



ANNUAL REPORT AND FINANCIAL STATEMENTS 2011  
GILDEMEISTER AKTIENGESELLSCHAFT

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Creating the future.  
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**GILDEMEISTER**



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### **Preliminary notes**

GILDEMEISTER Aktiengesellschaft has no operative business but functions as the management holding company for the GILDEMEISTER group. The sales revenues shown for the parent company result almost exclusively from income from the exercise of the holding and service functions for the group as well as from rental income. The income situation of GILDEMEISTER Aktiengesellschaft differs from that of the group in terms of level and structure. Its earnings result mainly from control and profit and loss transfer agreements with two domestic subsidiaries and the income and expenses resulting from the holding functions. The present management report refers exclusively to GILDEMEISTER Aktiengesellschaft as the parent company. The GILDEMEISTER group is represented in detail in our Annual Report 2011 and the Consolidated Financial Statements and Group Management Report contained therein, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

## **Economic Situation and Course of Business 2011**

### **Overall Economic Development**

In the reporting year the cyclical upturn of the global economy from the year 2010 continued with slightly less momentum. Growth was moderate in both the industrial and the emerging countries. The rate of expansion in the BRIC countries of Brazil, Russia, India and China slowed down. In the USA, the economic momentum weakened. The European economy was subdued. Government crises in Greece, Italy and Portugal curbed the rate of growth over the course of the year; in contrast, the German economy grew at a stronger than average rate in a European comparison. According to provisional calculations by the Institute for World Economics (IfW) at the University of Kiel, overall economic production rose worldwide by 3.8% following 4.8% the previous year.

### **Development of the Machine Tool Building Industry**

#### **International Development**

The worldwide market for machine tools developed positively overall in 2011. The German Machine Tool Builders Association (VDW) calculated growth in world consumption of 29% or € 13.6 billion to € 60.7 billion (previous year: € 47.1 billion). The industry thus finds itself again above the level of the record year 2008 (€ 52.6 billion).

The structural shift in the world market for machine tools from Europe and America towards Asia was also apparent in the year 2011. Asia's share of world consumption amounted to 61%. Asia's growth dynamic was 29% following the strong growth in the year 2010 (+54%). In America, consumption of 31% rose markedly compared to the previous year (+12%). Even in Europe, the trend was positive overall: although the machine tool industry was still in decline at -5% in 2010, demand was able to record strong growth at +27%.

In 2011, once again the most machine tools by far were bought in China; at € 21.4 billion and a share in world consumption of 35%, China was again the world's largest sales market (previous year: 35%). Japan's machine tool consumption rose strongly at 48% and took second place with € 5.5 billion (previous year: € 3.7 billion). Germany, with a high rate of growth of 42% and consumption of € 5.0 billion (share: 8%) remained the third most important market for machine tools worldwide. It was followed by the USA (consumption: € 4.8 billion; change to previous year: +46%; share of world consumption: 8%) and South Korea (€ 3.7 billion; +15%; 6%). Places six to ten were occupied by Italy (€ 2.1 billion; +6%; 4%), India (€ 1.7 billion; +26%; 3%), Brazil (€ 1.4 billion; +2%; 2%), Taiwan (€ 1.4 billion; +8%; 2%) and Mexico (€ 1.0 billion; +22%; 2%). The ten most important consumer markets represented 79% of worldwide consumption of machine tools (previous year: 79%).

### German Machine Tool Industry

In 2011 the German machine tool industry recorded overall growth in order intake, higher production and a rise in exports. Order intake rose to € 16.7 billion or 45% (previous year: € 11.5 billion). Domestic demand increased by 46% (previous year: +74%). International demand rose by 45% (previous year: +89%). Based on strong growth in order intake in the first quarter of 2011 the growth momentum slowed by the quarter in comparison with the previous year.

The ifo business climate index for trade and industry reflected this mood. Although on balance the business climate index in 2011 was positive overall, a clear decline could be noted in the second half of the year.

### Income, Financial and Net Worth Position

The GILDEMEISTER Aktiengesellschaft result was primarily determined by income from financial assets (€ 64.7 million), comprising profit and loss transfers from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER amounting to € 21.7 million (previous year: € 30.2 million), GILDEMEISTER Beteiligungen AG amounting to € 42.0 million (previous year: € -1.3 million) and investment income from Mori Seiki Co. Ltd. amounting to € 1.0 million (previous year: € 0.8 million). Moreover, provision for contingent losses (€ 13.8 million) in connection with the repayment of the borrowers' note and the resulting

ineffectiveness of the interest rate hedging instrument, as well as the expenses in connection with the capital increases (€ 6.4 million) and the new borrowings (€ 4.3 million), have determined the result. GILDEMEISTER Aktiengesellschaft closes the financial year 2011 with an annual profit of € 13.8 million (previous year: € 1.1 million). Under consideration of the profit carried forward of € 3.0 million, the GILDEMEISTER Aktiengesellschaft recorded net retained profits on 31 December 2011 of € 16.8 million (previous year: € 3.0 million).

In the reporting year, sales revenues (group cost allocations and rent) amounted to € 11.4 million (previous year: € 10.6 million). Other operating income increased by € 1.5 million to € 15.1 million in the same period. The difference arose mainly from the internal cost transfer of higher expenses to the group companies.

Expenses incurred for purchased services mainly cover maintenance of the production halls at the Bielefeld site. At € 1.8 million, they were about € 0.3 million higher than those of the previous year (€ 1.5 million).

In the reporting year employee expenses amounted to € 16.7 million (previous year: € 16.6 million). Depreciation of € 1.7 million (previous year: € 1.6 million) increased only marginally compared to the previous year.

Other operating expenses amounted to € 46.0 million and were thereby € 23.2 million above the previous year's level (€ 22.8 million). The essential changes relate to an addition to provisions for contingent losses due to the ineffectiveness of an interest rate hedging instrument (€ +13.2 million), costs of the capital increases (€ +6.4 million) as well as losses from foreign exchange and currencies (€ +4.0 million).

Income from investments increased from € 29.7 million in the previous year to € 64.7 million in the reporting year. Of this, € 63.7 million resulted from profit and loss transfer agreements and € 1.0 million from the distribution of profits from a 5.1% investment in Mori Seiki Co. Ltd.

The net financial costs were € -2.6 million (previous year: € -12.6 million). These improved due to the much lower indebtedness as well as better interest rate terms for the new borrowings.

The tax expense recognised of € 8.3 million resulted from the payment of tax arrears from previous years due to an audit that was carried out (€ 7.4 million), from current tax expense (€ 2.5 million) and deferred tax assets of € 1.6 million.

In the balance sheet property, plant and equipment has risen from € 450 million to € 491 million. The essential additions to property, plant and equipment relate to investments in the Energy Solutions Park of € 1.5 million at the Bielefeld site, the acquisition of environmentally-friendly ventilation systems in an amount of € 0.5 million and setting up a container warehouse and waste disposal yard in an amount of € 0.2 million.

The increase in financial assets of € 39.8 million results from a capital increase of € 25.0 million at DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER as well as the shares of the company Mori Seiki Co. Ltd. purchased for € 14.8 million. In 2011 a total of 1,614,841 shares were purchased in several tranches.

Current assets decreased compared to the previous year by a total of € 28.4 million to € 401.6 million. Essentially the reduction in cash and cash equivalents of € 24.8 million contributed significantly to this.

Under equity and liabilities, equity rose from € 371 million to € 584 million. In March and April 2011, GILDEMEISTER successfully carried out two capital increases:

Within the framework of the first, 10% capital increase, shareholders' pre-emptive rights were disapplied. The 4,558,200 new shares were subscribed by our cooperation partner, Mori Seiki, at an issue price of € 18.22 per new share; this corresponded to a mark-up of about 27% based on the volume-weighted average price of the GILDEMEISTER share on the date the resolution was passed or 20% measured on the volume-weighted average price on the last ten trading days before the resolution.

The capital increase was carried out on 21 March 2011 and entered in the Commercial Register. The registered capital increased to € 130,364,527.80; it is divided into 50,140,203 no par value shares.

In the second, 20% pre-emptive rights issue for the capital increase, the 10,028,040 new shares were offered to shareholders at a ratio of 5:1. The issue price amounted to € 13.66, which corresponded to a discount of 10% on the so-called THEORETICAL EX RIGHTS PRICE (TERP) of the share on the last three trading days before the resolution on the capital increase. The shareholders made extensive use of their pre-emptive rights; the placement level was 99.7%. The few remaining shares were sold to one shareholder. The capital increase was carried out on 13 April 2011 and entered in the Commercial Register. Since then the registered capital amounts to € 156,437,431.80; it is divided into 60,168,243 no par value shares. The new shares were included in the current stock market listing on 15 April 2011. The net proceeds from the two capital increases of € 213.7 million were mainly used to repay financial liabilities and thus to strengthen the equity basis. The remaining amount was used primarily for growth in the core "Machine Tools" business.

The Executive Board of GILDEMEISTER Aktiengesellschaft passed a resolution on 25 August 2011 to use the authorisation granted by the Annual General Meeting of 14 May 2010 to buy back the company's own shares. Pursuant to the Executive Board resolution, a total of up to 3,068,581 shares may be bought back; this corresponds to about 5.1% of the registered capital of the company. The buyback commenced as of 26 August 2011 and ended on 31 December 2011. In total, 1,805,048 shares were repurchased. This corresponds to 3% of the voting rights. The shares purchased may be used for all purposes stated in the authorisation granted by the Annual General Meeting; in this respect, special mention must be made of the use of the shares for acquisition purchases.

Other provisions increased compared to the previous year by € 16.1 million to € 28.3 million. This increase resulted primarily from the recognition of provisions for contingent losses of € 13.8 million due to the ineffectiveness of an interest rate hedging instrument. The significant other provisions related to legal and consulting expenses and personnel provisions.



GILDEMEISTER covers its capital requirements from the operating cash flow and from taking out short- and long-term financing. The essential component is the new syndicated line of credit of € 450 million. In addition to the syndicated loan, there are still some long-term loans of € 647 κ (previous year: € 727 κ).

In the reporting year we have restructured our financial liabilities. From the proceeds of the capital increases we repaid the borrowers' notes in an amount of € 201.5 million prematurely in May. In August the refinancing of the financial liabilities was finalised. The new syndicated credit line totalling € 450.0 million replaces the syndicated loan of € 211.9 million. The new credit line has a term of five years (until 2016). It comprises a cash tranche of € 200.0 million and an aval tranche of € 250.0 million. The new syndicated credit line was concluded on markedly more favourable terms, on account of GILDEMEISTER's improved creditworthiness following the capital increases.

GILDEMEISTER does not have a corporate rating as we are not planning any capital market financing and any such rating involves significant costs.

Our financing includes customary agreements on compliance with defined key performance indicators (covenants).

Through this financing mix we have sufficient funding lines with which we can make the necessary liquidity available for seasonal fluctuations related to the industry, for growth in the machine tools business and for the requirements of the project business.

GILDEMEISTER group financing is carried out centrally. Only when group financing is not advantageous due to the legal framework, is local financing concluded in individual cases. Cash pooling is used to utilise the liquidity surpluses of subsidiaries cost-effectively within the group.

Net financial liabilities (liabilities to banks less bank balances and cash balances) decreased, in comparison to the previous year, by € 211.6 million to € 0 million.

Total assets as of 31 December 2011 rose by 1.7 % to € 909.5 million (previous year: € 894.3 million). The equity ratio amounts to 64.2% (previous year: 41.5%).

### **Dividend**

The Executive Board and the Supervisory Board will propose to the 110th Annual General Meeting of Shareholders on 18 May 2012 that a dividend of € 0.25 per share be distributed for the financial year 2011.

### **Employees**

As of 31 December 2011, GILDEMEISTER Aktiengesellschaft was divided into four executive units, which are organised as follows:



- Key Accounting / Personnel / Purchasing / Auditing / Compliance / Investor and Public Relations,
- Controlling / Finances / Accounting / Tax and risk management,
- Technology and Production and
- Sales and service / Information technology (IT)

On 31 December 2011, GILDEMEISTER Aktiengesellschaft had 68 employees, four employees more than on 31 December 2010.

### Research and Development

GILDEMEISTER Aktiengesellschaft is responsible for the research and development strategy. Research and development activities are conducted at group company level.

## Corporate Governance Statement pursuant to Section 289a HGB (German Commercial Code)

### Corporate Governance

Good corporate governance has long been a key component of corporate management and of all corporate areas at GILDEMEISTER. For the Executive Board and Supervisory Board, corporate governance means managing and controlling the enterprise responsibly and transparently. Our common goal is to increase the value of the enterprise in a sustainable way. The internal corporate guidelines have been amended to correspond to these regulations and principles. For years, GILDEMEISTER has been complying with the recommendations of the German Corporate Governance Code and until the new version entered into force on 26 May 2010, complied with all the recommendations with one exception. The Executive Board and Supervisory Board issued the following compliance statement in November 2011. This statement – and also the compliance statement from previous years – can be accessed on our website [www.gildemeister.com](http://www.gildemeister.com) permanently:

“Since the last Declaration of Conformity of December 2010 GILDEMEISTER Aktiengesellschaft has complied with the recommendations of the “Government Commission’s German Corporate Governance Code” in the code version dated 26 May 2010 since its publication in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) on 2 July 2010 and will comply with them in the future, although with the following exception:

- The Supervisory Board member Dr. Masahiko Mori is the president of a foreign producer of machines for metal cutting processes and thus a competitor. The high level of expertise of Dr. Mori represents additional expertise for the company and through this a significant gain for the work of the Supervisory Board.
- Appropriate measures are taken by the enterprise to counter any conflicts of interest.”

GILDEMEISTER has D&O insurance (manager liability insurance) and legal costs insurance for all members of the Supervisory and Executive Boards, managing directors and senior managers. The D&O insurance provides for an appropriate deductible for the purposes of the Act on the Appropriateness of Management Board Remuneration (VorstAG).

### **Description of the operating principles of the Executive Board and Supervisory Board and their committees**

#### **Responsible management of opportunities and risks**

For GILDEMEISTER, the responsible handling of risks is part of good corporate governance. Significant risks and opportunities are identified and regularly monitored with the aid of a systematic risk management system. In this way we ensure that risks are identified and assessed timely. The Executive Board and the Supervisory Board are informed regularly about the current risk situation of the group and of the individual business units. The early-warning system for risks, set up by the Executive Board in accordance with Section 91 (2) AktG (German Stock Corporation Act) is examined by the annual auditors and continuously enhanced by GILDEMEISTER and adapted to changing conditions. More information on the opportunities and risk management system can be found in the section on “Opportunities and risk report” on page 18 et seq.

#### **Cooperation between the Executive Board and Supervisory Board**

The Executive Board and Supervisory Board work closely together for the benefit of the company. Their joint goal is a sustainable increase in the company's value. The Executive Board informs the Supervisory Board regularly, timely and comprehensively on all relevant issues with regard to business development, financial position and results of operations, corporate planning, as well as the risk situation, risk management and compliance. Any deviations in business development from the set plans and goals, likewise the strategic focus and further development of the group, are explained in detail and the rationale is described. The Executive Board supplies the Finance and Audit Committee with the half-yearly and quarterly reports, and discusses these prior to their publication with the Finance and Audit Committee. The Articles of Association provide that a number of business procedures are subject to the approval of the Supervisory Board.

#### **Avoidance of conflicts of interest**

Any potential conflicts of interest of Executive Board or Supervisory Board members are notified to the Supervisory Board without delay and require the latter's approval. In making decisions and in connection with their functions, the members of the Executive Board and of the Supervisory Board may not pursue any personal interests or business opportunities that the company is entitled to, nor may they grant any unjustified benefits to any other person. The Supervisory Board reports to the Annual General Meeting of Shareholders on any conflicts of interest and on how they are dealt with. In the reporting

year, there were neither conflicts of interest with respect to the members of the Executive Board nor with respect to those of the Supervisory Board.

GILDEMEISTER recognises preventive measures against the misuse of insider information and insider trading as part of good corporate governance. On the one part, when appointing our employees who have access to sensitive material and data, we advise them in detail and in writing of the provisions of the German Securities Trading Act (WpHG). On the other, since 2010 a compliance guideline has been in force throughout the group, which regulates the handling of insider information and forbids insider trading. GILDEMEISTER's guideline goes beyond the statutory requirements in that, amongst others, within the framework of a voluntary self-imposed obligation, it also sets out a blocking period for dealing in securities around the publication dates of quarterly and annual financial reports.

### **Safeguarding the interests of the shareholders**

GILDEMEISTER sets itself the goal of ensuring the greatest possible transparency in corporate communication as well as timely communication to all target groups such as shareholders, lenders of capital, business partners, employees and the general public. On our website, we publish, both in German and English, press releases, business and quarterly reports as well as a detailed financial calendar. Shareholders and potential investors can obtain information on the Internet at any time on the current situation of the company. Any interested party may subscribe to an electronic newsletter on our website, which reports on the latest news from the group. Shareholders who are unable to attend the annual general meeting personally are given the opportunity of either exercising their voting right by proxy through an authorised person of their choice or by transfer of proxy to a representative of the group, who will act as per their instructions. In addition, it is possible to obtain information about the annual general meeting timely via the Internet.

### **Reporting and auditing of annual accounts**

We have again agreed with the annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the year under report that they shall inform the chairman of the Supervisory Board and the chairman of the finance and auditing committee promptly of any grounds of exclusion or bias that may arise during the audit, in case these cannot be rectified. It has been further agreed that the auditor shall report promptly on all findings and events arising during the audit that are of significance for the duties of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board of, or include in the auditing report, any facts found during the audit process that are inconsistent with the Declaration of Compliance with the German Corporate Governance Code Section 161 AktG given by the Executive Board and Supervisory Board.

### **Supervisory Board and Committees**

Pursuant to the Articles of Association, the Supervisory Board comprises twelve members. In accordance with the German Co-Determination act, in addition to the six owners' representatives, six employee representatives, one of whom represents senior management, are appointed to the Supervisory Board. The term of office of the present Supervisory Board expires at the end of the annual general meeting of shareholders in 2013.

The members of the Supervisory Board are named in the details in the notes. The Supervisory Board convened six times in the financial year. The Supervisory Board also reports on the scope of its work in the Supervisory Board report in the group management report on pages 7 et seq.

In the financial year 2011, the Supervisory Board of GILDEMEISTER Aktiengesellschaft had five committees: the Finance and Auditing Committee, the Personnel, Nominations and Remuneration Committee, the Nominations Committee, the Technology and Development Committee and the Conciliation Committee. The Supervisory Board also reports on the scope of the work of its committees in the Supervisory Board report in the group management report on pages 7 et seq.

The group annual report is published on the internet at [www.gildemeister.com](http://www.gildemeister.com).

### **Remuneration Report**

Pursuant to Clause 5.4.7 of the German Corporate Governance Code, we report on the remuneration of the Supervisory Board individually and broken down into components.

#### **Remuneration of the Supervisory Board of GILDEMEISTER Aktiengesellschaft**

The remuneration of the Supervisory Board is determined by the Annual General Meeting of shareholders and is regulated under Section 12 of the Articles of Association of GILDEMEISTER Aktiengesellschaft. The remuneration includes performance-related and one non-performance related components. The remuneration components not dependent upon performance include the fixed remuneration that each member of the Supervisory Board receives and remuneration for committee work. The performance-related component comprises a long term incentive (LTI), whose aim is to support sustainable value-based management.

In the financial year 2011, the fixed remuneration for each individual member of the Supervisory Board was € 24,000; the chairman received 2.5 times that amount (€ 60,000) and the deputy chairman 1.5 times that amount (€ 36,000). The fixed remuneration therefore totalled € 333,140 (previous year: € 329,687).

Remuneration for committee work amounted to a total of € 213,254 (previous year: € 211,479) and took into account the work carried out by the Finance and Auditing Committee, the Personnel, Nominations and Remuneration Committee, and the Technology and Development Committee. There is no remuneration for work carried out by the Conciliation and Nominations Committee, which is a sub-committee of the Personnel, Nominations and Remuneration Committee. The individual committee members each received € 12,000. The chairpersons of the committees also receive an additional fixed remuneration of a further € 12,000 and the deputy chairpersons € 6,000.

The performance-related remuneration component LTI is based on index-based target values: Earnings per share (EPS) are used for the performance-related key figure. The EPS is an established key performance indicator, which gives rise to a performance reference taking into account the respective share capital. It is calculated by dividing the annual profit, less the profit share of minority interests, by the weighted average number of shares. The LTI is variable, which means it is not secured remuneration. Again, the Supervisory Board chairman receives 2.5 times, and the deputy chairman 1.5 times, the remuneration of the other members of the Supervisory Board. The LTI is capped at the level of the respective fixed remuneration (Cap).

The LTI takes into account not only the reporting year but also the two preceding years. The key performance indicator is the mean average of the EPS values in the corresponding financial years. The LTI is only paid if the average EPS for the relevant three years amounts to at least € 0.15. For the financial year 2011 and two preceding years, the corresponding average EPS value amounted to € 0.35 (previous year: € 0.69). The LTI calculated performance-based remuneration for the Supervisory Board amounted in total to € 121,458 (previous year: € 236,963).

In 2011 the Supervisory Board remuneration was made up as follows:

## REMUNERATION OF THE SUPERVISORY BOARD OF GILDEMEISTER AKTIENGESELLSCHAFT

	Fixed remuneration in €	Committee remuneration Finance & Auditing (F&A) in €	Committee remuneration Personnel Nomination & Remuneration (PNR) in €	Committee remuneration Technology & Development (T&D) in €	LTI in €	Total in €
Hans Henning Offen chairman SB, chairman PNR	60,000	12,000	24,000	0	21,875	117,875
Ulrich Hocker	24,000	0	12,000	0	8,750	44,750
Prof. Dr. Edgar Ernst, chairman F&A	24,000	24,000	0	0	8,750	56,750
Dr.-Ing. Jürgen Harnisch, chairman T&D	24,000	0	0	24,000	8,750	56,750
Dr.-Ing. Masahiko Mori	24,000	12,000	0	0	8,750	44,750
Prof. Dr.-Ing. Walter Kunerth, deputy chairman T&D	24,000	0	0	18,000	8,750	50,750
Gerhard Dirr*, dep.chairman SB until 15 April 2011, deputy chairman PNR until 15 April 2011, member F&A until 15 April 2011	10,356	3,452	5,178	0	3,776	22,762
Mario Krainhöfner*, member SB as of 16 April 2011 Member PNR as of 13 May 2011 member F&A as of 13 May 2011	17,096	7,660	7,660	0	6,233	38,649
Oliver Grabe*	24,000	0	0	12,000	8,750	44,750
Harry Domnik*, member SB until 31 May 2011, deputy chairman F&A until 31 May 2011, member PNR until 31 May 2011	9,929	7,447	4,964	0	3,620	25,960
Dr. Constanze Kurz*, member SB as of 1 July 2011, deputy chairman PNR as of 22 July 2011	12,099	0	7,447	0	4,411	23,957
Norbert Zweng, member F&A until 21 July 2011, deputy chairman F&A as of 22 July 2011	24,000	14,482	0	0	8,750	47,232
Günther-Johann Schachner*, member SB until 12 May 2011, deputy chairman SB as of 13 May 2011, member F&A as of 22 July 2011	31,660	4,964	0	0	11,543	48,167
Matthias Pfuhl*	24,000	0	0	12,000	8,750	44,750
<b>Total</b>	<b>333,140</b>	<b>86,005</b>	<b>61,249</b>	<b>66,000</b>	<b>121,458</b>	<b>667,852</b>

\* These employee representatives pay the predominant part of their Supervisory Board remuneration to Hans-Böckler-Stiftung, Düsseldorf.

In the financial year 2011 the total remuneration of the Supervisory Board amounted to € 667,852 (previous year: € 778,129).

Pursuant to Section 15a of the German Securities Act (WpHG), the members of the Supervisory Board, or other persons subject to reporting requirements, must disclose any acquisition or disposal of shares or related rights of purchase or disposal, such as options or rights that are directly dependent on the company's stock exchange price. In the reporting year, we received the following director's dealings notification, which has been published on our website.

DIRECTOR'S DEALING 2011						
Name	Function	Date	Type and place of transaction	Number shares	Share price in €	Trading Volume in €
Hans Henning Offen	Chairman SB	05.04.2011	Purchase of shares	4,812	13.66	65,731.92
			by exercising pre-emptive right			

Mori Seiki Co. Ltd. (Nagoya), which is monitored by a member of the Supervisory Board, holds 20.1% of total shares. The remaining members of the Supervisory Board together hold less than 1% of the total number of shares. The deputy member of the Executive Board Christian Thönes owns 1,080 GILDEMEISTER shares. All other members of the Executive Board owns any GILDEMEISTER shares.

#### Remuneration of the Executive Board of GILDEMEISTER Aktiengesellschaft

The Supervisory Board is advised on and decides the remuneration of the Executive Board at the Supervisory Board plenary meeting. Members of the Executive Board receive direct and indirect remuneration components, whereby the indirect remuneration components primarily consist of pension plan expenses. The direct remuneration of the Executive Board members of GILDEMEISTER Aktiengesellschaft contains fixed and variable components. The variable components comprise a short-term incentive (STI), an individual and performance-related remuneration and a long-term incentive (LTI). Both variable components are fixed in such a way that they represent a clear incentive for the Executive Board members to achieve their targets. In this way they support a sustainable and value-based management. The criteria for the appropriateness of the remuneration include in particular the tasks rendered by each Executive Board member, his / her personal performance and the performance of the Executive Board, as well as the company's economic situation, success and future prospects within the scope of its comparative environment.

Direct remuneration of the members of the Executive Board amounted to € 7,644 K (previous year: € 4,027 K). Of this, € 1,848 K was allocated to the fixed remuneration (previous year: € 1,821 K), € 3,515 K to the STI (previous year: € 1,295 K) and € 900 K to the individual performance remuneration (previous year: € 800 K). The payout value of the LTI amounted to € 816 K (previous year: € 0 K). In total, € 450 K were paid out for the successful management of a core project. Benefits in kind accounted for € 115 K (previous year: € 111 K).



In 2011 the direct remuneration of the Executive Board was distributed as follows:

	<b>DIRECT REMUNERATION OF THE EXECUTIVE BOARD</b>			Performance remuneration € K	Project remuneration € K	Payments in kind € K	<b>Total € K</b>
	Fixum € K	STI € K	LTI € K				
Dr. Rüdiger Kapitza, chairman	800	1,172	326	300	225	42	<b>2,865</b>
Dr. Thorsten Schmidt	392	781	245	200	56	28	<b>1,702</b>
Günter Bachmann	380	781	245	200	56	32	<b>1,694</b>
Kathrin Dahnke	276	781	–	200	113	13	<b>1,383</b>
<b>Total</b>	<b>1,848</b>	<b>3,515</b>	<b>816</b>	<b>900</b>	<b>450</b>	<b>115</b>	<b>7,644</b>

The fixed remuneration is the contractually defined basic remuneration, which is paid in equal monthly amounts.

The STI is based on index-based target values. In the reporting year the earnings after taxes (EAT) provided the reference value used. The scale of the target values is re-defined annually. In addition, the STI includes a ceiling limit (cap) in an amount of € 900 K for 2011 for an ordinary member of the Supervisory Board. The cap is likewise fixed anew every year. As a pre-condition for the payment of the STI, the sustainability factor of the GILDEMEISTER group (total of expenses for R&D and corporate communication as well as for vocational and further training in relation to total sales revenues) for the respective financial year must lie within a fixed range. This promotes a corporate management focused on sustainability.

As a remuneration component with long-term incentive effect, the LTI combines the achievement of fixed targets in relation to the EBIT of the company with the performance of the GILDEMEISTER share. A cap has been set at twice the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. Should the EBIT of the allocation year not reach a minimum EBIT figure that is set anew upon every new awarding of a tranche, the LTI payment is not applicable.

The LTI involves a performance units plan, which is not associated with any dividend payments or voting rights. In addition, the units may not be traded nor sold to third parties. The performance units awarded at the beginning of each year have a term of three years or since 2009 a term of four years. The LTI tranche 2009 – 2011, which was allocated on 31 December 2011 and will be paid out following the Annual General Meeting of Shareholders in 2012, resulted in a payout totalling € 816 K.

With respect to the provisions of the VorstAG (Act on the Appropriateness of Management Board Remuneration), the Supervisory Board passed a resolution in 2009 to prolong the term of the tranches from three to four years and to specify EAT (Earnings After Taxes) as a key performance indicator. In order to continue the incentive effect of the LTI, an additional tranche with a four-year term was awarded in 2009 to each Executive Board member. This tranche will be allocated in 2012 and paid out in 2013 following the Annual General Meeting of Shareholders.

The tranche awarded for the financial year 2011 will be allocated on 31 December 2014 and paid out in 2015 following the Annual General Meeting of Shareholders, taking

into account the EAT (Earnings After Taxes) achieved on average over the last four years and the respective share price. The following table shows the number of performance units awarded in 2009, 2010 and 2011, and the fair value of the LTI at the time it was granted to each member of the Executive Board.

#### TRANCHES OF THE LONG-TERM-INCENTIVE

	2009 tranche term 3 years			2009 tranche term 4 years		2010 tranche term 4 years		2011 tranche term 4 years	
	Number of perfor- mance units awarded	Fair Value at granting	Amount of allocation for 2011	Number of perfor- mance units awarded	Fair Value at granting	Number of perfor- mance units awarded	Fair Value at granting	Number of perfor- mance units awarded	Fair Value at granting
	shares	€ K	€ K	shares	€ K	shares	€ K	shares	€ K
Dr. Rüdiger Kapitza, Chairman	28,209	207	326	20,790	141	37,879	559	26,858	262
Dr. Thorsten Schmidt	21,157	155	245	13,860	94	25,253	372	17,905	175
Günter Bachmann	21,157	155	245	13,860	94	25,253	372	17,905	175
Kathrin Dahnke	–	–	–	–	–	13,889	205	17,905	175
<b>Total</b>	<b>70,523</b>	<b>517</b>	<b>816</b>	<b>48,510</b>	<b>329</b>	<b>102,274</b>	<b>1,508</b>	<b>80,573</b>	<b>787</b>

The individual performance remuneration takes into account the level of success of each Executive Board member as regards the attainment of individually set targets. Both the STI and the LTI are variable, which means neither is a secure remuneration.

Remuneration in kind arises mainly from amounts for the use of company cars, which will be assessed in accordance with applicable tax regulations, and individual insurance contributions. Every member of the Executive Board is contractually entitled to remuneration in kind, which may vary depending on the personal situation and is subject to tax payable by each Executive Board member.

Pension commitments for members of the Executive Board are primarily implemented through a contribution-based pension plan. A defined-benefit pension commitment exists for the chairman of the Executive Board.

#### INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS

	€ K
Dr. Rüdiger Kapitza, Chairman	268
Dr. Thorsten Schmidt	120
Günter Bachmann	180
Kathrin Dahnke	50
<b>Total</b>	<b>618</b>

In financial year 2011, a provision expense arose for the defined-benefit award of € 268 κ (previous year: € 309 κ), whereby the entire sum of provisions amounted to € 4,548 κ. This figure also takes account of the benefit for surviving dependants included in the award.

The special purpose payments to the defined contribution pension plan amounted in total to € 350 κ (previous year: € 353 κ). Based on the German Accounting Law Modernization Act (BilMoG – Bilanzrechtsmodernisierungsgesetz), this results in a distribution amount for the defined benefit commitment of € 79 κ (previous year € 79 κ). The entire provisions expense for the financial year just ended amounted to € 1,235 κ (previous year: € 662 κ). Advances in favour of members of the Executive Board – or for the rest also in favour of members of the Supervisory Board – were not granted. There was no share option plan or similar securities-based incentive system.

The companies of the GILDEMEISTER group did not pay any remuneration to board members for services personally rendered, in particular consulting and introduction services. Former members of the Executive Board and their surviving dependants received € 605 κ (previous year: € 618 κ) in pensions. The amount of the pension commitments for former members of the Executive Board and their surviving dependants amounted to € 6,212 κ (previous year: € 6,043 κ).

### **Opportunities and Risk Management Report**

GILDEMEISTER Aktiengesellschaft is integrated in the opportunities and risk management. This comprises five elements:

1. the company-specific Risk Management Manual, in which the system is defined,
2. a central risk management representative, who is supported by a local risk representative in each group company and who maintains the risk management system (including software),
3. area-specific risk tables in which individual risks are assessed quantitatively and are prioritised on the basis of the value-at-risk measure,
4. the general internal reporting and cross divisional reporting structure of the group, which is controlled by threshold values and is also supported by ad hoc reports on significant risks,
5. the risk reporting system at the group level and at the individual company level.

#### **Opportunities management system (CMS)**

Opportunities are identified and analysed within the opportunities and risk management system, in which we also simulate positive deviances from plan assumptions. With the Marketing Information System (MIS) we identify significant individual opportunities by compiling customer data worldwide and evaluating market and competitor data. Using this as a basis, we measure, assess and check all sales and service activities and other measures for effectiveness and efficiency. In this way, we are able to make short and mid-term forecasts on expected customer orders per machine type and sales area.

GILDEMEISTER Aktiengesellschaft participates in the opportunities of its subsidiary as a holding company. If it succeeds in exploiting opportunities, this has a positive effect on the income from financial assets and therefore on the operating result of GILDEMEISTER Aktiengesellschaft.

#### Risk management system (RMS)

The risk management system at GILDEMEISTER is structured in such a way that significant risks must be systematically identified, assessed, aggregated, monitored and notified. The risks in the individual company divisions are identified in this way every quarter and the risk potential that is determined as a result is analysed and evaluated using quantitative indicators. In doing so, measures to reduce risk are also taken into consideration and any risks that may endanger the enterprise as a going concern are immediately notified outside the regular reporting schedule.

The accounting-related internal control system is part of the overall internal control system (IKS) of GILDEMEISTER Aktiengesellschaft and is embedded in the risk management system throughout the enterprise. It includes not only the organisation, but also the control and monitoring structures to ensure the recording, preparation and evaluation of business accounting and its ultimate inclusion in the financial statements. The analyses carried out by risk management contribute to identifying risks that may have an effect on financial reporting and to introducing measures to minimise these risks. The accounting-related internal control system includes basic principles, procedures and measures to ensure that accounting principles are adhered to in accounting. In this respect, we analyse new legislation, accounting standards and other communiqués with respect to their effect on the financial statements. Throughout the group, all relevant regulations are encoded in guidelines, such as the accounting guidelines, for example. Together with the financial statements calendar, which is applicable throughout the group, these guidelines provide the basis for the process of drawing up the financial statements. Local regulations exist, which also have to be aligned with group accounting. This also includes complying with the accounting requirements of the German Commercial Code. If required, GILDEMEISTER uses external service providers, for example for the measurement of pension obligations. The employees who are involved in preparing the financial reports are given regular training. The control system covers both preventive activities and those intended to reveal any inconsistencies; this includes plausibility testing, the separation of functions and dual control. In addition, the analyses carried out by risk management contribute to identifying risks that may have an effect on financial reporting and to introducing measures to minimise these risks.

Financial risks arise from our international activities. We safeguard against currency-related risks through our currency strategy. The essential components of GILDEMEISTER's financing are a syndicated loan, which comprises a cash and an aval tranche and is agreed for five years, and a factoring programme. At the present time, an interest rate hedge exists with a term until 2013, respectively 2015. All financing agreements include an agreement

on compliance with standard covenants. GILDEMEISTER's liquidity is sufficiently measured. A risk exists with respect to payment dates in the project business. The agreed financing framework can absorb any time delays that are identifiable today. In principle, GILDEMEISTER bears the risk of bad debt which may result in value adjustments or in individual cases even in default. Possible losses from financial risks amount in total to € 10 million. The probability of occurrence of any loss is low.

Risks with respect to the assets of GILDEMEISTER Aktiengesellschaft arise mainly through the accounting and assessment of financial assets. Financial assets are accounted for at purchase cost or with the lower of fair value. The value retention of financial assets is determined annually with the aid of the capitalised income value calculation, which is based on the budget overview of the investment companies. Due to the values determined, there was no need for devaluation at the reporting date. In the event that the planned results are not achieved, devaluation to the lower of fair value may be required. The present budget overview does not provide any reason for impairment in 2011. Insofar as deferred tax assets on loss or interest carryforwards were not value adjusted, it is assumed that in the planning period this tax reduction potential was made use of by taxable income. If additional tax claims should be higher than expected or the usability of loss and interest carryforwards not possible, this could have a negative effect on the net assets, financial position and operating results of GILDEMEISTER. There is also a risk of additional tax claims from current audits. In total, possible damages from tax risks are estimated at € 6 million with a low probability of occurrence.

The total of the expected values of all risks clearly lies below 50% of the equity of GILDEMEISTER Aktiengesellschaft. Thus we view any risks as manageable and the continued existence of GILDEMEISTER Aktiengesellschaft as a going concern is not in danger.

#### **Statements in accordance with Section 289 (4) German Commercial Code (HGB) as amended by the Takeover Directive Implementation Act**

##### **Under Section 289 (4) (no. 1) HGB**

The registered capital of GILDEMEISTER Aktiengesellschaft amounts to € 156,437,431.80. It is divided into 60,168,243 owner shares with an accounting par value of € 2.60 per share.

##### **Under Section 289 (4) (no. 2) HGB**

Mori Seiki has undertaken not to exercise its voting right at the Annual General Meeting insofar as Mori Seiki would control the Annual General Meeting through exercising its voting rights. Mori Seiki Co. Ltd. holds 20.1% of the voting rights.

**Under Section 289 (4) (no. 6) HGB**

With respect to the appointment and dismissal of members of the Executive Board, reference is made to the statutory provisions in Sections 84 and 85 of the German Companies Act (AktG). Moreover, this authority is specified to that effect in Section 7 (2) of the Articles of Association of GILDEMEISTER Aktiengesellschaft as amended in April 2011, by which the Supervisory Board appoints the members of the Executive Board, determines their number and assigns their duties. The provisions on amendments to Articles of Association are regulated in Sections 133 and 179 of the German Companies Act in conjunction with Section 15 (4) of the Articles of Association.

**Under Section 289 (4) (no. 7) HGB**

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 21,332,376.00 in nominal terms during the period until 13 May 2015 by issuing up to 8,204,760 new no par value shares for contributions in cash and / or in kind (authorised capital).

Moreover, the company is authorised to purchase its own shares up to a pro rata amount of almost 10% of the share capital, this corresponds to € 11,851,321.00. In the period from 26 August 2011 to 31 December 2011, the company exercised this authority as to 3% (1,805,048 no par value shares), so that the authorisation is restricted to just under 7% (2,753,152 no par value shares). This authorisation is intended to place the company in a position of having its own shares available at short notice, without having recourse to the stock market, in order to offer these to the seller in return for the acquisition of companies or interests in other companies.

The Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000.00. Shareholders' statutory pre-emptive rights are disapplied to this extent.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights in certain cases that are stipulated in detail in the Articles of Association.

Moreover there has been a contingent increase in the registered capital up to a further € 37,500,000.00 through the issue of up to 14,423,076 no par value bearer shares (contingent capital I). The conditional capital increase is to be effected only insofar as warrant or convertible bonds are issued or guaranteed on the basis of the authorisation resolution of the Annual General Meeting of Shareholders from 15 May 2009 and the holders of warrant or conversion rights exercise their right to conversion or any conversion obligation or obligation to exercise an option under the aforementioned bonds are fulfilled.

#### Under Section 289 (4)(no. 8) HGB

Of the main agreements, which are subject to a change of control condition as a result of a takeover offer, the new syndicated loan agreement of € 450,000,000 of GILDEMEISTER Aktiengesellschaft must be mentioned. The threshold for a change of control is 30%. The banks can then only effectively give notice of termination as of this threshold if more than 50% of the shares in the loan facilities want to give notice. A bank's individual right to terminate only exists if more than 50% of the shares are taken over.

In addition, the legislator has ruled that the Executive Board must submit an explanatory report on the disclosures pursuant to Section 289 (4) of the German Commercial Code (HGB).

As at 31 December 2011, the registered capital of the company amounts to € 156,437,431.80 and is distributed in 60,168,243 no par value bearer shares. Each share has a voting right and is the determining factor for the share of profits. The company is not allowed to make use of the voting right from own shares and does not pro rata participate in the earnings.

The company is managed by the Executive Board and is represented by the Executive Board towards third parties. The appointment and revocation of appointment of members of the Executive Board is the responsibility of the Supervisory Board pursuant to Section 84 of the Companies Act (AktG).

In the reporting year the Executive Board partially exercised the above-referred authorisations.

The conditions for a change of control comply with the customary agreements. They do not lead to an automatic termination of the above-referred agreements but, in the event of a change of control, merely grant our contractual partners the possibility of terminating these, if necessary.

#### Supplementary Report

Mr Christian Thönes has been a deputy member of the Executive Board since January 1<sup>st</sup> 2012. The business graduate joined the GILDEMEISTER group in 1998, he built up the Advanced Technologies (lasertec and ultrasonic) and was most recently managing director of DECKEL MAHO Pfronten GmbH. Christian Thönes is responsible for product development, technology and the continuing internationalisation of the production workshops.

#### Forecast report

Economic development will slow down in 2012 according to economic experts. Current forecasts for machine tool building likewise expect a noticeable weakening. The vdw expects consumption to rise worldwide by a mere 2.5%. For Germany a decrease of 4% is expected. Overall economic development will progress with less impetus in 2012. The Institute for the World Economy (IfW) predicts an increase in global gross domestic product of 3.4% for the current year; an increase of 4.0% is expected for 2013.



GILDEMEISTER intends to expand its global market presence further, especially in the fast-growing BRIC markets. A significant part of this is extending the cooperation with Mori Seiki to the European markets and to China. Further reinforcement of our innovative capacity creates the basis for extending our leading international market position in the manufacture of cutting machine tools. In the field of renewable energies – in view of the dramatic increase in energy costs – GILDEMEISTER will focus on offering complete energy solutions for industrial customers. A consistent focus on service additionally forms the basis for strengthening profitability long-term and thereby securing the future of the company.

We consider future sales markets with growth potential to be primarily those of the BRIC countries. The current forecast of the VDIW and the British economic research institute, Oxford Economic, expects a growth rate of 6% for these four markets and a share in global consumption of about 44%. In 2012 we plan to extend our sales and service cooperation with Mori Seiki to the markets in China and Russia in order to participate in this growth at an above average level with an increase in machines sold of more than 25%. To do this we will concentrate more intensely on growing industries such as aerospace, medical technology and renewable energies.

In financial year 2012 we expect growth first and foremost in the “Industrial Services” segment. The noticeable weakening of the German and European business can be offset according to our current assessment by the continued positive trends of the growth markets of Asia, as well as those of Russia and Brazil. We intend to increase sales of Mori Seiki machines in Europe and Germany. For the whole year we are expecting order intake for the first time of more than € 2 billion, of which order intake from Mori Seiki machines of more than € 300 million is planned.

Due to this order intake expectation, and based on the sound order backlog, we are planning to increase sales revenues in 2012 to more than € 1.9 billion. On condition that the economic development continues in line with our expectations, we plan to increase EBT. For the financial year 2012 we want to pay a higher dividend per share.

The general conditions for the years 2013 and 2014 are difficult to see from today’s perspective. The European financial and debt crisis may lead to a worldwide economic crisis. For the year 2013, Oxford Economics is still forecasting growth in worldwide consumption of machine tools of 5.3%. We are anticipating achieving moderate growth in the financial years 2013. However, we are preparing for a possible economic downturn with measures to make costs and production processes more flexible. At the current time, however, we see no need to implement far-reaching cost reduction measures.

## **Notes for the Financial Year 2011 of GILDEMEISTER Aktiengesellschaft**

### **A. General Declaration**

The Annual Financial Statements of GILDEMEISTER Aktiengesellschaft for the year ending 31 December 2011 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Companies Act (AktG). The form of the previous year's statement, particularly the subdivision of the statement of financial position and the comprehensive income statement, has been retained.

### **B. Accounting and Valuation Principles**

The intangible assets and tangible fixed assets were shown at their acquisition costs, reduced by scheduled depreciation / amortisation. For depreciation the straight line method was applied in accordance with useful life expectancy.

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#### **USEFUL LIFE OF ASSETS**

Intangible assets	3 to 4 years
Office and factory buildings	10 to 50 years
Factory and office equipment	5 to 13 years

Depreciation of additions to intangible assets and fixed assets was carried out in the year of acquisition pro rata temporis according to straight-line method depreciation. Additions with procurement costs of € 150 to € 1,000 were combined in a compound item and depreciated over five years. The method of depreciation has not changed since the previous reporting period. The rates of depreciation/amortisation also remained unchanged with respect to intangible assets, office and factory buildings, and factory and office equipment. Financial assets are recognised on the statement of financial position at their acquisition costs or the lower fair value.

Receivables and other assets with a term of up to one year were recognised at face value, receivables and other assets with a term of more than one year were recognised in the statement of financial position at their present value. Receivables in foreign currencies with a term of one year or less were translated at the exchange rate at the reporting date. The valuation of internal and external derivatives was carried out at market value. Pension obligation reinsurance claims are reported at the actuarial reserves in the business plan and, insofar as the requirements pursuant to Section 246 (2)(2) HGB are met, are netted correspondingly.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) on the basis of an actuarial interest rate of 5.13% (previous year: 5.15 %). For this purpose, the reference tables of Prof. Klaus Heubeck published in July 2005 were taken as a basis. Externally funded pension benefits are measured at the fair

value of the plan assets. Provisions for obligations arising from partial retirement agreements include expenses for wage and salary payments to employees during the pre-retirement passive phase and for top-up payments. Furthermore, the provisions include top-up payments, which the employer cannot avoid due to a collective pay agreement or a works agreement. These provisions are accumulated proportionally from the start of the active phase of the partial retirement and are measured at present value, based on an actuarial interest rate of 4.48% (previous year: 5.15%). Partial retirement claims are safeguarded against possible insolvency within the framework of a two-way trust relationship. To safeguard these claims, liquid funds are transferred to a contractual trust arrangement and set off against provisions for partial retirement. The remaining provisions were calculated so that they allow for all identifiable risks and contingent obligations. The valuations were made on the basis of prudent business judgement. In each case the expected probable settlement amount was taken into account. Provisions for payments on the occasion of employee jubilees are discounted at an interest rate of 5.13% p.a. (previous year: 5.15%).

In recording hedges for foreign currency hedges the gross hedge presentation method is used since 2010. In previous years the net hedge presentation method was applied.

Liabilities are valued at their settlement amounts.

### C. Notes to individual items in the Statement of Balance Sheet

#### Assets

The movements of the individual fixed assets are set out in the fixed-asset movement schedule, which is attached.

- |   |  |
|---|--|
| 1 INTANGIBLE ASSETS<br>AND FIXED ASSETS | The value shown for industrial property rights and similar rights includes mainly data processing software. Land and buildings are mortgaged for the security of long-term bank loans.   |
| 2 FINANCIAL ASSETS                      | <p>The changes in financial assets of GILDEMEISTER Aktiengesellschaft are set out in the supplement to the statement of financial position. The companies included in the "Shares in affiliated companies" account, and the corresponding information on principal places of business, equity capital, capital shares and results as of 31 December 2011 are set out in a separate summary at the end of the Notes.</p> <p>In July 2011, a cash capital increase of a total of € 25,000 K was made to the capital reserves of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER from GILDEMEISTER Aktiengesellschaft. These deposits increased the book value of the equity investment correspondingly. In the reporting year GILDEMEISTER Aktiengesellschaft acquired an additional 1,614,841 shares in Mori Seiki Co. Ltd. in two tranches at acquisition costs of JPY 1,024 to JPY 1,029 per share. Payments for the share acquisition amounted to € 14,806 K. As of the reporting date, GILDEMEISTER held 5.1% of Mori Seiki Co. Ltd. and is thus the largest single shareholder in that company. No value adjustments were made for financial assets.</p> |

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

- GILDEMEISTER Beteiligungen AG,
- DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

**3 RECEIVABLES AND OTHER ASSETS** Receivables owed by affiliated companies of € 336,858 K (previous year: € 344,052 K) arise essentially from receivables under profit and loss transfer agreements as well as from the net presentation of costs and financing. Other assets of € 11,867 K include receivables from derivatives of € 6,556 K (previous year: € 3,851 K) and tax refund claims of € 4,912 K (previous year: € 4,140 K).

Other assets in an amount of € 4,827 K (previous year: € 123 K) have a residual term of more than one year.

**4 CASH ASSETS, BANK BALANCES** The statement pertains mainly to bank balances and cash assets.

**5 DEFERRED CHARGES** The deferred charges relate to payments amounting to € 47 K (previous year: € 42 K) before the end of the reporting period, which represent expense for the following year.

**6 DEFERRED TAX ASSETS** Deferred tax assets totalling € 14,589 K arise from temporary differences in the value between commercial and tax bases amounting to € 11,766 K. In addition, deferred tax assets arose on useful corporate tax loss carry-forwards amounting to € 1,393 K, as well as € 1,430 K on future useful interest carry-forwards due to the German earnings stripping rule in accordance with Section 8a (1) of the Corporate Tax Act (KStG) in conjunction with Section 4h of the Income Tax Act (EStG). An average tax rate of 29.4% (previous year: 28.8%) was calculated when determining deferred tax assets.

**7 EXCESS OF PLAN ASSETS OVER PENSION LIABILITY** GILDEMEISTER has concluded appropriate reinsurance contracts for defined-contribution pension provisions. The statement pertains mainly to the portion exceeding the corresponding pension liabilities. The acquisition costs of the assets offset are € 7,198 K. The settlement amount of the provision is € 5,576 K, of which € 1,028 K have not yet been recognised as a provision as of 31 December 2011 pursuant to Section 67(1) Einführungsgesetz zum Handelsgesetzbuch (EGHGB – German Introductory Act to the Commercial Code).

#### Equity and liabilities

##### **8 EQUITY** *Subscribed capital*

In March and April 2011, GILDEMEISTER successfully carried out two capital increases. Within the framework of the first capital increase of 10% of subscribed capital, shareholders' pre-emptive rights were disapplied. Some 4,558,200 new shares were subscribed by Mori Seiki Co. Ltd. at an issue price of € 18.22. Mori Seiki holds 20.1% of the capital with the corresponding voting rights. The registered capital increased to € 130,364,527.80; it is divided into 50,140,203 no par value shares. The capital increase was carried out

on 21 March 2011 and entered in the Commercial Register. In the second, 20% capital increase with pre-emptive rights of shareholders, 10,028,040 new shares were offered. The subscription price was € 13.66. The increase in subscribed capital amounted to € 26,072,904.00. The capital increase was carried out on 13 April 2011 and entered in the Commercial Register.

The registered capital of GILDEMEISTER Aktiengesellschaft amounts to € 156,437,431.80 and is fully paid up. It is divided into 60,168,243 owner shares with an accounting par value of € 2.60 per share.

The following statements have been taken primarily from the Articles of Association of GILDEMEISTER Aktiengesellschaft (status April 2011):

The Executive Board is authorised, with the approval of the Supervisory Board, to increase registered capital by up to € 21,332,376.00 in nominal terms during the period until 13 May 2015 by issuing up to 8,204,760 new owner shares for contributions in cash and / or in kind (authorised capital). This authority can be exercised on one occasion or, in partial amounts, on more than one occasion.

The new shares may be taken over by one or more banks designated by the Executive Board, with the obligation to offer them to the shareholders for subscription (indirect pre-emptive right).

The Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000.00. The shareholders' statutory pre-emptive rights are disapplied to this extent.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights in the case of:

- a) capital increases through non-cash capital contribution so as to acquire, in applicable cases, companies, sections of a company or participating interests in companies for the transfer of shares,
- b) to the extent required for dilution protection purposes, in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its associated companies as part of an authorisation of the Board by the annual general meeting of shareholders, a pre-emptive right to new shares to the same extent as they would be entitled to, if they were to exercise their option or conversion right or fulfil conversion obligations, to exclude any residual amounts from the pre-emptive right, and
- c) to exclude any residual amounts from the subscription right, and
- d) capital increase through cash contribution, if the issue price of the new shares is not significantly lower than the exchange price at the time the issue price is finally defined by the Executive Board within the meaning of Section 203 (1) and (2) and Section 186 (3)(4) of the German Companies Act (AktG), and the prorated amount of the share capital relating to the new shares that are subject to the disapplication of the pre-emptive right, in aggregate does not exceed 10% of the share capital at the time the new shares are issued. The limit of 10% of the registered capital includes shares that are sold during the lifespan of

the authorised capital to the disapplication of the shareholders' pre-emptive rights pursuant to section 71 (1)(8)(5) and Section 186 (3)(4) of the German Companies Act (AktG), and shares with respect to which a conversion right or option right or a conversion obligation or option obligation due to option and / or convertible bonds exists and that were issued by virtue of authorisation of the annual general meeting of shareholders from 14 May 2004 to the exclusion of the pre-emptive right pursuant to Section 221 (4) and Section 186 (3)(4) of the German Companies Act (AktG). The Executive Board is authorised, with the approval of the Supervisory Board, to define further specifications for the capital increase and its implementation.

The share capital has been conditionally increased by up to a further € 37,500,000.00 through the issue of up to 14,423,076 owner shares (conditional capital D). The contingent capital increase is for granting new bearer shares to the holders of options or warrants issued by the company or by a group company controlled by the company under the authorisation passed by resolution of the Annual General Meeting of 15 May 2009 under agenda item 7 against cash payment and grants a warrant or option right to the new bearer shares of the company or provides for a conversion requirement.

The new shares will be issued at an option or conversion price to be determined in accordance with the above named authorising resolution.

The capital increase is to be effected only insofar as the holders of option or conversion rights or those obliged to exercise conversion or options rights exercise their options or conversion rights, insofar as they are obliged to exercise their conversion or option rights, they fulfil their obligation to exercise conversion or option rights, and neither shares already in existence nor the payment of a cash amount is used to fulfil the option or conversion rights.

The new shares will participate in the profit as of the beginning of the financial year in which they are issued following the exercising of option or conversions rights, or the fulfilment of conversion or option obligations.

The Executive Board of GILDEMEISTER Aktiengesellschaft passed a resolution on 25 August 2011 to use the authorisation granted by the Annual General Meeting of 14 May 2010 to buy back the company's own shares. Pursuant to the buyback resolution, a total of up to 3,068,581 shares may be repurchased. The buyback commenced as of 26 August 2011. By 30 December 2011 some 1,805,048 own shares had been bought back in a nominal amount of € 4,693,124.80. The shares bought back may be used for any purpose that lies within the authorisation of the general meeting of shareholders; in particular, their use for acquisitions must be mentioned.

#### *Capital provisions*

The capital reserves include the premiums from the issue of shares in GILDEMEISTER Aktiengesellschaft of € 182,122,881. The capital reserves total € 265,570,478 (previous year: € 83,447,597).

## Revenue reserves

### *Statutory provisions*

The statutory provisions of € 680,530 have not changed since the previous year.

### *Other retained earnings*

Other retained earnings decreased by € 15,993,015 to € 149,505,815. This involves the difference between the par value amount and the purchase cost of the company's own shares. The retained earnings and the retained profits are barred from being distributed as to an amount of € 14,588.794.

### *Proposed appropriation of profits*

The financial year 2011 of GILDEMEISTER Aktiengesellschaft closes with profit for the year of € 13,793,700.97. It will be proposed to the Annual General Meeting of Shareholders on 18 May 2012, taking into account the profit carry forward from the previous year in an amount of € 2,983,993.58, to appropriate the remaining net retained profits of € 16,777,694.55 as follows:

- to distribute € 14,590,798.75 to the shareholders by payment of a dividend of € 0.25 per share
- to carry the remaining net retained profit of € 2,186,895.80 forward to new account.

<b>DEVELOPMENT OF THE NET RETAINED PROFITS</b>	
	€ K
Net retained profit as of 31 Dec. 2010	2,984
Net annual profit 2011	13,794
<b>Net retained profits as of 31 Dec. 2011</b>	<b>16,778</b>

## 9 PENSION PROVISIONS

The measurement of pension obligations was carried out by the projected unit credit method (PUC method). The provisions amount has been determined taking account of trend assumptions with respect to future development of entitlements or pensions as well as probable fluctuations. An actuarial interest rate of 5.13% p.a. and a pension increase of 2.00% p.a. have been assumed. The provisions for widows' / widowers' entitlements are carried out in accordance with the collective method, in which the probability of marriage that resulted from the calculation basis employed was taken as a basis. In principle,



the contractually agreed pensionable age was used as the age for ending the financing. Based on the application of the BilMoG, this resulted in a difference of € 3,228 κ. Of this, € 211 κ have already been recognised as an expense in the financial year. A difference remains in an amount of € 2,755 κ for subsequent years.

**10 TAX PROVISIONS** Tax provisions include liabilities for corporation and trade tax of € 2,805 κ.

**11 OTHER PROVISIONS** Other provisions include provisions for onerous contracts of € 13,769 κ, arising in connection with the repayment of the borrowers' notes and the resulting ineffectiveness of the interest rate hedging instruments (interest swaps), profit-sharing bonuses of € 7,320 κ (previous year: € 3,930 κ), expenses for other employee expenses in an amount of € 3,868 κ (previous year: € 4,499 κ); of these severance payments accounted for € 2,810 κ (previous year: € 3,443 κ), Furthermore, they include expenses for legal and consultancy fees and costs for the preparation of accounts of € 1,753 κ (previous year: € 1,753 κ), provisions for Supervisory Board members' remuneration of € 664 κ (previous year: € 778 κ) and other provisions of € 973 κ (previous year: € 1,277 κ).

**12 LIABILITIES**

	Statement of financial position as of 31 Dec. 2011 € κ	Of which residual term up to 1 year € κ	Of which residual term 1 to 5 years € κ	Of which residual term more than 5 years € κ	Statement of financial position as of 31 Dec. 2010 € κ
1. Borrower's notes	0	0	0	0	201,500
2. Bank loans and overdrafts <sup>1)</sup>	655	91	383	181	87,729
3. Trade payables	2,645	2,645	0	0	2,380
4. Liabilities to affiliated companies	271,077	271,077	0	0	198,078
5. Other Liabilities <sup>2)</sup>	9,864	9,864	0	0	6,199
	<b>284,241</b>	<b>283,677</b>	<b>383</b>	<b>181</b>	<b>495,886</b>
<b>Outstanding in each maturity period at 31 Dec. 2010</b>		<b>293,739</b>	<b>201,863</b>	<b>284</b>	<b>495,886</b>

<sup>1)</sup> of which secured by mortgages: € 647 κ (previous year: € 727 κ)

<sup>2)</sup> of which from taxes: € 2,828 κ (previous year: € 1,361 κ), of which social security contributions: € 0 κ (previous year: € 0 κ), of which accrued interest payments: € 164 κ (previous year: € 2,525 κ)

From the proceeds of the capital increases, the borrowers' notes were redeemed prematurely in May 2011. The borrowers' notes had a total volume of € 201,500 κ. One borrowers' note had a volume of € 119,500 κ and a term until 2013. A further borrowers' note with a volume of € 52,000 κ likewise had a term until 2013. In addition, a borrowers' note of € 30,000 κ had likewise been subscribed with a term until 2013.

All borrowers' notes bore interest at 6-month EURIBOR plus a premium of a maximum of 4.75%.

Liabilities to banks reduced in comparison with the previous year by a total of € 87,074 K. The short and medium-term working capital needs of GILDEMEISTER Aktiengesellschaft and, as part of the intragroup cash management system, of the majority of domestic subsidiaries, are covered by cash flow from operations as well as by a syndicated loan agreement. In the reporting year we have restructured our financial liabilities and in August 2011 the refinancing of the financial liabilities was concluded. Our syndicated credit line with a volume totalling € 211.9 million was cancelled in August and was replaced by the new syndicated credit line with a volume totalling € 450.0 million. The new credit line has a term of five years (until 2016). It comprises a cash tranche of € 200.0 million and an aval tranche of € 250.0 million. The new syndicated credit line was concluded at markedly more favourable terms, on account of GILDEMEISTER's improved creditworthiness following the capital increases. The new syndicated loan will bear interest depending on the current money market interest rate (1 to 6-month EURIBOR) plus a premium of a maximum of 2.30%.

In addition to the syndicated loans, there are still some long-term loans of € 647 K (previous year: € 727 K).

Under the financing agreements for the syndicated loan, GILDEMEISTER is obliged to comply with covenants.

As for previous funding, for the refinancing the lending banks have also completely waived the collateral requirement for the syndicated credit line. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen AG, a+f GmbH, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z.o.o. and GILDEMEISTER Italiana S.p.A. continue to be guarantors for the loan agreement.

### 13 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

At the end of the reporting period the following contingencies and other financial obligations existed, shown at their face value:

<b>CONTINGENCIES</b>	<b>31 Dec. 2011</b>	<b>31 Dec. 2010</b>
	<b>€ K</b>	<b>€ K</b>
Guarantees	478,383	413,472
Warranties	67,065	3,766
	<b>545,448</b>	<b>417,238</b>
<b>OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE</b>		
within 1 year	371	377
within 1 and 5 years	447	582
after 5 years	0	0
	<b>818</b>	<b>959</b>

The guarantees of GILDEMEISTER Aktiengesellschaft include maximum-amount guarantees of € 94,301 K (previous year: € 39,375 K) for affiliated companies and payment guarantees of € 137,706 K (previous year: € 75,629 K). The value date of the liabilities to banks pertaining to guarantees was fixed at 31 December 2011 at an amount of € 21,684 K (previous year: € 16,403 K). At the end of the reporting period GILDEMEISTER Aktiengesellschaft was jointly and severally liable for liabilities of € 135,295 K (previous year: € 123,095 K).

The guarantees of GILDEMEISTER Aktiengesellschaft also include guarantees for affiliated companies for contingent claims of a factoring bank amounting to € 1,058 K (previous year: € 2,988 K).

Advance customer payment guarantees of € 3,955 K (previous year: € 1,292 K) were given to several group companies.

Moreover, GILDEMEISTER Aktiengesellschaft also has a guarantee line, which can be used for advance and performance guarantees of the domestic subsidiaries with secondary liability of GILDEMEISTER Aktiengesellschaft. On 31 December 2011, the amount used was € 102,826 K (previous year: € 175,680 K).

Furthermore, GILDEMEISTER Aktiengesellschaft has signed letters of comfort for DMG Europe Holding GmbH, Sauer GmbH, a + f GmbH, DMG Benelux B.V., DMG Mori Seiki Malaysia SDN BHD, DMG Asia PTE, as well as DMG Benelux B.V.B.A amounting to € 17,724 K in total. The liabilities for this were valued on 31 December 2011 in an amount of € 2,364 K.

Through past experience, we consider the probability of a pending claim by the beneficiaries to be extremely low. In addition, GILDEMEISTER Aktiengesellschaft has entered into two building leasing arrangements for DMG MORI SEIKI Deutschland GmbH, Leonberg (formerly DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER), and DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg. The monthly rental interest on these agreements amounts to € 96 K. These agreements have a term until 2024.

#### 14 DERIVATIVE FINANCIAL INSTRUMENTS

The face and fair market values of derivative financial instruments existing at the end of the reporting period are set out below:

	Nominal volume		Fair value	
	31 Dec. 2011 € K	31 Dec. 2010 € K	31 Dec. 2011 € K	31 Dec. 2010 € K
Forward exchange contracts	250,359	259,586	-284	1,812
Interest rate swaps	200,000	200,000	-13,769	-17,512
	<b>450,359</b>	<b>459,586</b>	<b>-14,053</b>	<b>-15,700</b>

The nominal value corresponds to the total of all absolute sale and purchase amounts of derivative financial transactions. The fair market values shown correspond to the price at which third parties would assume the rights or obligations arising from the financial instruments. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions. The fair market values of the derivative financial instruments used are determined on the basis of quoted market prices or through accrual methods based on customary models.

The fair market values of the forward exchange contracts are balanced at € -284 κ and comprise positive market values of € 6,557 κ and negative market values of € 6,841 κ. If pre-conditions exist, the forward exchange contracts are combined in valuation units per currency.

GILDEMEISTER Aktiengesellschaft enters into intragroup forward exchange contracts with the production plants to the value of anticipated cash flows from order intake, as well as loan receivables in foreign currency to group companies. The anticipated cash flows are hedged externally with financial institutes.

The conclusion and processing of derivative financial instruments is based on binding internal regulations defining scope, responsibilities, reporting and controlling.

The forward foreign exchange contracts concluded report a residual term of up to one year and three months and serve to hedge foreign currency receivables towards group companies in USD, CAD, SGD, JPY and GBP. Interest rate swaps for a nominal total volume of € 140,000 κ were concluded at a secured interest rate of 4.98% up to 5.02% with a term to 29 May 2013. The interest rate swaps bind GILDEMEISTER to pay a fixed interest rate for the term on the volume concluded. As a set-off, GILDEMEISTER receives a EURIBOR 6-month rate payment from the contractual partner to the interest rate swap.

In addition, GILDEMEISTER has concluded an additional interest rate swap for a nominal volume of € 60,000 κ and a fixed interest rate of 4.79% with a term until 29 May 2015.

The borrowers notes were repaid in the reporting year. The hedging instrument consequently became ineffective. At that time the clean fair value amounted to € -12,455 κ. As of 31 December 2011 the clean fair value was € -13,193 κ and was recognised as an expense.

In the financial year just ended GILDEMEISTER had the following three types of hedges:

No.	Risk	Underlying transaction		Hedging instrument				
		Type of underlying transaction	Nominal amount (bat.) in € million	Hedge ratio	Type of hedge instrument	Nominal amount (bat.) in € million	Type of hedge	Accounting method
1	Currency risk (CAD, GBP, SGD, USD)	Internal forward foreign exchange contracts (mapping of order intake and supplier payables at subsidiaries)	52.2	100%	external forward foreign exchange contracts	52.2	Portfolio hedge	Gross hedge presentation method
2	Currency risk (JPY, SGD, USD)	Internal foreign currency loans	28.8	80%	external forward foreign exchange contracts	23.0	Portfolio hedge	Gross hedge presentation method
3	Currency risk (AUD, CHF, CZK, GBP, JPY, USD)	Amount of the planned hedged goods purchasing for the next 12 months	22.0	100%	external forward foreign exchange contracts	22.0	Portfolio hedge	Gross hedge presentation method

Due to the correspondence of the essential characteristics of a hedge transaction, the changes in value or payment flows largely balance each other out. Unrealised losses, which are not offset by any unrealised profits of the same amount, have been recognised as expense. The hedge exists in each case for the entire term of the underlying transaction. To determine effectiveness, the dollar-offset method is used.

#### 15 TRADE WITH RELATED COMPANIES AND PERSONS

In financial year 2011, GILDEMEISTER Aktiengesellschaft only had business relations with related companies and persons under customary market conditions.

### D. Notes and Disclosures on individual items in the Income Statement

#### 16 SALES REVENUESE

Sales revenues of € 11,427 κ (previous year: € 10,563 κ) primarily pertain to sales arising from group-wide holding functions.

#### 17 OTHER OPERATING INCOME

Other operating income of € 15,119 κ (previous year: € 13,561 κ) includes essentially foreign exchange and currency gains amounting to € 9,628 κ (previous year: € 9,195 κ) as well as income from cost allocations and cost refunds of € 3,665 κ (previous year: € 2,236 κ). In addition, income is included from the release of provisions of € 1,438 κ (previous year: € 1,288 κ).

## 18 EMPLOYEE EXPENSES

In the financial year 2011, the employee pension plan contributions amounted to € 2,059 κ (previous year: € 2,022 κ). Direct remuneration of the members of the Executive Board amounted to € 7,643 κ (previous year: € 4,027 κ). Of this, € 1,848 κ (previous year: € 1,821 κ) was attributed to the fixed remuneration, € 3,514 κ to the STI (previous year: € 1,295 κ). The STI therefore takes into account the target achievement of the Executive Board.

The cost of the individual performance remuneration as well as project remuneration amounted to € 1,350 κ (previous year: € 800 κ). Benefits in kind accounted for € 115 κ (previous year: € 111 κ).

Former members of the Executive Board and their surviving dependants received € 605 κ (previous year: € 618 κ) in pensions. Pension provisions have been set up for former members of the Executive Board and their surviving dependants of € 6,212 κ (previous year: € 6,043 κ).

Advances and loans to officers were not granted. No liability arrangements were entered into in favour of any officers (Section 285 (no. 9c) HGB).

In comparison with the previous year, the average number of persons employed has developed as follows::

	2011	2010
Salary earnings	68	62

19 SONSTIGE BETRIEBLICHE  
AUFWENDUNGEN

Other operating expenses result from an addition to provisions for onerous contracts of € 13,193 κ for the interest rate swaps, costs for money transfers and the cost of capital caused by the new funding of € 6,352 κ (previous year: € 814 κ). Furthermore, expenses for third party services of € 3,530 κ (previous year: € 3,523 κ), expenses for legal and consultancy fees and costs for the preparation of accounts of € 3,000 κ (previous year: € 3,408 κ), investor and public relations expenses of € 3,143 κ (previous year: € 2,441 κ), travelling and entertaining expenses of € 1,526 κ (previous year: € 1,703 κ), insurance contributions of € 1,518 κ (previous year: € 1,321 κ) and rental and lease expenses of € 633 κ (previous year: € 1,302 κ) were recognised. Exchange and currency losses of € 10,995 κ (previous year: € 6.977 κ) compared to exchange and currency gains of € 9.628 κ (previous year: € 9,194 κ).

**Auditor's fees and services**

In the financial year 2011, the fees of the auditor of the Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, amounted to € 279 κ (previous year: € 360 κ) and include the fees and expenses for the statutory audit of the annual and consolidated financial statements. In addition, for other confirmation or assessment services € 375 κ (previous year: € 6 κ) and other services of € 389 κ (previous year: € 192 κ) were also charged to expenses.

### Remuneration of the Supervisory Board

In the financial year 2011, € 668 κ (previous year: € 778 κ) were transferred to provisions for Supervisory Board members' remuneration. Further details on the remuneration of the Supervisory Board are given in the Management Report.

20 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS	GILDEMEISTER Aktiengesellschaft achieved income from profit and loss transfer agreements of € 63,766 κ (previous year: € 30,253 κ) from GILDEMEISTER Beteiligungen AG and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.
21 INCOME FROM PROFIT-SHARING	Income from profit-sharing in an amount of € 959 κ (previous year: € 799 κ) relates to the dividend payout of Mori Seiki Co. Ltd.
22 OTHER INTEREST AND SIMILAR INCOME	In the reporting period affiliated companies were charged interest to the value of € 29,359 κ (previous year: € 25,290 κ).
23 INTEREST AND SIMILAR EXPENSES	The interest expense of € 32,313 κ (previous year: € 37,947 κ) includes interest of € 7,000 κ (previous year: € 4,015 κ), charged by the affiliated companies and interest expense from pension provisions of € 825 κ (previous year: € 832 κ). The remainder of the interest expenses is essentially accounted for by interest on liabilities to banks.
24 EXTRAORDINARY PROFIT	The amount recognised relates to the cost arising from the measurement of pension provisions of € -212 κ (previous year: € -272 κ).
25 TAXES ON INCOME AND EARNINGS	Due to the German interest-capping rules, taxes on interest carryforwards of € 1,430 κ (previous year: € 2,825 κ) have been capitalised. Deferred taxes on loss carryforwards were balanced to an amount of € 1,393 κ (previous year: € 870 κ). Taxes from income and earnings include taxes unrelated to the accounting period in an amount of € 7,488 κ (previous year: € 1,041 κ), as well as further tax expenses of € 2,408 κ (previous year: € 497 κ).
26 STATUTORY COMPANY STATEMENT PURSUANT TO ARTICLE 26 OF THE GERMAN SECURITIES TRADING ACT (WPHG)	<p>Mori Seiki Co. Ltd., Nagoya, Japan, informed us pursuant to Section 21(1) of the German Securities Trading Act (WPHG) by letter of 22 March 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeded the threshold of 10% on 21 March 2011 and as of that date amounted to 13.64% (6,837,700 voting rights). Some 4.55% (2,279,500 voting rights) were allocated to Mori Seiki Co. Ltd. pursuant to Section 22 (1)(1)(1) WPHG through Mori Seiki International S.A.</p> <p>Mori Seiki International S.A., Le Locle, Switzerland, has notified us pursuant to Section 21 (1) of the German Securities Trading Act (WPHG) by letter of 22 March 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, fell below the threshold of 5% on 21 March 2011 and as of that date amounted to 4.55% (2,279,500 voting rights).</p>

GILDEMEISTER Aktiengesellschaft hereby announces that the total number of voting rights at the end of the month of March 2011 totalled 50,140,203 voting rights. The change in the total number of voting rights has been in effect since 21 March 2011.

Mori Seiki Co. Ltd., Nagoya, Japan, informed us pursuant to Section 21(1) of the German Securities Trading Act (WpHG) by letter of 15 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeded the thresholds of 15% and 20% on 15 April 2011 and as of that date amounted to 20.10% (12,093,817 voting rights). Some 4.55% (2,735,400 voting rights) are allocated to Mori Seiki Co. Ltd. pursuant to Section 22 (1)(1)(1) WpHG through Mori Seiki International S.A.

Mori Seiki Co. Ltd., Nagoya, Japan, informed us pursuant to Section 21(1) of the German Securities Trading Act (WpHG) by letter of 15 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeded the thresholds of 15% and 20% on 15 April 2011 and as of that date amounted to 20.10% (12,093,817 voting rights).

Subsequent to this notification, Mori Seiki Co. Ltd., Nagoya, Japan, informed us pursuant to Section 27a of the German Securities Trading Act (WpHG) by letter of 18 April 2011 of the aims of the acquisition and the origin of the funds used for the acquisition as follows:

1. The investment serves primarily to implement strategic objectives.  
The achievement of trading profit is not excluded.
2. It is not intended to obtain further voting rights by way of acquisition or in any other way within the next 12 months.
3. There is no intention to influence appointments to the administrative, management and supervisory bodies of our company.
4. There is no intention to make a significant change to the capital structure of our company, especially in view of the relationship between equity and borrowings and the dividend policy.
5. With respect to the origin of the funds used, these consist as to 0% of own funds and as to 100% of borrowings.

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 19 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeded the thresholds of 3%, 5% and 10% on 13 April 2011 and as of that date amounted to 10.11% (6,084,020 voting rights).

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 19 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, fell below the thresholds of 10%, 5% and 3% on 15 April 2011 and as of that date amounted to 1.61% (970,000 voting rights).



WestLB AG, Dusseldorf, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 19 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeded the thresholds of 3% and 5% on 13 April 2011 and as of that date amounted to 8.63% (5,190,520 voting rights).

WestLB AG, Dusseldorf, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 19 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, fell below the thresholds of 5% and 3% on 15 April 2011 and as of that date amounted to 0% (0 voting rights).

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 28 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, fell below the thresholds of 10%, 5% and 3% on 15 April 2011 and as of that date amounted to 0% (0 voting rights).

GILDEMEISTER Aktiengesellschaft hereby announces that the total number of voting rights at the end of the month of April 2011 totalled 60,168,243 voting rights. The change in the total number of voting rights has been in effect since 13 April 2011.

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 19 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeded the thresholds of 3%, 5% and 10% on 13 April 2011 and as of that date amounted to 10.11% (6,084,020 voting rights).

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) by letter of 28 April 2011 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, fell below the thresholds of 10%, 5% and 3% on 15 April 2011 and as of that date amounted to 0% (0 voting rights).

Subsequent to the notification of voting rights on exceeding the threshold, Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 27a of the German Securities Trading Act (WpHG) by letter of 6 May 2011 of the aims of the acquisition and the origin of the funds used for the acquisition as follows:

1. The acquisition of voting rights in GILDEMEISTER Aktiengesellschaft which led to exceeding the notification threshold of 10% was not for the purposes of implementing strategic goals but resulted mainly from GILDEMEISTER Aktiengesellschaft carrying out a capital increase as well as partly to achieving trading profits.
2. Joh. Berenberg Gossler & Co. KG did not intend to obtain further voting rights in GILDEMEISTER Aktiengesellschaft within the next 12 months by way of acquisition or in any other way, except in the event of commercial transactions within the scope of ordinary business.
3. Joh. Berenberg Gossler & Co. KG has no intention of influencing appointments to the Executive Board, Supervisory Board or any other administrative, management or supervisory body of GILDEMEISTER Aktiengesellschaft.
4. Joh. Berenberg Gossler & Co. KG has no intention of causing a significant change in the capital structure of GILDEMEISTER Aktiengesellschaft, especially in view of the relationship between equity and borrowings and the dividend policy.
5. The acquisition of voting rights was made using our own funds.

GILDEMEISTER Aktiengesellschaft, Bielefeld, Deutschland, hereby notifies pursuant to Section 26 (1) (2) of the German Securities Trading Act (WpHG) that the share of its own shares held by GILDEMEISTER Aktiengesellschaft (ISIN: DE0005878003; WKN: 587800), exceeded the threshold of 3% on 20 September 2011 and as of that date amounted to 3.000001% of the voting rights (1,805,048 voting rights).

28 DECLARATION OF COMPLIANCE  
WITH THE CORPORATE  
GOVERNANCE CODE

The declaration of compliance in accordance with Section 161 German Companies Act (AktG) was issued on December 2011 and has been made permanently accessible to shareholders on our website [www.gildemeister.com](http://www.gildemeister.com).

## Corporate Directory

- Supervisory Board mandate pursuant to Section 100 AktG (German Companies Act)
- \* Member of comparable domestic and foreign control bodies of business enterprises

### Supervisory Board

**Hans Henning Offen,**

Großhansdorf, born 1940, Chairman,  
Independent Industry Consultant,

- Lindner Hotels AG, Dusseldorf,  
Member of the Supervisory Board, until 14 Dec. 2011
- \* Lindner Unternehmensgruppe GmbH & Co. KG,  
Düsseldorf, Chairman of the Advisory Board,  
until 14 Dec. 2011
- \* Schwarz Beteiligungs GmbH, Neckarsulm,  
Member of the Advisory Board
- \* Schwarz Unternehmenstreuhand KG,  
Neckarsulm, Member / Associate Member  
of the Supervisory Board

**Günther-Johann Schachner,**

Peiting, born 1952,  
Deputy Chairman, since 13 May 2011  
1<sup>st</sup> secretary of the IG Metall Headquarters,  
Weilheim

**Gerhard Dirr,**

Vils / Austria, born 1964, until 15 April 2011  
Head of Facility Management at  
DECKEL MAHO Pfronten GmbH, Pfronten

**Harry Domnik,**

Bielefeld, born 1953, until 31 May 2011  
1<sup>st</sup> secretary of the IG Metall Headquarter, Bielefeld

**Prof. Dr. Edgar Ernst,**

Bonn, born 1952,  
President of the German Financial Reporting  
Enforcement Panel, since 01 July 2011

- Deutsche Postbank AG, Bonn,  
Member of the Supervisory Board
- Österreichische Post AG, Vienna,  
Member of the Supervisory Board
- TUI AG, Hannover,  
Member of the Supervisory Board,  
as of 09 Feb. 2011
- Wincor Nixdorf AG, Paderborn,  
Member of the Supervisory Board,  
since 23 Jan. 2012

**Oliver Grabe,**

Bielefeld, born 1964,  
Member of the Works Council of GILDEMEISTER  
Drehmaschinen GmbH, Bielefeld

**Dr.-Ing. Jürgen Harnisch,**

Mühlheim an der Ruhr, born 1942,  
Independent Industry Consultant,  
\* Kongsberg Automotive Holding ASA, Kongsberg,  
Norway, Member of the Supervisory Board  
\* MacLean-Fogg Company, Mundelein,  
Illinois, USA, Member of the Supervisory Board  
\* Presswerk Krefeld GmbH & Co. KG,  
Krefeld, Member of the Supervisory Board  
• Schenck Process Holding GmbH, Darmstadt,  
Member of the Supervisory Board

**Ulrich Hocker,**

Düsseldorf, born 1950,  
President of Deutsche Schutzvereinigung für  
Wertpapierbesitz e.V. (DSW), since 10 Nov. 2011  
• Deutsche Telekom AG, Bonn,  
member of the Supervisory Board  
• E.ON AG, Düsseldorf, member of the  
Supervisory Board  
• FER1 Finance AG, Bad Homburg,  
deputy chairman of the Supervisory Board  
\* Phoenix Mecano AG, Kloten, Switzerland,  
President of the Administrative Board

**Mario Krainhöfner,**

Pfronten, born 1964, since 16 April 2011,  
President of the Group Works Council of  
GILDEMEISTER AG, Chairman of the Works  
Council of DECKEL MAHO Pfronten GmbH

**Dr. Constanze Kurz,**

Frankfurt am Main, born 1961, since 01 July 2011  
Political Secretary of the Executive Committee of IG  
Metall, Industrial and Management Policy, Frankfurt  
am Main

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

Zeitlarn, born 1940, Independent  
Industry Consultant,

\* Autoliv Inc., Stockholm, Sweden,  
member of the Board of Directors

**Dr.-Ing. Masahiko Mori,**

Nara, geboren 1961,  
Präsident der Mori Seiki Co. Ltd.

**Matthias Pfuhl,**

Schmerbach, born 1960,  
Chairman of the Works Council at  
DECKEL MAHO Seebach GmbH

**Norbert Zweng,**

Eisenberg, born 1957,  
Head of Logistics at DECKEL MAHO  
Pfronten GmbH,  
Senior Executives' representative

**Executive Board**

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

**Dipl.-Ing. Günter Bachmann,**  
Wutha-Farnroda

**Dipl.-Kffr. Kathrin Dahnke,**  
Bielefeld

**Dipl.-Kfm. Dr. Thorsten Schmidt,**  
Bielefeld

**Dipl.-Kfm. Christian Thönes,**  
Munich

## Affiliated Companies

### PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS

	National currency	Equity <sup>1)</sup>	€ K	Participation quota in %	Result of the financial year 2011 <sup>1)</sup> € K
GILDEMEISTER Beteiligungen AG, Bielefeld <sup>2/5)</sup>			240,416	100.0	
DECKEL MAHO Pfronten GmbH, Pfronten <sup>4/6/7)</sup>			47,922	100.0	
SAUER GmbH, Stipshausen / Idar-Oberstein <sup>4/8/9)</sup>			7,455	100.0	
Alpenhotel Krone GmbH & Co. KG, Pfronten <sup>4/8)</sup>			73	100.0	- 125
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten <sup>4/8)</sup>			26	100.0	1
DECKEL MAHO GILDEMEISTER (Shanghai)					
Machine Tools Co., Ltd., Shanghai, China <sup>6)</sup>	CNY K	171,430	21,012	100.0	- 753
FAMOT Pleszew Sp. z o.o., Pleszew, Poland <sup>6)</sup>	PLN K	109,976	24,669	100.0	7,109
GILDEMEISTER Drehmaschinen GmbH, Bielefeld <sup>4/6/7)</sup>			15,750	100.0	
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy <sup>6)</sup>			80,568	100.0	- 10,291
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy <sup>3)</sup>			45,816	100.0	- 4,971
GRAZIANO Tortona S.r.l., Tortona, Italy <sup>3)</sup>			14,093	100.0	2,182
DMG Service Drehen Italia S.r.l., Brembate di Sopra (Bergamo), Italy <sup>3)</sup>			334	100.0	211
DMG Italia S.r.l., Brembate di Sopra, Italy <sup>3)</sup>			5,168	100.0	1,870
a+f Italia S.r.l., Milan, Italy <sup>3)</sup>			443	100.0	- 13,592
DMG MORI SEIKI Italia S.r.l., Milan, Italy <sup>21)</sup> (former: a+f Italia Holding S.r.l., Milan, Italy)			3	100.0	- 8
MASSERIA MARAMONTI S.r.l., Milan, Italy <sup>21)</sup>			- 18	100.0	- 29
Lacerta SRL, Milan, Italy <sup>21)</sup>			- 14	100.0	- 25
Agridaunia S.r.l. Milan, Italy <sup>21)</sup>			- 28	100.0	- 40
Agrestis S.r.l. Milan, Italy <sup>21)</sup>			3	100.0	- 8
Capitanata Rurale S.r.l. Milan, Italy <sup>21)</sup>			- 24	100.0	- 35
La Daunia Gialla S.r.l. Milan, Italy <sup>21)</sup>			- 23	100.0	- 34
La Terra del Sole S.r.l. Milan, Italy <sup>21)</sup>			- 18	100.0	- 29
Terra Mia S.r.l. Milan, Italy <sup>21)</sup>			- 50	100.0	- 166
Energia Solare S.r.l. Milan, Italy <sup>21)</sup>			- 17	100.0	- 28
Le Fonti Rinnovabili S.r.l. Milan, Italy <sup>21)</sup>			- 18	100.0	- 29
Solar Energy S.r.l. Milan, Italy <sup>21)</sup>			- 17	100.0	- 29
Bio Energie S.r.l. Milan, Italy <sup>21)</sup>			3	100.0	- 8
Daunia Energia S.r.l. Milan, Italy <sup>21)</sup>			3	100.0	- 8
Elios Energia Puglia S.r.l. Milan, Italy <sup>21)</sup>			3	100.0	- 8
Energia e Vita S.r.l. Milan, Italy <sup>21)</sup>			4	100.0	- 8
Energia Pulita S.r.l. Milan, Italy <sup>21)</sup>			4	100.0	- 8
DECKEL MAHO Seebach GmbH, Seebach <sup>4/6/7)</sup>			8,363	100.0	
DMG Automation GmbH, Hüfingen <sup>4/5/6/7)</sup>			1,486	100.0	
DMG Electronics GmbH, Pfronten <sup>4/6/7)</sup>			500	100.0	
DMG Spare Parts GmbH, Geretsried <sup>4/5/6/7)</sup>			12,000	100.0	

**PRODUCTION PLANTS, SALES AND SERVICE COMPANIES,  
PROCUREMENT / COMPONENTS**

	National currency	Equity <sup>1)</sup>	€ K	Participation quota in %	Result of the financial year 2011 <sup>1)</sup> € K
GILDEMEISTER Finance S.à.r.l., Luxembourg <sup>6)</sup>			1	100.0	0
MITIS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld <sup>4)</sup>			-19	100.0	16
MITIS Grundstücks-Vermietungs Gesellschaft mbH, Bielefeld <sup>4)</sup>			70	100.0	16
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>2/4/5)</sup>			152,663	100.0	
DMG MORI SEIKI Deutschland GmbH, Leonberg <sup>4/5/10/11)</sup> (former: DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER)			45,001	100.0	
DMG MORI SEIKI München Vertriebs und Service GmbH, Munich <sup>4/5/12/13)</sup> (former: DMG München Vertriebs und Service GmbH für Werkzeugmaschinen DECKEL MAHO GILDEMEISTER)			929	100.0	
DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Hilden <sup>4/5/12/13)</sup>			935	100.0	
DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>4/5/12/13)</sup>			957	100.0	
DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Berlin <sup>4/5/11/12)</sup>			301	100.0	
DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH, Bad Homburg <sup>4/5/12/13)</sup> (former: DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER)			610	100.0	
DMG MORI SEIKI Hamburg Vertriebs und Service GmbH, Hamburg <sup>12)</sup>			162	100.0	
DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH, Leonberg <sup>12)</sup>			998	100.0	
DMG Europe Holding GmbH, Klaus, Austria <sup>10)</sup>			101,686	100.0	48,648
DMG Mori Seiki South East Asia Pte. Ltd., Singapore <sup>14)</sup>	SGD K	24,623	14,640	51.0	1,680
DMG Australia Pty. Ltd., Clayton Victoria, Australia <sup>15)</sup>	AUD K	5,657	4,447	100.0	-13
DMG (Thailand) Co. Ltd., Bangkok, Thailand <sup>15)</sup>	THB K	14,051	343	100.0	-59
DMG Mori Seiki (Malaysia) SDN. BHD., Shan Alam / Selangor, Malaysia <sup>15)</sup>	MYR K	11,142	2,714	100.0	337
DMG Mori Seiki (Vietnam) Co. Ltd., Hanoi, Vietnam <sup>15)</sup>	VND K	21,660,408	796	100.0	-233
DMG / Mori Seiki Austria GmbH, Klaus, Austria <sup>14)</sup>			1,739	100.0	1,214
DMG ECOLINE GmbH, Klaus, Austria <sup>14)</sup>			2,856	100.0	918
DMG Middle East FZE, Dubai, United Arab Emirates <sup>14)</sup>	AED K	803	169	100.0	120

## Affiliated Companies

### PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS

	National currency	Equity <sup>1)</sup>	€ K	Participation quota in %	Result of the financial year 2011 <sup>1)</sup> € K
DMG Benelux B.V., Veenendaal, Netherlands <sup>14)</sup>			50,117	100.0	32,302
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brasilien <sup>16)</sup>	BRL K	5,803	2,402	100.0	251
DECKEL MAHO GILDEMEISTER Iberica S.L., Ripollet, Spanien <sup>16)</sup>			4,396	100.0	1,099
AF Sun Carrier Ibérica S.L., Madrid, Spanien <sup>22)</sup>			184	100.0	28
DMG America Inc., Itasca, USA <sup>16)</sup>	USD K	53,488	41,339	100.0	4,028
DMG Charlotte LLC, Charlotte, USA <sup>17)</sup>	USD K	2,143	1,656	100.0	0
DMG Chicago Inc., Itasca, USA <sup>17)</sup>	USD K	285	220	100.0	-6
DMG Houston Inc., Houston, USA <sup>17)</sup>	USD K	61	47	100.0	0
DMG Los Angeles Inc., Los Angeles, USA <sup>17)</sup>	USD K	333	257	100.0	0
DMG Boston LLC, Burlington, USA <sup>17)</sup>	USD K	2,618	2,023	100.0	0
SunCarrier LLC, Wilmington, USA <sup>17)</sup>	USD K	136	105	100.0	-921
DMG Asia Pte. Ltd., Singapore <sup>16)</sup>			15,743	100.0	1,206
DMG Benelux BVBA – SPRL., Zaventem, Belgium <sup>16)</sup>			4,016	100.0	444
DMG France S.a.r.l., Les Ulis, France <sup>16)</sup>			1,224	100.0	593
a+f SunCarrier France SAS, Les Ulis, France <sup>23)</sup>			120	100.0	-390
DMG Czech s.r.o., Brno, Czech Republic <sup>16)</sup>	CZK K	24,855	964	100.0	1,004
DMG Polska Sp. z o.o., Pleszew, Poland <sup>16)</sup>	PLN K	12,196	2,736	100.0	1,400
DMG (Schweiz) AG DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland <sup>16)</sup>	CHF K	8,276	6,808	100.0	1,827
DMG Romania Sales & Services S.r.l., Bukarest, Rumänien <sup>16)</sup>	RON K	4,191	969	100.0	645
DMG South East Europe E.P.E., Thessaloniki, Greece <sup>16)</sup>			119	100.0	-189
DMG (U.K.) Ltd., Luton, United Kingdom <sup>16)</sup>	GBP K	3,718	4,452	100.0	863
DMG Russland o.o.o., Moscow, Russia <sup>14)</sup>	RUB K	90,984	2,178	100.0	846
DMG Mori Seiki Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey <sup>14)</sup>	TRY K	8,369	3,425	100.0	1,363
DMG Nippon k.k., Yokohama, Japan <sup>14)</sup>	JPY K	290,154	2,896	100.0	-1,554
DMG Scandinavia Sverige AB, Sollentuna, Sweden <sup>14)</sup>	SEK K	25,593	2,872	100.0	530
DMG / MORI SEIKI Hungary Kereskedelmi és Szevöz Korlatolt Felelösségű Tarasag, Budapest, Hungary <sup>14)</sup> (vorher: DMG Hungary Kereskedelmi és Szevöz Korlatolt Felelösségű Tarasag, Budapest, Hungary)			1.396	100,0	389
DMG Scandinavia Norge A/s, Langhus, Norway <sup>14)</sup>	NOK K	8,505	1,097	100.0	295
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt <sup>14)</sup>	EGP K	200	26	100.0	0

**PRODUCTION PLANTS, SALES AND SERVICE COMPANIES,  
PROCUREMENT / COMPONENTS**

	National currency	Equity <sup>1)</sup>	€ K	Participation quota in %	Result of the financial year 2011 <sup>1)</sup> € K
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt <sup>14)</sup>	EGP K	200	26	100.0	0
DMG Canada Inc., Toronto, Kanada <sup>10)</sup>	CAD K	2,570	1,945	100.0	244
DMG Mori Seiki México S.A. de C.V., Queretaro, Mexico <sup>10)</sup>	MXN K	3,880	215	100.0	141
DMG Technology Trading (Shanghai) Co. Ltd., Shanghai, China <sup>10)</sup>	CNY K	71,816	8,802	100.0	1,635
DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED, Bangalore, India <sup>10)</sup>	INR K	426,973	6,224	51.0	649
DMG MORI SEIKI (Taiwan) Co. Ltd., Taichung, Taiwan <sup>10)</sup>	TWD K	89,350	2,280	100.0	416
DMG MORI SEIKI Korea Co. Ltd., Siheung-si / Gyeonggi-do, Korea <sup>10)</sup>	KRW K	7,173,597	4,787	100.0	936
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>4/5/10/11)</sup>			1,508	100.0	
DMG Service Fräsen GmbH, Pfronten <sup>4/5/10/11)</sup>			2,730	100.0	
DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER, Geretsried <sup>4/5/10/11)</sup>			17,517	100.0	
DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>4/5/10/11)</sup>			271	100.0	
DMG MICROSET GmbH, Bielefeld <sup>4/5/10/11)</sup>			1,405	100.0	
a + f GmbH, Würzburg <sup>4/5/10/11)</sup>			45,100	100.0	
Cellstrom GmbH, Wien, Austria <sup>18)</sup>			-1,138	50.001	-4.673
Green Energy Babice s.r.o., Babice, Czech Republic <sup>18)</sup>	CZK K	-22,911	-888	100.0	-95
Ginosa Energia S.r.l., Altamura, Italy <sup>18)</sup>			-89	100.0	-152
Karina Solar S.r.l., Milan, Italy <sup>18)</sup>			-18	100.0	-28
Leonie Solar S.r.l., Milan, Italy <sup>18)</sup>			-30	100.0	-40
Simon Solar S.r.l., Milan, Italy <sup>18)</sup>			-43	100.0	-53
Vincent Solar S.r.l., Milan, Italy <sup>18)</sup>			-21	100.0	-31
Rena Energy S.r.l., Milan, Italy <sup>18)</sup>			188	100.0	173
Winch Puglia Foggia S.r.l., Milan, Italy <sup>18)</sup>			415	100.0	559
Cucinella S.r.l., Milan, Italy <sup>18)</sup>			64	100.0	255
Solar Power Puglia SAS, Bolzano, Italy <sup>18)</sup>			19	100.0	-147
Solar Power Puglia S.r.l., Bolzano, Italy <sup>18)</sup>			11	100.0	-3
DMG MORI SEIKI Services GmbH, Bielefeld <sup>10)</sup>			1,000	100.0	
DMG Holding AG, Oberuzwil, Switzerland <sup>10)</sup>	CHF K	983	809	100.0	-14
DMG Scandinavia Denmark ApS, Copenhagen, Denmark <sup>24)</sup>	DKK K	7,574	1,019	100.0	0
DMG Mori Seiki Europe AG, Dübendorf, Switzerland <sup>24)</sup>	CHF K	1,000	823	60.0	0
BIL Leasing GmbH & Co 736 KG, Munich <sup>19)</sup>					
BIL Leasing GmbH & Co 748 KG, Munich <sup>20)</sup>					



<b>PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS</b>					
	National currency	Equity <sup>1)</sup>	€ k	Participation quota in %	Result of the financial year 2011 <sup>1)</sup> € k
<b>Jointly-controlled entities (joint venture)</b>					
DMG / Mori Seiki Australia PTY LTD, Clayton Victoria, Australia	AUD k	1,959	1,540	50.0	
SUN CARRIER OMEGA Pvt. Ltd., Bhopal, Inda	INR k	60,000	875	50.0	
<b>Associates</b>					
MG Finance GmbH, Wernau			16,411	33.0	
<b>Other equity Investments</b>					
Mori Seiki Co. Ltd., Nagoya				5.1	
Younicos AG, Berlin				2.7	

- 1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated at the market price on reporting date.
- 2) Management and profit and loss transfer agreement with GILDEMEISTER Aktiengesellschaft
- 3) Participating interest of GILDEMEISTER Partecipazioni S.r.l.
- 4) The domestic subsidiary has complied with the conditions required by 264 Abs. 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents.
- 5) The domestic subsidiary has complied with the conditions required by § 264 Abs. 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents.
- 6) Participating interest of GILDEMEISTER Beteiligungen AG
- 7) Management and profit and loss transfer agreement with GILDEMEISTER Beteiligungen AG
- 8) Participating interest of DECKEL MAHO Pfronten GmbH
- 9) Management and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH
- 10) Participating interest of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
- 11) Management and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
- 12) Participating interest of DMG MORI SEIKI Deutschland GmbH
- 13) Management and profit and loss transfer agreement with DMG MORI SEIKI Deutschland GmbH
- 14) Participating interest of DMG Europe Holding GmbH
- 15) Participating interest of DMG Mori Seiki South East Asia Pte. Ltd.
- 16) Participating interest of DMG Benelux B.V.
- 17) Participating interest of DMG America Inc.
- 18) Participating interest of a+f GmbH
- 19) Special Purpose Entity of DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH, Bad Homburg, excluding capital share
- 20) Special Purpose Entity of DMG MORI SEIKI Deutschland GmbH, Leonberg, excluding capital share
- 21) Participating interest of a+f Italia S.r.l.
- 22) Participating interest of DECKEL MAHO GILDEMEISTER Iberica S.L.
- 23) Participating interest of DMG France S.a.r.l.
- 24) Participating interest of DMG Holding AG

**Income Statement**  
**for the period 1 January to 31 December 2011**  
**of GILDEMEISTER Aktiengesellschaft**

	Notes	2011 €	2010 €
1. Sales revenues	16	11,427,435	10,563,201
2. Other operating income	17	15,119,190	13,560,659
		26,546,625	24,123,860
3. Cost of materials			
a) Cost of raw materials and consumables for purchased goods		80,580	80,708
b) Cost of purchased services		1,842,214	1,511,367
		1,922,794	1,592,075
4. Employee expenses	18		
a) Wages and salaries		13,932,310	13,804,537
b) Social contributions, pensions and other benefits		2,788,081	2,792,952
		16,720,391	16,597,489
5. Depreciation of tangible and intangible assets		1,690,665	1,613,830
6. Other operating expenses	19	45,978,653	22,822,189
7. Income from management and profit and loss transfer agreements	20	63,766,365	30,252,789
8. Income from investments	21	958,685	799,071
9. Other interest receivable and similar income	22	29,685,052	25,373,260
10. Expenses from the assumption of losses		0	1,306,821
11. Interest payable and similar expenses	23	32,312,724	37,946,502
12. Profit on ordinary activities		22,331,500	-1,329,926
13. Extraordinary income		0	1,159,152
14. Extraordinary expense		211,849	272,181
15. Extraordinary result	24	-211,849	886,971
16. Tax on income	25	8,325,951	-1,521,416
17. Net profit		13,793,700	1,078,461
18. Profit carry forward from previous year		2,983,994	1,905,533
<b>19. Net profit for the year</b>		<b>16,777,694</b>	<b>2,983,994</b>

**Balance Sheet**  
**as at 31 December 2011**  
**of GILDEMEISTER Aktiengesellschaft**

<b>ASSETS</b>	Notes	31 Dec. 2011 €	31 Dec. 2011 €	31 Dec. 2010 €
<b>A. Fixed Assets</b>				
I. Intangible assets	1			
Industrial property and similar rights and values and licences to such rights and values			24,587	91,335
II. Tangible assets	1			
1. Land and buildings		19,128,541		19,661,562
2. Other equipment, factory and office equipment		3,163,633		3,009,965
3. Payments on account and construction in progress		1,753,268		100,639
			24,045,442	22,772,166
III. Financial assets	2			
1. Shares in affiliated companies		415,453,026		390,453,026
2. Investments		51,115,105		36,309,288
			490,638,160	449,625,815
<b>B. Current Assets</b>				
I. Receivables and other assets	3			
1. Receivables from affiliated companies		336,858,809		344,051,842
2. Other assets		11,867,263		8,317,330
			348,726,072	352,369,172
II. Cash assets and bank balances	4		52,848,091	77,644,020
<b>C. Prepaid Expenses</b>	5		47,154	42,405
<b>D. Deferred tax assets</b>	6		14,588,794	13,083,402
<b>E. Excess of plan assets over pension liability</b>	7		2,649,629	1,504,649
			<b>909,497,900</b>	<b>894,269,463</b>

<b>EQUITY AND LIABILITIES</b>			31 Dec. 2011	31 Dec. 2011	31 Dec. 2010
	Notes		€	€	€
<b>A. Equity</b>	8				
I. Subscribed capital			156,437,432		
Treasury shares			-4,693,125	151,744,307	118,513,208
II. Capital provision				265,570,478	83,447,597
III. Revenue provision					
1. Statutory provisions				680,530	680,530
2. Other revenue provision			165,498,830		
Treasury shares			-15,993,015	149,505,815	165,498,830
V. Net profit				16,777,694	2,983,994
				584,278,824	371,124,159
<b>B. Provisions</b>					
1. Pension provisions	9		9,825,639		13,767,905
2. Tax provisions	10		2,805,000		1,189,912
3. Other provisions	11		28,347,627		12,237,196
				40,978,266	27,195,013
<b>C. Liabilities</b>	12				
1. Borrowers' note			0		201,500,000
2. Liabilities to banks			655,202		87,729,073
3. Trade payables			2,645,263		2,379,917
4. Amounts owed to affiliated companies			271,076,528		198,078,083
5. Other liabilities			9,863,817		6,199,004
				284,240,810	495,886,077
<b>D. Deferred tax liabilities</b>				0	64,214
				<b>909,497,900</b>	<b>894,269,463</b>

**Fixed Asset Movement Schedule  
as at 31 December 2011  
of GILDEMEISTER Aktiengesellschaft**

**AQUISITION AND PRODUCTION COSTS**

**I. Intangible assets**

Industrial property and similar rights and values  
and licences to such rights and values

**II. Tangible assets**

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

**III. Financial assets**

1. Shares in affiliated companies
2. Investments

**Total fixed assets**

**DEPRECIATION**

	As at 01 Jan. 2011 €	Additions €
<b>I. Intangible assets</b>		
Industrial property and similar rights and values and licences to such rights and values	17,447,624	66,748
	<b>17,447,624</b>	<b>66,748</b>
<b>II. Tangible assets</b>		
1. Land and buildings	19,429,685	1,027,626
2. Other equipment, factory and office equipment	7,904,523	596,291
3. Payments on account and construction in progress	0	0
	<b>27,334,208</b>	<b>1,623,917</b>
<b>III. Financial assets</b>		
1. Shares in affiliated companies	59,732,646	0
2. Investments	0	0
	<b>59,732,646</b>	<b>0</b>
<b>Total fixed assets</b>	<b>104,514,478</b>	<b>1,690,665</b>

	As at 01 Jan. 2011 €	Additions €	Disposals €	Book Transfers €	As at 31 Dec. 2011 €
	17,538,959	0	0	0	17,538,959
	<b>17,538,959</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,538,959</b>
	39,091,247	494,605	0	0	39,585,852
	10,914,488	658,221	0	91,738	11,664,447
	100,639	1,744,367	0	-91,738	1,753,268
	<b>50,106,374</b>	<b>2,897,193</b>	<b>0</b>	<b>0</b>	<b>53,003,567</b>
	450,185,672	25,000,000	0	0	475,185,672
	36,309,288	14,805,817	0	0	51,115,105
	<b>486,494,960</b>	<b>39,805,817</b>	<b>0</b>	<b>0</b>	<b>526,300,777</b>
	<b>554,140,293</b>	<b>42,703,010</b>	<b>0</b>	<b>0</b>	<b>596,843,303</b>

	Disposals €	Book Transfer €	As at 31 Dec. 2011 €	NET BOOK VALUE As at 31 Dec. 2011 €	As at 31 Dec. 2010 €
	0	0	17,514,372	24,587	91,335
	<b>0</b>	<b>0</b>	<b>17,514,372</b>	<b>24,587</b>	<b>91,335</b>
	0	0	20,457,311	19,128,541	19,661,562
	0	0	8,500,814	3,163,633	3,009,965
	0	0	0	1,753,268	100,639
	<b>0</b>	<b>0</b>	<b>28,958,125</b>	<b>24,045,442</b>	<b>22,772,166</b>
	0	0	59,732,646	415,453,026	390,453,026
	0	0	0	51,115,105	36,309,288
	<b>0</b>	<b>0</b>	<b>59,732,646</b>	<b>466,568,131</b>	<b>426,762,314</b>
	<b>0</b>	<b>0</b>	<b>106,205,143</b>	<b>490,638,160</b>	<b>449,625,815</b>

## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the GILDEMEISTER Aktiengesellschaft, and the management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group.

Bielefeld, 13 March 2012  
GILDEMEISTER Aktiengesellschaft  
The Executive Board



Dipl.-Kfm. Dr. Rüdiger Kapitza



Dipl.-Ing. Günter Bachmann



Dipl.-Kffr. Kathrin Dahnke



Dipl.-Kfm. Dr. Thorsten Schmidt



Dipl.-Kfm. Christian Thönes

## Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the GILDEMEISTER Aktiengesellschaft, Bielefeld, for the business year from January 1, to December 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with (German) principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with (German) principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Berlin, 13 March 2012

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dr. Tonne	Dübeler
Auditor	Auditor



15 March 2012	Press Conference on the balance sheet, Bielefeld
15 March 2012	Publication of Annual Report 2011
16 March 2012	Society of Investment Professionals in Germany (DVFA) Analysts' Conference, Frankfurt
08 May 2012	First Quarterly Report 2012 (1 January to 31 March)
18 May 2012	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld
21 May 2012	Payment of dividend
26 July 2012	Second Quarterly Report 2012 (1 April to 30 June)
25 October 2012	Third Quarterly Report 2012 (1 July to 30 September)
17 May 2013	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld

Subject to alteration

### **Statements relating to the future**

This report contains statements relating to the future, which are based on current evaluations of the management regarding future developments. Such statements are subject to risks and uncertainties relating to factors that are beyond GILDEMEISTER's ability to control or estimate precisely, such as the future market environment and economic conditions. Such uncertainties may arise for GILDEMEISTER in particular as a result of the following factors:

Changes in general economic and business conditions (including margin developments in the major business areas as well as the consequences of recession); the risk that customers may delay or cancel orders or become insolvent or that prices will be further depressed due to a constantly unfavourable market environment than we currently expect; developments in the financial markets including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as the general financial situation; increasing volatility and further decline in the capital markets; a worsening of conditions for borrowing and, in particular, increasing uncertainty arising out of the mortgage, financial and liquidity crisis, as well as the future economic success of the core business areas in which we operate; challenges arising of the integration of major acquisitions and the implementation of joint ventures and the realisation of anticipated synergy effects and other significant portfolio measures; the introduction of competitive products or technologies by other companies; a lack of acceptance of new products and services in customer target groups of the GILDEMEISTER group; changes in corporate strategy; the outcome of public investigations and associated legal disputes as well as other official measures.

Should one of these uncertainty factors or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results expressed in, or implied by, these statements. GILDEMEISTER disclaims any intention or special obligation to update any forward-looking statements to reflect any change in events or developments occurring after the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of future developments or events contained therein.

This report is available in German and English; both versions are available on the Internet for download at [www.gildemeister.com](http://www.gildemeister.com). Further copies and additional information on GILDEMEISTER are available free of charge upon request.

### **Contact details**

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