 million. Compared with the 45.3% margin for the previous financial year the gross yield margin has decreased to 45.0% in the first quarter of 2002. To improve its rate of return GILDEMEISTER will, amongst other things, continue its negotiations with suppliers regarding delivery price adjustment during the current financial year. In addition, profit is affected by staff costs, which have risen by € 2.8 million (4.3%) to € 68.5 million. At 26.3% the staff costs quota is 1.7% higher than in the first quarter of 2001. This rise reflects the recruitment of new staff during the financial year 2001. Due to investments carried out in the previous year, capital asset consumption for the first quarter of 2002 of € 9.3 million is € 1.1 million above the previous year's value. Cost cutting measures were already introduced to improve profitability. The balance of the remaining operating income and expense decreased from € 32.6 million to € 27.9 million.

The earnings per share in accordance with IAS 33 have decreased from € 0.17 to € 0.04 compared with the previous year. In contrast with the HGB financial statements, most changes in the IAS financial statements were due to the legal obligation to capitalise development expenses and the extensive inclusion of deferred taxes.

Net worth position in € MILLION	31 st March 2002	31 st Dec. 2001	31 st March 2001
Fixed assets	255.8	248.3	212.0
Current assets	658.5	632.1	599.2
Equity capital	243.6	242.7	241.1
Loan capital	670.7	637.7	570.1
Balance sheet total	914.3	880.4	811.2

Since the beginning of the financial year the total capital employed in the Consolidated Balance Sheet increased by approximately 4% to € 914.3. Compared with 31st December 2001, fixed assets rose by € 7.5 million to € 255.8 million. This increase is mainly due to the increased participation share in GILDEMEISTER Italiana S.p.A. The increase in fixed assets through investments of € 6.7 million in the first quarter was below the depreciation of fixed assets and long-term investments for the same period.

Compared with the end of 2001, current assets including deferred taxes rose by a total of € 26.4 million. Whilst in the first quarter debtors and other assets decreased from € 334.7 million to € 300.9 million, inventories went up during the same period, as is customary in the section. The increase in finished goods during the reporting period resulted mainly from an increased requirement to present the numerous new products developed in the previous year at in-house exhibitions held by our sales companies and trade fairs and exhibitions planned for the current financial year.

On the liabilities side the higher balance sheet total is due to the increase in provisions and creditors. Compared with the balance sheet date of 31st December 2001 the equity ratio has reduced from 27.6% to 26.6%. The increase in creditors compared with the end of last year is mainly due to amounts owed to banks for the funding of current assets. The net financial indebtedness changed from € 265.5 million at 31st December 2001 to € 298.0 million at 31st March 2002. The comparative figure at 31st March 2001 was € 211.8 million. In contrast with the HGB financial statements, the IAS accounting resulted in a total balance sheet extension due to the inclusion of leasing liabilities, the showing of advance payments by customers on the liabilities side and the inclusion of deferred taxes.

Financial position		Q1 2002	Q1 2001
in € M	Cash Flow	7.5	11.5
	Cash Flow from current business activities	-15.5	7.4
	Cash Flow from investment activities	-16.5	-10.6
	Cash Flow from financing activities	36.6	-0.9
	Cash movement	4.1	-4.0
	Cash 1 st January	15.3	24.1
	Cash 31 st March	19.4	20.1

Compared with the corresponding quarter of the previous year, the **cash flow** reduced by € 4.0 million or 35% to € 7.5 million. Liquidity was affected by various factors during the first quarter of 2002. Whilst in the first quarter of 2001 we were able to achieve an inflow of funds of € 7.4 million from operative business, in the reporting period especially the increased earmarking of assets and the decrease of other liabilities resulted in an outflow of funds from current business activities of € 15.5 million. The spending on investment activities was € 16.5 million and thus € 5.9 million more than in the previous year's corresponding quarter (€ 10.6 million). € 7.3 million of this figure were attributed to additions to capital investments. The outflow of funds from current business activities and investment activities were counterbalanced by an inflow of funds from financing activities of € 36.6 million in the first quarter of 2002 (previous year: outflow of funds of € 0.9 million). The required funds are due to the amounts owed to banks. At the balance sheet date of 31st March 2002 liquid funds were € 19.4 million, thereby almost reaching the level at the end of the first quarter 2001 of € 20.1 million.

GILDEMEISTER share

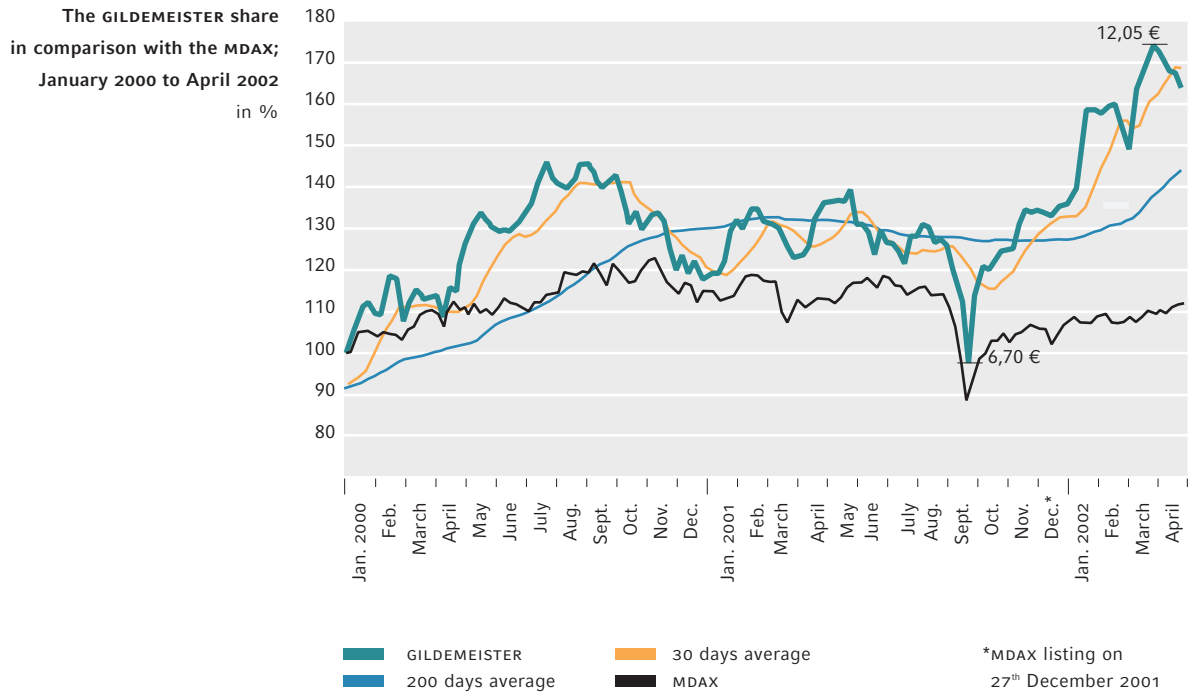
The **GILDEMEISTER share** recorded an upward trend. On January 11th it was quoted at around € 10.90, but then slipped due to the weak market. In February our security held a stable € 11 level. On March 28th, the GILDEMEISTER share closed the first quarter at a price of € 11.98, after having reached the € 12 mark for the first time shortly before. When the annual profit of 2001 was announced during the press conference on annual statements on 4th April 2002, the price was at around € 11.74. Numerous studies confirm further price potential for the GILDEMEISTER share and, on a long-term basis, see it as good investment. Apart from the research studies for the first months of the current year that were referred to in the Annual Report 2001, the following up-to-date valuations are available: HSBC Trinkaus & Burkhardt (13th February 2002), Bankhaus Lampe (15th February 2002), WestLB Panmure (15th April 2002) and Deutsche Bank (18th April 2002). The studies can be viewed in the Internet or are available via our Investor Relations Team.



Our machines. To let light into your life.

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





At the beginning of 2002 we have intensified and extended our communications to financial analysts and institutional investors. Our website www.gildemeister.com is continually updated, and the range of information for shareholders further improved. The website has been well received, not least from our private investors. Our investor and public relations activities have been intensified during the first quarter of 2002. Individual activities are described in detail in the Annual Report 2001. Apart from the press conference on annual statements and the analysts' conference, there were numerous contacts to institutional investors, financial analysts and private investors. **Investor Relations** are continually gaining in significance. The information requirement of capital investors is growing increasingly. The most important aim of our investor relations and public relations activities is to communicate information openly, rapidly and comprehensively, to be available for both private and institutional investors as well as analysts at any time, and to facilitate a fair valuation of the business situation and a realistic assessment of future perspectives.

Corporate governance is an integral part of the company management at GILDEMEISTER, aimed at the continuing increase in company value. The principles and rules of corporate governance are included in our company policies that are directed towards an increase in value and are taken into account by the management in all transactions. GILDEMEISTER is thereby already implementing most of the guidelines required and recommended by the "Government Commission for the German Corporate Governance Code". In close collaboration with the Supervisory Board, the GILDEMEISTER Executive Board develops the group's strategic alignment and is responsible for its implementation. We are committed to the consistent and lasting increase in company value.

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Risk Report

Overall economic risks: Potential risks for the future development of the GILDEMEISTER group result mainly from cyclical influences in those industrial nations that are relevant to us. The cyclical uncertainty in the major markets continued in the first quarter of 2002. Despite first signs of recovery and increasing investments GILDEMEISTER'S optimism remains restrained with regard to expectations for 2002. To reduce the effects on sales and profit as much as possible we have introduced a range of sales-orientated and cost-cutting activities.

Section risks: The continuing unsatisfactory section trends result in risks against which GILDEMEISTER, in contrast with the competition, is strategically well positioned thanks to its technological lead and its extensive production programme.

Risks from operational tasks: In principle, GILDEMEISTER can identify risks from research and development, procurement risks and sales risks as future risks. We have introduced measures at an early stage in order to safeguard the success of our research and development activities on the one hand, and the launch of products in global markets on the other hand. We meet further risks that could substantially affect the company's net worth, financial and earnings position with appropriate provisions.

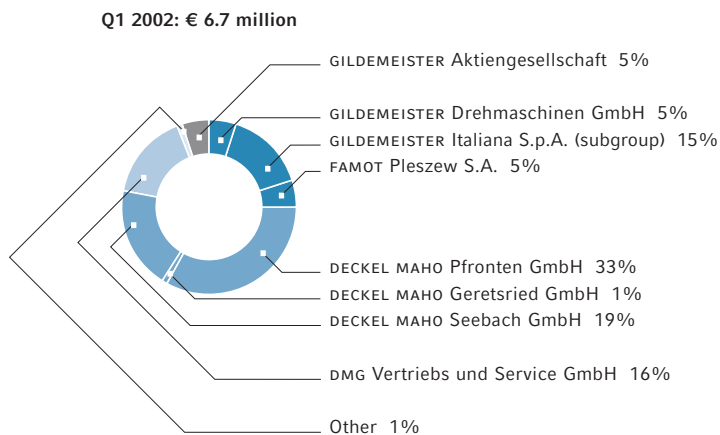
For example, risks in the financing area are limited through a consistent debt claim management and a sufficient financing and liquidity supply.

Overall risk: In the overall assessment of the risk situation no risks can be identified from today's point of view that could jeopardise the existence of the GILDEMEISTER group.

Investments

In the first quarter of 2002 investments in property, plant, equipment and intangible assets of the GILDEMEISTER group amounted to € 6.7 million. This represents 19% of the planned annual total volume of € 34.9 million and is thereby in line with our investment plan. At all production sites the focus of investments was the acquisition of devices, models and tools for the production start-up of new machines to the value of € 1.2 million. For a more flexible assembly of the T line at the Pfronten site, the installation of an assembly line has begun. € 1.0 million were invested into this project. A further € 1.0 million were invested into the expansion of national and international sales organisations.

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



Production and Logistics, Products and Services

In the first quarter of 2002 the enhancement of the serial start of the numerous new products was continued according to plan. The system-supported methodology has proven its worth particularly in the areas of work flow support, structured communication, task management and task supervision. At the Pleszew site various measures were implemented to ensure that the production of base machines starts at the same time as the serial production of the new machine types. At the Geretsried plant an Internet-supported Kanban system for bulky supplier parts was introduced – a pilot project to simplify and reduce the logistical processes. Due to the positive experience with this pilot project we will transfer this system to other sites and larger component groups.

The consistent and continuing optimisation efforts at all plants were honoured during the reporting period: The Seebach site won first place in the cross-section competition **“Best Factory™ – Industrial Excellence Award 2002”**, which was organised for the sixth time by the French management school, INSEAD, Fontainebleau, in association with the German Scientific College of Management (WHU, Wissenschaftliche Hochschule für Unternehmensführung), Vallendar, Germany.

Thanks to its friendly collaboration with suppliers, GILDEMEISTER was able to further improve its supply situation in the **procurement** area in the first quarter of 2002, and at the same time implement cost-cutting resources. For this purpose, the second GILDEMEISTER Suppliers’ Day took place in the newly opened plant in Seebach on 1st March 2002. Apart from awarding the “Supplier of the Year” award, the new **coSupply** campaign was introduced as the beginning of highly efficient supply partnerships. We also presented the new Internet suppliers’ portal (URL: www.coSupply.de). The integrating approach of coSupply, which is committed to the idea of supply chain management, co-ordinates supply partner related activities such as procurement, disposition, logistics and purchase. Improved communication and collaboration thereby increase efficiency – and thus competitive strength – within the entire supply chain.

Since the Suppliers’ Day we have already opened up optimisation potential with five of the thirty leading supply partners in workshops and demonstrated further improvement options. This improved situation in the procurement of goods is also due to our continuing standardisation efforts and the closer co-ordination of our production sites – for example, with regard to safeguarding the supply. This resulted in a more reliable procurement of goods and a clearly improved quality of start materials, for example through the intensive and early co-operation during the development of new products. This was achieved thanks to our **strategic supply partners**.

Price and cost development on the procurement market, which has not changed substantially compared with the previous quarter, again contributed positively to the improved results thanks to the above activities. In this respect, 2-3% cuts for the purchase of complementary parts could be achieved at the sites.

The first quarter of 2002 was dominated by the serial start of the new products presented by us at the EMO in Hannover. Along with the new traversing column machines of the DMF line, the presentation focused on the CTX universal lathes. The CTX 420 linear is the group's first machine to be produced in series after having been consistently developed for assembly production. In January of this year we introduced the DMC 64 V linear at an in-house exhibition in Pfronten; this marked the start of serial production of a new vertical processing centre.

We also expanded our range of **service products**. Under the trade name "Connectivity" we are expanding the product family DMG Plus!. This includes products for automated – wireless and mobile – communication and service, maintenance and application support.

Employees

At 31st March 2002 GILDEMEISTER employed 5,203 people, of which 178 were trainees (at 31st December 2001: 5,512). The total of the group's employees was reduced only slightly in the first quarter. For the first time, 25 employees from the majority controlling interests in SAUER GmbH & Co. KG and PCG GmbH were taken into account in the headcount of the GILDEMEISTER group. Staff adjustment measures are directly related to business development at the individual group companies.

Employees in the GILDEMEISTER group including trainees	Period	Count
	Q1 2001	4,890
	Q4 2001	5,212
	Q1 2002	5,203

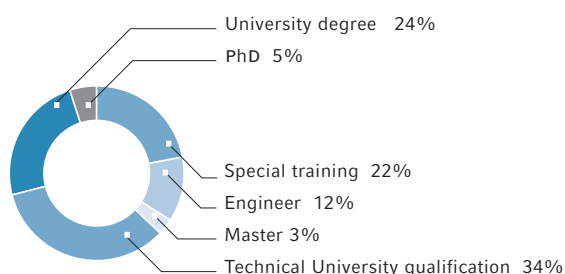
At the end of the first quarter 3,247 employees were working in our domestic companies and 1,956 in the international companies. The resulting share of employees abroad of 38% remained unchanged against the previous quarter.

The expenses for wages and salaries including social insurance contributions amounted to € 68.5 million in the first quarter. In comparison with staff costs of € 65.7 million in the first quarter of 2001, this represents additional expenses of € 2.8 million. These additional expenses are due to the higher number of staff compared with the previous quarter (31st March 2001: 4,890).

Research and Development

In the first quarter the projects in research and development were continued with vigour. The high strategic standing of this area at GILDEMEISTER is illustrated by the expenses of € 10.4 million (first quarter 2001: € 9.1 million). Compared with 31st December 2001, we have increased the number of technical designers by nine. The GILDEMEISTER group now employs 404 people who are working on the development of new products. This represents 12% of the production plants' staff (2001: 11%). The example of our central German site in Seebach illustrates the high qualification structure of our employees in this area.

Qualification structure in development/construction - example Seebach site (59 employees)



Our continuing market-orientated strategy of innovative leadership is demonstrated by twelve new machines, which will be presented to a global audience at the METAV in Düsseldorf in June. For the turning area, the addition to the GMC line of CNC multi-spindle lathes by the GMC 20 ISM, GMC 35 ISM and GMC 55 ISM types must be emphasised. After the successful presentation of the DMC 64 v linear, the milling area will be represented by the new DMP 60 v linear, a compact vertical processing centre.

“Machines Tools” segment

KEY FIGURES

	2002*	2001	Changes 2002 against 2001	
	1 st quarter € M	1 st quarter € M	€ M	%
Sales				
Total	171.2	173.8	-2.6	-1
Domestic	79.1	93.0	-13.9	-15
International	92.1	80.8	11.3	14
% International	54	46		
Order intake				
Total	177.4	248.0	-70.6	-28
Domestic	79.9	121.0	-41.1	-34
International	97.5	127.0	-29.5	-23
% International	55	51		
Orders on hand**				
Total	325.5	423.0	-97.5	-23
Domestic	150.8	196.4	-45.6	-23
International	174.7	226.6	-51.9	-23
% International	54	54		
Investments	5.2	5.4	-0.2	-4
Employees	3,482**	3,514***	-32	-1
of which trainees	178	203	-25	-12
Profit on ordinary activities	5.0	5.1	-0.1	-2
Results for the year	1.4	3.9	-2.5	-64

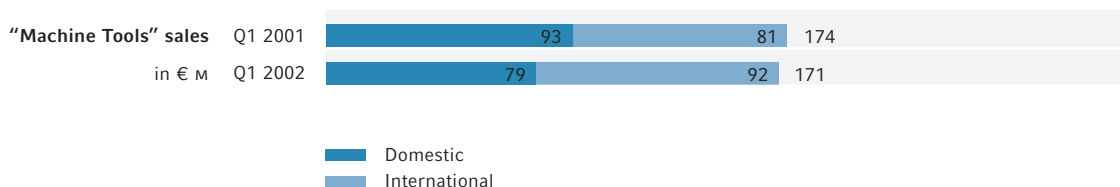
* including SAUER GmbH & Co KG

** Reporting date 31st March

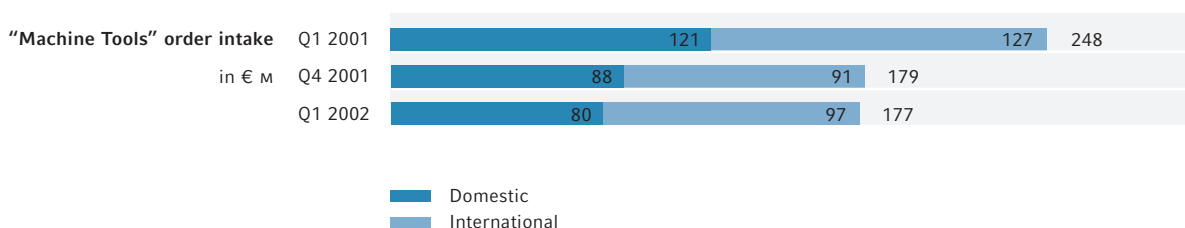
*** Reporting date 31st December 2001

The “Machine Tools” segment includes the group’s new machines business. As announced in the Annual Report 2001, this segment was expanded by the ultrasonic machines of SAUER in the current reporting year.

In the first three months of the financial year, **sales** of the “Machine Tools” segment developed largely according to plan and, at € 171.2 million, almost reached the previous year’s figure of € 173.8 million. In the first quarter 2002 international sales exceeded domestic sales. At € 92.1 million the export share increased to 54% (previous year’s corresponding quarter: 46%).



In the first quarter, the **order intake** for new machines of € 177.4 million corresponded with the last quarter of the previous year, as expected, but was clearly below the high figure of the previous year's first quarter of € 248.0 million. Domestic order intake reached € 79.9 million; the international order intake amounted to € 97.5 million, representing a 55% increase (previous year's corresponding quarter: 51%) in the international share.

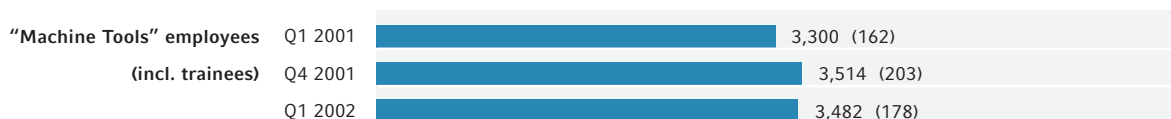


At 31st March 2002, the **orders on hand** for new machines amounted to € 325.5 million. This is a slight increase of € 6.2 million since the beginning of the financial year. Against the previous year, this represents a decrease of € 97.5 million or 23%. The export share remained at 54%.

In the first quarter, the new machines business with a **profit on ordinary activities** of € 5.0 million again contributed the largest share to the group's profit, thus being at the same level of the previous year's corresponding quarter (€ 5.1 million).

In the reporting period, **investments** in this segment amounted to € 5.2 million. Further details are included in the "Investments" chapter.

At 31st March 2002 there were 3,482 **employees** in the "Machine Tools" segment (31st December 2001: 3,514). This represents a reduction of 32 employees since the end of the year. For the first time, this includes 19 employees of SAUER GmbH & Co. KG. The staff adjustments were primarily carried out at the domestic and international production sites for lathes.



“Services” segment

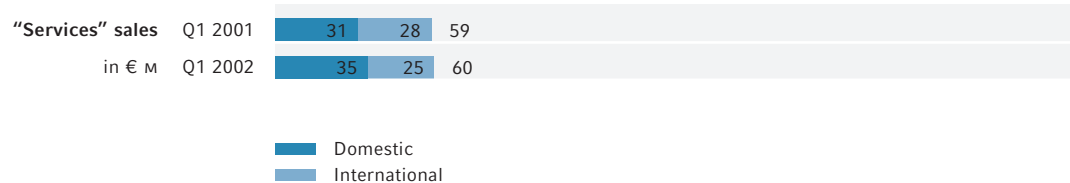
KEY FIGURES

	2002	2001	Changes 2002 against 2001	
	1 st quarter	1 st quarter	€ M	%
Sales				
Total	60.2	59.3	0.9	2
Domestic	34.8	30.7	4.1	13
International	25.4	28.6	-3.2	-11
% International	42	48		
Order intake				
Total	57.6	67.1	-9.5	-14
Domestic	36.7	41.1	-4.4	-11
International	20.9	26.0	-5.1	-20
% International	36	39		
Orders on hand*				
Total	59.9	81.9	-22.0	-27
Domestic	30.2	21.1	9.1	43
International	29.7	60.8	-31.1	-51
% International	50	74		
Investments	1.1	1.0	0.1	10
Employees	1,657*	1,644**	13	1
Profit on ordinary activities	2.7	7.6	-4.9	-64
Result for the year	2.7	6.1	-3.4	-56

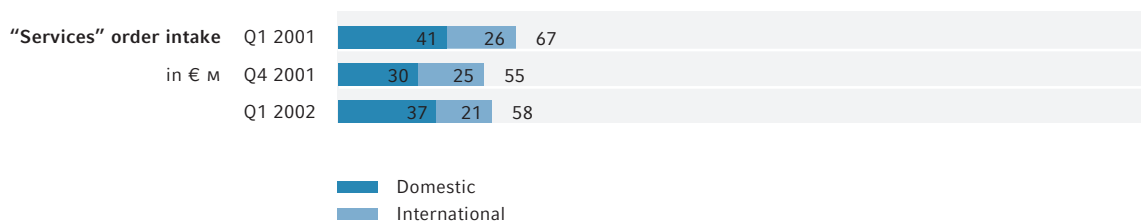
* Reporting date 31st March

** Reporting date 31st December 2001

The composition of the “Services” segment has not changed in the reporting period. In the first quarter, **sales** of € 60.2 million were achieved (previous year: € 59.3 million). Domestic sales increased by € 4.1 million or 13% to € 34.8 million. International sales increased by € 3.2 million or 11% to € 25.4 million. The export share was thereby reduced from 48% to 42%.



Compared with the previous year the **order intake** decreased by 14% to € 57.6 million (previous year: € 67.1 million). The order intake was at the same level as the previous year's fourth quarter (€ 55.4 million). Whilst the intake of domestic orders reached € 36.7 million – this represents a decrease of € 4.4 million compared with the previous year's corresponding quarter – the international order intake amounted to € 20.9 million (previous year's corresponding quarter: € 26.0 million). The export share thereby decreased from 39% to 36%.



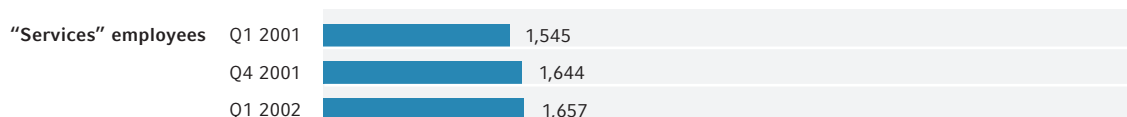
Orders on hand were at around € 59.9 million, representing a decrease of € 22.0 million or 27% in comparison with the corresponding period of the previous year. Since the beginning of the financial year, however, orders on hand have only dropped by € 2.6 million. The share of international orders on hand has reduced from 74% to 50%.

The **profit on ordinary activities** of the “Services” segment in the first quarter was unsatisfactory. At € 2.7 million it was € 4.9 million below the comparable figure for the previous year of € 7.6 million. Reasons for the decrease in profit were market development expenses of our group companies in Asia and America and lower margins in the machine business. In addition, the service area's staff was expanded by 112 employees compared with the previous year's quarter. This resulted in higher staff costs, which have not yet been turned into sufficient profit.

Investments in this segment were € 1.1 million in the reporting period. Further details are set out in the “Investments” chapter.

During the reporting period we have, above all, expanded the **range of products** for the intelligent networking and integration of our machines into our customers' production processes and supply chains and reinforced the marketing of those products.

At the end of the quarter, 1,657 people were employed in the “Services” segment. (31st December 2001: 1,644). An additional 13 sales and service **employees** were taken on at the international branch offices.



“Corporate Services” segment

KEY FIGURES

	2002*	2001	Changes 2002 against 2001	
	1 st quarter	1 st quarter	€ M	%
Sales	0.2	0.2	0.0	0
Order intake	0.2	0.2	0.0	0
Investments	0.4	0.1	0.3	300
Employees	64**	54***	10	19
Profit on ordinary activities	-2.2	-4.0	1.8	45
Result for the year	-2.9	-4.3	1.4	33

* including PCG GmbH

** reporting date 31st March

*** reporting date 31st December 2001

As set out in the Annual Report 2001, the “Corporate Services” segment is made up of GILDEMEISTER Aktiengesellschaft with its holding functions throughout the group and the Holding Macchine Utensili S.p.A. as financing company for the Italian production facilities. In the reporting period, the segment was expanded by the personnel services of PCG Personnel Consulting GmbH.

Order intake and **sales** derive from rental income, and in the first quarter 2002 amounted to € 0.2 million. At 31st March 2002, 64 people were employed in this segment. The increase in staff in comparison to 31st December 2001 results partly from the inclusion of PCG GmbH with its six **employees**, and partly from the expansion of the central IT area within GILDEMEISTER Aktiengesellschaft by four employees due to insourcing measures. **Investments** of the “Corporate Services” segment in the reporting period amounted to € 0.4 million.

Supplementary Report for April

Overall economic development has not yet shown any noticeable signs of improvement. The Paris-based Organisation for Economic Co-operation and Development (OECD) expects the global economy to recover from the second quarter 2002. Against the background of an increasingly improving orders position and at the same time low stocks, a turnaround is beginning to emerge in the USA. In **Germany**, hopes for a fast cyclical upswing were curbed in April: The business climate index of the Munich-based IFO has unexpectedly dropped to its lowest level since October 2001. However, according to views of economists, this development could be typical of a cyclical turning point.

Sources: oecd (Organisation for Economic Co-operation and Development), Paris
IFO Institute, Munich

The cyclical course of the **German machine tool industry** continued to decline, and demand remained restrained. Section figures for April have not yet been published. In the first quarter of 2002, the intake of orders for metal cutting machine tools was 27% below the comparable figures for the previous year; sales decreased by 7% (March 2002). Orders on hand in production months pertaining to machine tools decreased to 7.1 months; capacity utilisation reached just 89.5% of the company's usual full capacity use.

Source: vdw (Verein Deutscher Werkzeugmaschinenfabriken, Association of German Machine Tools Manufacturers)

In our assessment, too, this trend has continued in April, which means, since April there have been **no changes** in the general economic situation. There are no signs of the turning point in the demand for German machine tools that had been expected for several months.

Business development in the month of April, was slightly below expectations in the GILDEMEISTER group. In the first four months of the year, sales reached € 311.7 million (corresponding period of the previous year: € 321.5 million).



The order intake of the GILDEMEISTER group for the first four months of the current financial year amounted to € 312.8 million (previous year: € 408.1 million). However, in view of the spring trade fairs we expect that in the two following months we will be able to reach the same high level of new orders for the second quarter as in the first quarter of 2002. At 30th April 2002 the volume of existing orders of € 382.9 million was slightly above the volume at the end of 2001 (€ 381.8 million).

There were no further **significant events** that occurred after the end of the reporting period.

Forecast 2002

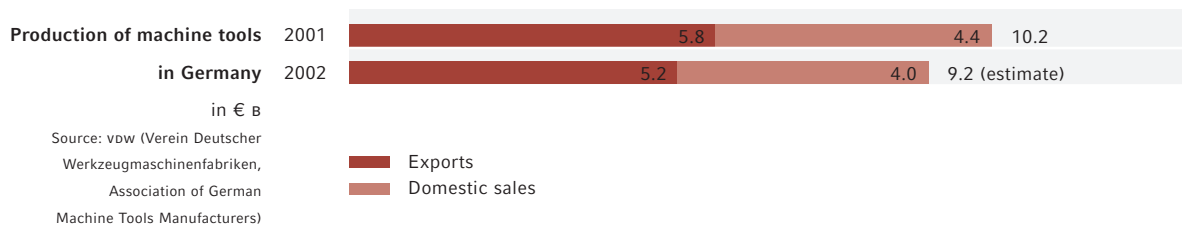
The **global economy** is facing an upturn in 2002. Overall economic development is picking up so that economic researchers have adjusted the growth rates for the whole year to reflect upward trends. Globally, the Kiel-based Institute for World Economics (IfW) forecasts an increase in gross domestic product (GDP) of 2.7%. At the turn of the year, the vigour of world-wide economic activity will be restored. The IfW even expects an upward trend of 4.1%. According to experts, stronger economic-political stimuli within the country will contribute to the recovery of the **USA**. Investments in plant and equipment will probably only accelerate after the middle of the year due to improved sales and earnings expectations. The IfW expects an increased GDP in the USA of 2.3% for this year, and of 4.0% for next year. The economic situation in **Japan** on the other hand, with its continuing structural problems, will revive only very slightly. The IfW forecast for the current year is -1.2%. In **Europe** an accelerated increase in production is expected – not least thanks to the single currency. The Brussels-based EU Commission expects a 1.4% growth of the economy in the European Union in 2002, and a 2.9% growth in 2003.

Germany is supposed to be at the start of an upturn since spring 2002. The six leading German Economic Research Institutes expect a significant change for the better from the middle of 2002. The forecasts for the growth of gross domestic product in 2002 remain unchanged around the 1% mark. Investments in plant and equipment are expected to shrink by 1.5% in the current year.

Sources: Institute for World Economics, Kiel
EU Commission, Brussels

In contrast to overall economic trends, the **global market for machine tools** will not be able to reach the level of the two previous years in this financial year. Global production and world-wide consumption of machine tools will – as set out in the Forecast of our Annual Report 2001 – be lower than in the previous year. There are no forecasts for international trends with interim figures for the course of the year. We expect these figures to decline by 5-10% so that both global production and world-wide consumption could be between € 35 and 37 billion for the whole year 2002.

Experience shows that the machine tool building industry in Germany will only gradually benefit from the improvement in the overall economic situation. For 2002, the engineering industry expects a decrease in production of 2%, and, according to its latest publications, will stick to this forecast despite a deficit in the order intake of 7% for the first quarter of 2002. With regard to sector trends, the **German machine tool industry** expects a difficult year in 2002. With the intake of new orders further declining, the vdw (Association of German Machine Tools Manufacturers) still assumes a decline of production by 10%, resulting in a gross output of more than € 9 billion. According to this forecast a deficit in exports of 11% or an export volume of a good € 5 billion is expected.



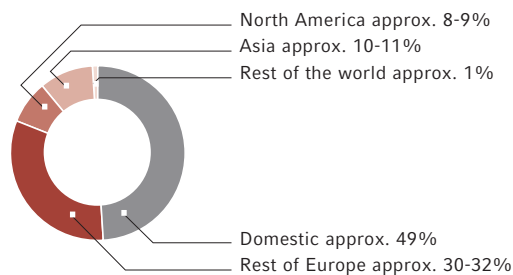
GILDEMEISTER is planning for the financial year 2002 with restrained optimism. Declining cyclical trends in the machine tool building industry will affect our company situation, too. However, for the entire year 2002 we still expect to achieve most of our planned business objectives even under difficult market conditions.

With regard to the **order intake** we expect demands for machine tools to improve during the course of the year. The number of enquiries has already risen. For the second quarter 2002 we assume order intake will be roughly in line with the figures for the first quarter. Due to intensified marketing, a variety of national and international trade fairs and our innovative developments of new products combined with a gradual recovery of demands, we expect a moderate intake of new orders for the third quarter and a clearly higher order intake in the fourth quarter. From today's point of view we assume that our order intake can reach € 1 billion in the current financial year. With regard to the regional distribution of new orders, we expect intake to be shifted in favour of the Asian and American regions, as planned. In face of the difficult competitive situation in the global markets we are currently not planning a rise in **selling prices**.

In the first four months the **group's sales** of € 311.7 million was slightly below expectations. Due to the satisfactory volume of existing orders at the end of April and the expected intake of new orders during the course of the financial year, we stick to our forecast that in 2002 sales could again reach € 1 billion.

For the current financial year we expect a slight rise in the export share to approximately 51%. The regional sales distribution amongst the three major world markets and the rest of the world are set out in the following chart.

Expected sales distribution 2002
of the GILDEMEISTER group by regions



At the end of April, the group's **orders on hand** reached € 382.9 million. This represents a still satisfactory basic capacity utilisation for the next months so that the anticipated fluctuation in demands for individual machine types can as far as possible be counterbalanced. But flagging orders have also affected GILDEMEISTER in some areas. Apart from short working hours, which were introduced in the special field of lathes, further measures in other machine group areas cannot be excluded.

CNC universal milling machines.

A new design for universal milling machines in monobloc construction. From custom-built to series production with a bandwidth for cubic parts that is unusual for this category.



In all, performance development for the section has again been rather sluggish. The over-capacity of Japanese competitors and underemployment of some of the European manufacturers have resulted in considerable pressure on prices and low sales revenues. GILDEMEISTER, too, will have to suffer losses in the percentage return on sales. A more detailed comment on the **performance development** for the financial year 2002 is currently not possible. We are working on maintaining the company's profitability even under unfavourable general economic conditions. In the group, extensive measures to cut costs and increase efficiency have been introduced. The expedited serial start of new products has resulted in an earlier supply of our innovations to the market. Our product innovations ensure better prices, thereby contributing to positive results. GILDEMEISTER will hold on to the important strategic aim of expanding the Asian market. With the currently assumed course of business we can expect distribution of a **dividend**. We are currently not able to comment on the amount of the dividend.

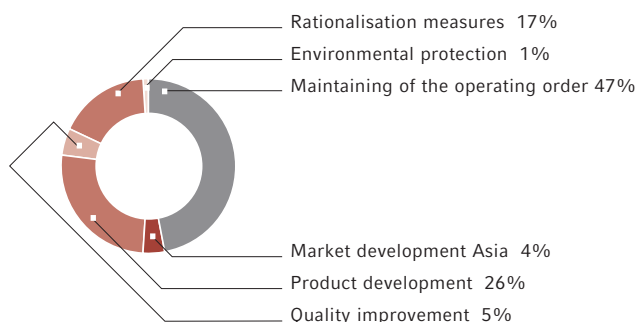
We expect the agreed bank facilities for **future funding** to be sufficient. However, we also expect that due to current business conditions the group's indebtedness cannot be reduced during the course of the year. For domestic working fund requirements, short-term credit lines are available that were agreed by contract until 31st December 2003. The international companies are funded via independent financing groups.

In view of the uncertain cyclical development, GILDEMEISTER has taken all possible precautions against **risks** that could substantially affect the company's net worth, financial and earnings position. Should the recovery of the markets that are important to us be continued, this could have a positive influence on the forecast development of the business.

In the "Machine Tools" **segment** we generally expect difficult market conditions that will affect selling prices, particularly due to weakened global demands and the simultaneous expansion of stocks. Sales and profit will most probably be below the figures for the previous year. With regard to "Services" we expect that the service and spare parts business and the procurement services will, in all, develop positively. The "Corporate Services" segment mainly consists of the group administration functions taken on by GILDEMEISTER Aktiengesellschaft. In the current financial year, the performance of this segment has again been affected by high costs.

The planned **investments** of € 34.9 million will be in line with anticipated capital consumption and the current course of business, and will be implemented in accordance with the group's requirements.

**Structure of planned investments
in the GILDEMEISTER group
in the financial year 2002**



In procurement, we intend, in addition to the existing activities of the suppliers' portal www.coSupply.de, to improve the suppliers' appraisal. For this purpose, the existing suppliers database will be incorporated into the suppliers' portal. The supplier will thereby be able to call up an updated version of his respective appraisal. We will expand the basis of the available data with information relevant to the supplier. In addition, the optimisation of the value-added chain through highly efficient supply partnerships is gaining in significance. **Purchase prices** will be slightly reduced during the course of the year. At the same time we aim to reduce the number of suppliers.

Production and logistics will continue to contribute significantly to the performance of GILDEMEISTER. The line assembly project at the Pfronten site will be completed in time for the start of production of the second quarter. The DMU 60 T model will then be produced in the purpose-built assembly hall. A transshipment point that plays an important role in the optimisation process of the supply chain will be implemented at the Bielefeld site. It will ensure the simplification of materials supply and, at the same time, reduce stocks. By the end of summer 2002, we will have completed the logistical re-organisation of the assembly and production area at the Italian sites



CNC multi-spindle turning centres.

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



Brembate and Tortona. The aim is the enhancement of logistical processes and a substantial increase in area productivity. In the second quarter of 2002, the “Turning” division will not only see the serial start of the TWIN 500 linear, TWIN 42-II, TWIN 65 and TWIN 102, but also of the multi-spindle automatic lathes, GMC 20 linear and GMC 35 linear. The “Milling” division will start production of the DMC 165 V. In the **services area** GILDEMEISTER will significantly simplify the spare parts supply to customers with the help of a progressive Internet-based e-business solution.

From today’s point of view, no material changes in our **organisation and administration** are planned. Apart from the changes in the **legal company structure** announced in both the Annual Report 2001 and this Interim Report, we expect no further activities.

In the course of the year, **staff** cuts are likely, depending on the respective development of the individual group companies. In respect of the “Machine Tools” segment this means full utilisation of flexible working-time models, the reduction of additional working hours and capacity-orientated staff adjustments. If necessary, these measures will also be carried out in the “Services” segment.

The GILDEMEISTER group attaches great importance to the **protection of the environment**. With this in mind, the planned construction work for the modernisation of the heating and air conditioning technology at the Pfronten site will result in a significant reduction in power consumption and pollutant emission.

The centres of our future **research and development** activities continue to be the integration of the turning and milling technologies, the consistent expansion of 3D laser machining and the substantial increase in machining speeds through fast linear drives and dynamic kinematics. The strategic aim in this respect is the continuous development of our technological leadership and market position. Ultrasonic machining must also be given special emphasis, because it enabled us to open up a new range of application – the machining of modern advanced materials. To ensure the continuing successful development of new products, we will further improve the structure of employees working in research and development through specific training activities. The number of staff and spending on research and development continue to be geared towards our strategic aims.

Consolidated Interim Financial Statements of GILDEMEISTER Aktiengesellschaft as of 31st March 2002

Group Notes

1 APPLICATION OF REGULATION

For the first time, the Consolidated Interim Financial Statements of GILDEMEISTER Aktiengesellschaft were prepared in accordance with International Accounting Standards (IAS) that were passed and published by the International Accounting Standards Board (IASB) on the date of the Interim Financial Statements, and in accordance with the interpretation of the IAS by the Standing Interpretations Committee (SIC). The regulations of the IAS 34 on interim reporting were specifically applied. The purpose of the reporting in accordance with internationally accepted accounting principles is an improved international comparability and increased transparency of the group.

Due to the requirement under IAS 34 for comparative figures pertaining to the items shown in the Interim Financial Statements, we had to prepare a balance sheet, income statement, flow of funds analysis and statement of changes in equity according to IAS for the respective corresponding period of the previous financial year. Regardless of the previous accounting method according to HGB, the reporting in this respect was carried out so as if the IAS regulations had always been applied (SIC-8).

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

2 MATERIAL DIFFERENCES BETWEEN HGB AND IAS

In view of the purpose of quarterly reporting as an information vehicle based on the consolidated financial statements, and in accordance with IAS 1.91 we have included in the Notes information on the applied accounting, valuation and consolidation methods that go beyond the requirements of IAS 34. The following notes cover in particular the exercising of election rights according to IAS and the applied accounting, valuation and consolidation methods that differ from the methods applied in the Consolidated Financial Statements according to commercial law, which were prepared before the IAS Interim Financial Statements. So far as the accounting and valuation methods applied in the IAS Interim Financial Statements and the Consolidated Financial Statements in accordance with commercial law are concurrent, we will refer to the notes set out in the Consolidated Financial Statements in accordance with commercial law. A breakdown of the balance sheet items beyond the requirements under IAS 34.10 and SIC 8.7, on the other hand, is not included in the Interim Financial Statements, which have been prepared in accordance with IAS for the first time.

For the GILDEMEISTER group, the following material differences arise from the comparison with the accounting and valuation methods according to commercial law:

- Differing valuation of stocks (IAS 2),
- Formation of deferred taxes based on the balance-sheet oriented liability approach and for future financial benefits from accumulated tax losses brought forward (IAS 12),

- Change in the allocation of beneficial ownership from finance lease contracts (IAS 17),
- Valuation of provisions for pensions in accordance with the projected unit-credit method (IAS 19),
- Currency conversion in accordance with the functional currency concept (IAS 21),
- Treatment of goodwill arising from acquisitions (IAS 22),
- Consolidation of special purpose entities (IAS 27 in combination with SIC-12),
- No formation of provisions for expenses and of provisions, whose probability of use is below 50% (IAS 37),
- Capitalisation of development costs (IAS 38),
- Formation of separate valuation units for derivative financial instruments (IAS 39).

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3 CONSOLIDATED GROUP

At the 31st March 2002 the GILDEMEISTER group comprised 56 companies including GILDEMEISTER Aktiengesellschaft, of which 55 were included in the Interim Financial Statements as fully consolidated companies. DMG Charlotte Inc., Charlotte, which is not included in the consolidated group has no operative business.

Initial consolidation principally takes place at the acquisition date of the company (IAS 22). In contrast with former HGB accounting principles, the acquired Hermann SAUER GmbH & Co. KG, Stipshausen, Hermann SAUER Verwaltungs-GmbH, Stipshausen, and the newly formed PCG Personnel Consulting GmbH, Erkelenz, have been included in the consolidated group on 31st December 2001 as the effective date. A leased property company meets the criteria of a special purpose entity under IAS 27 in combination with SIC-12 so that its initial consolidation took place on 1st January 2001 as the effective date. DMG France Sud S.A.S., Lyon, has been included in the consolidated group since 1st January 2002.

4 CONSOLIDATION PRINCIPLES

Capital consolidation of all companies is carried out according to the acquisition method (IAS 27 or IAS 22). The carrying value of the investments are thereby set off against the group share in equity capital based on the current market values of assets and liabilities at the time of acquisition. Differences are shown as goodwill and will be amortised over the useful economic life.

Cross accounts receivable and accounts payable between the companies included in the consolidated financial statements were offset against each other, intercompany profits on intragroup sales and services and deferred tax burdens and benefits from consolidations affecting operating results were included at the applicable tax rate expected by the respective company receiving the benefit. Intercompany sales revenues and all intercompany earnings are set off against the relevant expenses.

5 ACCOUNTING AND VALUATION PRINCIPLES

The Interim Financial Statements of the companies included in the group's Interim Financial Statements were prepared in accordance with uniform accounting and valuation principles. To a very limited extent, the present Interim Financial Statements

include estimates and assumptions that have affected the amounts of the assets and liabilities and the way these are shown in the balance sheet. They have also affected expenses and earnings and may differ from the actual amounts.

Intangible and Tangible Fixed Assets

The intangible assets and tangible fixed assets are shown at their initial costs or costs of production, reduced by regular depreciation. Costs of production include all direct costs and necessary overhead costs except financing costs. Costs of repair and maintenance for tangible fixed assets are shown as expenses.

In accordance with IAS 22, goodwill arising from the initial consolidation is capitalised and amortised over its expected useful economic life of 10 or 15 years according to plan. The value of the goodwill is checked in accordance with IAS 36 and can, if necessary, result in an accumulated amortisation. There was no unexpected decline of economic usefulness in the first quarter of 2002 and in the previous year.

Development costs for newly developed products are carried as assets as far as the reliable allocation of expenses required by IAS 38 was possible, technical feasibility and marketing guaranteed and the anticipated achievement of future economic use established. In this respect costs of production include costs that can directly or indirectly be allocated to the development phase. Regular depreciation is implemented on the basis of the estimated useful life. In accordance with IAS 38, research costs are shown as expenses in the period when they were incurred.

Leasing is shown as finance lease if it essentially transfers all risks and awards that are related to the economic ownership of the leased assets onto the lessee. Leased property, plant and equipment whose lease agreements meet the criteria of finance lease in accordance with IAS 17, are shown as assets at their initial cost or at the lower present value of the lease instalments in the balance sheet of the lessee. Regular depreciation depends on the useful economic life, but as a maximum on the term of the lease agreement. The respective financial obligations from the future lease instalments are carried as liabilities.

Current Assets

In respect of stocks, raw materials and supplies as well as products and merchandise are shown at their initial costs or costs of production that are, in principle, stated as an average value, including depreciation on the lower realisable net proceeds on disposal (IAS 2). The costs of production include, besides direct material and direct salaries, pro rata indirect material. General administrative expenses, voluntary social security and employee pension plan contributions and interest rates on borrowings were not included in the costs of production.

Debtors and other assets are shown at their initial costs or, in the case of debtors in foreign currencies, at their qualifying dates. All identifiable individual risks were counterbalanced by appropriate writedowns.

Deferred Taxes

Under IAS 12 deferred taxes are shown in accordance with the balance sheet orientated liability approach. According to this method, deferred tax assets or liabilities have, in principle, been formed for all accounting and valuation differences between the commercial balance sheet in accordance with IAS for group purposes and the tax amounts reported (temporary differences). In addition, deferred tax assets are carried forward as unused tax losses. Deferred tax assets for all deductible temporary differences and for tax losses brought forward were only included as far as it is likely that future taxable results will be available, against which the temporary differences or unused tax losses can be set off. Under IAS 12, the deferred taxes are calculated in accordance with the tax rates on income expected in the individual countries at the date of realisation. Deferred tax claims and deferred tax liabilities were not discounted. Deferred tax assets and liabilities were only set off against each other where this was legally possible.

Provisions and Liabilities

Provisions for pensions resulting from benefit-orientated pension schemes are calculated under IAS 19 in accordance with the projected unit-credit method in which future obligations are evaluated according to actuarial procedures assessing the relevant impact factors. The benefits to be expected, taking into account dynamic components at the occurrence of the insured event, are thereby distributed over the entire employment period of the employee. For this purpose, actuarial reports were made available to us. Calculation for the domestic companies were carried out at an assumed rate of interest of 6% and an expected earnings-linked pension of 1.2%; annual staff turnover potential was taken into account.

In accordance with IAS 37 the remaining provisions include all identifiable obligations and risks as well as all contingent liabilities provided that a present obligation exists, the occurrence of which is likely and the amount of which can be reliably estimated. The occurrence probability must be above 50%. Assessment is carried out at the most likely amount. Provisions with a remaining term of more than one year are discounted under conditions that are customary in the market.

In accordance with IAS 37 guidelines no provisions for expenses are carried as liabilities, since there is no external obligation in these cases. The liabilities were recognised at their repayment amounts. Customers' prepayments are – in contrast with HGB accounting – carried as liabilities.

Derivative Financial Instruments

The hedging against risks from foreign exchange and interest fluctuation includes the use of derivative financial instruments. The recognition of derivative financial instruments was carried out in accordance with IAS 31. The hedging transactions cover changed interest rate risks from recorded underlying transactions and, in the case of foreign exchange risks, risks from pending sales and services transactions. For the hedging against foreign exchange risks from our activities we use only forward exchange dealings. Interest hedging tools (swaps) are used to reduce or limit the impact of interest rate changes on the financing costs for interest variable investment credits.

The IAS 39 regulations were applied for the first time on 1st January 2001 (as the effective date), to the debit of the equity capital but not affecting net income. Under IAS 39 all financial instruments must be recorded at either net book values or market values. All changes in market value of financial instruments, which serve the hedging of future cash flow (cash flow hedges), were shown in the equity capital without affecting net income. The financial instruments (interest swaps) are only used for hedging purposes.

6 CURRENCY CONVERSION

Conversion of all Interim Financial Statements of the international group companies that are prepared in foreign currencies is carried out in accordance with the functional currency method (IAS 21). Since all subsidiaries operate their business relatively independently in financial, economic and organisational respects, the functional currency is the respective currency of each country. Assets and liabilities were converted at the average exchange rate of the balance sheet date and income and expenses at the average market price. Conversion differences arising from the differing conversion rates in the balance sheet and income statement were carried without affecting operating results. Exchange differences from the conversion of the equity capital were included in the group's revenue reserves.

Monetary items (cash, accounts receivable and accounts payable) in foreign currencies were evaluated in the individual financial statements at the rate of the balance sheet date. Rate-hedged items are recognised at the hedging rate. Non-monetary items in foreign currencies are recognised at the historical values. Differences from the conversion of monetary items were set off against each other affecting operating results.

7 EARNINGS PER SHARE

Under IAS 33 the earnings per share are calculated by dividing the consolidated result by the average number of shares as shown below. There were no diluting effects in the presented reporting periods.

Profit for the year excluding share in profits of other shareholders	€ 1,069 K
Number of shares	28,879,427
Earnings per share	€ 0.04

8 SEGMENTAL REPORTING

The information in respect of segmental reporting is given in accordance with IAS 34 and IAS 14. A detailed presentation and explanation are included in the “Segments” chapter.

9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

No material events have occurred after the date of the Interim Financial Statements except for those presented in the “GILDEMEISTER Group Business Development” chapter.

Interim Balance Sheet of the GILDEMEISTER group at 31st March 2002

	31 st March 2002	31 st December 2001	31 st March 2001
	€ M	€ M	€ M
Assets			
Fixed assets	255.8	248.3	212.0
Current assets			
Stocks	305.8	249.8	246.5
Debtors and other assets	300.9	334.7	274.2
Securities and liquid funds	21.9	17.9	29.3
	628.6	602.4	550.0
Deferred taxes	24.6	24.7	44.5
Prepaid expenses	5.3	5.0	4.7
	914.3	880.4	811.2

	31 st March 2002	31 st December 2001	31 st March 2001
	€ M	€ M	€ M
Equity and Liabilities			
Equity /			
Shares held by other shareholders			
Subscribed capital	75.1	75.1	75.1
Capital reserves	48.7	48.7	48.7
Revenue reserves	86.7	82.6	81.1
Unappropriated profits	26.7	25.6	23.4
	237.2	232.0	228.3
Shares held by other shareholders	6.4	10.7	12.8
	243.6	242.7	241.1
Special account for investment allowances	2.3	2.4	1.1
Provisions	154.8	144.5	123.9
Creditors	510.2	487.3	441.4
Deferred income	3.4	3.5	3.7
	914.3	880.4	811.2

Statement of Changes in Equity

GILDEMEISTER group	Subscribed capital	Capital reserves	Revenue reserves	Unappropriated profit		Shares held by other shareholders	Total
				Unappropriated profits brought forward	Profit for the year		
	€ M	€ M	€ M	€ M	€ M	€ M	€ M
At 1 st January 2002	75.1	48.7	82.6	1.1	24.5	10.7	242.7
Transfer to reserves	0.0	0.0	4.1	0.0	0.0	0.0	
Profit for the year	0.0	0.0	0.0	0.0	1.0	0.0	
Shares held by other shareholders	0.0	0.0	0.0	0.0	0.1	-4.3	
At 31st March 2002	75.1	48.7	86.7	1.1	25.6	6.4	243.6

Income statement

GILDEMEISTER group	2002		2001		Changes	
	1 st Jan. – 31 st March	%	1 st Jan. – 31 st March	%	2002 against 2001	%
	€ M		€ M		€ M	
Gross performance	260.8	100.0	266.8	100.0	-6.0	2.2
Spending on materials	-143.4	55.0	-147.0	55.1	3.6	2.4
Gross yield	117.4	45.0	119.8	44.9	-2.4	2.0
Staff costs	-68.5	26.3	-65.7	24.6	-2.8	4.3
Other income and expenses	-27.9	10.7	-32.6	12.2	4.7	14.4
Depreciation of fixed assets	-9.3	3.6	-8.2	3.1	-1.1	13.4
Financial results	-5.6	2.1	-5.6	2.1	0.0	0.0
Profit/loss						
on ordinary activities	6.1	2.3	7.7	2.9	-1.6	20.8
Taxes on corporate income						
and business profits	-5.1	1.9	-2.5	0.9	-2.6	104.0
Profit/loss for the year	1.0	0.4	5.2	2.0	-4.2	80.8
Earnings per share	0.04		0.17			
in acc. w. IAS 33 (in Euro/share)						

Segmental reporting

GILDEMEISTER group	Machine tools				S	
	Q1 2002	Q1 2001	Changes against previous year		Q1 2002	Q1 2001
	€ M	€ M	€ M	%	€ M	€ M
Sales	171.2	173.8	-2.6	1.5	60.2	59.3
Profit/loss						
on ordinary activities	5.0	5.1	-0.1	2.0	2.7	7.6
Profit/loss for the year	1.4	3.9	-2.5	64.1	2.7	6.1
Investments	5.2	5.4	-0.2	3.7	1.1	1.0
Employees	3,482	3,300	182	5.5	1,657	1,545

Corporate flow of funds analysis

GILDEMEISTER group	31 st March 2002	31 st March 2001
	€ M	€ M
Cash flow from current activities		
1. Profit for the year	1.0	5.2
2. Depreciation of fixed assets	9.3	8.3
3. Change in deferred taxes	0.1	-3.8
4. Decrease (prev. year increase) in long-term provisions	-2.9	1.8
Cash flow	7.5	11.5
5. Increase in short-term provisions	13.2	10.4
6. Increase in stocks, trade debtors and other assets that cannot be allocated to investment or financing activities	-22.3	-29.7
7. Decrease (prev. year increase) in trade creditors and other liabilities cannot be allocated to investment and financing activities	-13.9	15.2
	-15.5	7.4
Cash flow from investment activities		
1. Amounts paid out for investments in fixed assets	-9.2	-10.6
2. Amounts paid out for investments in financial assets	-7.3	0.0
	-16.5	-10.6
Cash flow from financing activities		
Increase (prev. year decrease) in amounts owed to banks	36.6	-0.9
	36.6	-0.9
Change affecting payments	4.6	-4.1
Changes affecting payments due to consolidation and exchange rate	-0.5	0.1
Liquid funds at January 1 st	15.3	24.1
Liquid funds at March 31st	19.4	20.1

Services	Corporate Services						Transition			Group			
	Changes against previous year		Q1 2002	Q1 2001	Changes against previous year		Q1 2002	Q1 2001	Q1 2002	Q1 2001	Changes against previous year		
	€ M	%			€ M	%					€ M	%	
	0.9	1.5	0.2	0.2	0.0	0.0	0.0	0.0	231.6	233.3	-1.7	0.7	
	-4.9	64.5	-2.2	-4.0	1.8	45.0	0.6	-1.0	6.1	7.7	-1.6	20.8	
	-3.4	55.7	-2.9	-4.3	1.4	32.6	-0.2	-0.5	1.0	5.2	-4.2	80.8	
	0.1	10.0	0.4	0.1	0.3	300.0	0.0	0.0	6.7	6.5	0.2	3.1	
	112	7.2	64	45	19	42.2	0	0	5,203	4,890	313	6.4	

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Information about GILDEMEISTER Aktiengesellschaft

GILDEMEISTER Aktiengesellschaft has no operative business, but manages the group as management holding in all functional areas. The shown sales revenues of the parent company of € 4.2 million are almost exclusively revenues arising from the company's holding function. The earnings position of GILDEMEISTER Aktiengesellschaft differs from that of the group in respect of amounts and structure. The earnings position is dominated by the control agreements and profit and loss transfer agreements with the three domestic subsidiaries, other income from investments and expenses in relation to the company's holding function. The central organisational units of the three committees of GILDEMEISTER Aktiengesellschaft include group strategy, product development, production and logistics, financing, controlling, personnel and marketing. At 31st March 2002 the parent company employed 58 people (including the Executive Board).

Bielefeld, May 2002

Yours truly

GILDEMEISTER Aktiengesellschaft
The Executive Board

Supervisory Board:

Chair: Dr.-Ing. Manfred Lennings

Deputy chair: Harry Domnik

Executive Board:

Dipl.-Kfm. Dr. Rüdiger Kapitza,
Chair

Dr.-Ing. Raimund Klinkner

Dipl.-Kfm. Dieter Schäfer

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Internet: www.gildemeister.com • E-mail: info@gildemeister.com

Financial calendar

17th May 2002	Shareholders' general meeting at 10 am in Stadthalle Bielefeld (Convention Center Bielefeld)
21st May 2002	Distribution of dividends
8th August 2002	2 nd Quarterly report 2002 (1 st April to 30 th June)
7th November 2002	3 rd Quarterly report 2002 (1 st July to 30 th September)
6th February 2003	Press release on provisional figures for the financial year 2002
16th May 2003	Shareholders' general meeting at 10 am in Stadthalle Bielefeld (Convention Center Bielefeld)

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