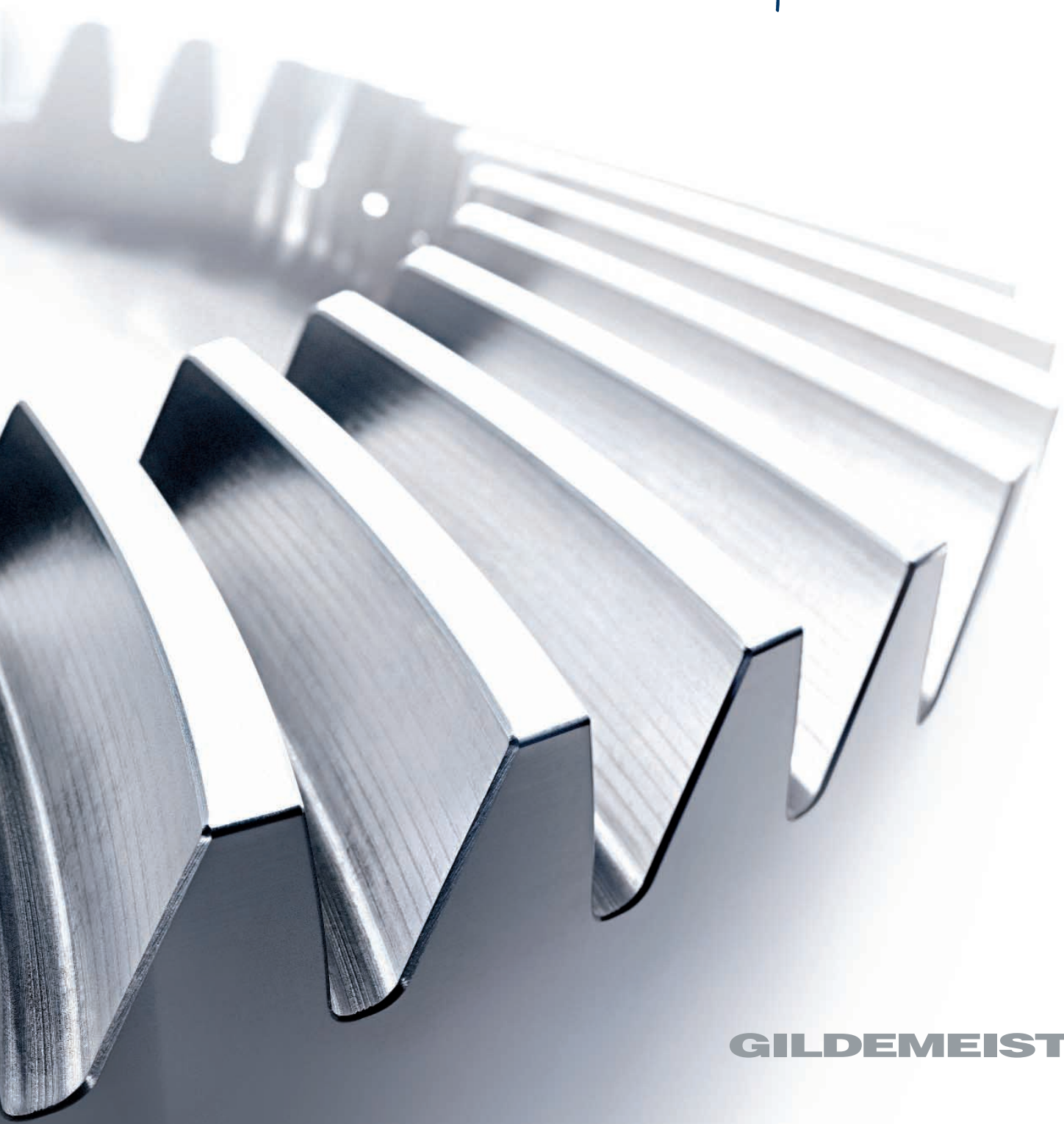


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ANNUAL REPORT AND FINANCIAL STATEMENTS 2007

GILDEMEISTER AKTIENGESELLSCHAFT

*Technologies  
for tomorrow.*



**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. It is essentially dominated by the control and profit and loss transfer agreements concluded 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 2007 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.

## **Environment Economic Situation and Course of Business 2007**

### **Overall Economic Development**

In the year under report the world economy found itself on a growth trend, whereby the main economic dynamics continued to come from China. A slowdown in the USA was noticeable. The economic upturn in Europe remained strong; this also applied to the German economy. According to provisional calculations of the Institute for World Economics (IfW) at the University of Kiel, aggregate output rose globally by 5.1% (previous year: 5.4%).

### **Business Environment Development of the machine tool building industry**

#### **International development**

The worldwide market for machine tools continued to develop positively in line with expectations. According to calculations of the German Machine Tool Builders' Association (VDW), global output was € 51.7 billion (previous year: € 47.8 billion); this represents an increase in output compared to the previous year of 8%. Japan defended its top position worldwide with € 10.6 billion; however, the Japanese share of global output fell to 20% (previous year: 23%). Germany claimed second place with € 9.4 billion; this corresponds to 18% of all machine tools produced worldwide (previous year: 17%). Once again, this was followed by China with output of € 7.4 billion or 13% of global output. Places four to seven were taken by Italy (output: € 5.3 billion; global output share: 10%), South Korea (€ 3.3 billion; 6%), Taiwan (€ 3.2 billion; 6%) and the USA (€ 2.6 billion; 5%). Together these seven countries produced 79% of all machine tools (previous year: 81%).

### German Machine Tool Industry

In 2007 the German machine tool industry recorded a rise in order intake, increased production and a growth in exports. Incoming orders were up 29% at € 16.0 billion (previous year: € 12.4 billion). Of these, domestic demand at +33% (previous year: 27%) was even slightly stronger than international demand. International demand rose by 26% (previous year: 29%). The business climate index of the Munich-based ifo Institute reflected this positive development trend. According to this survey, the main industrial consumers (mechanical engineering, automotive manufacturing and electrical engineering) showed uniform high figures.

### Result of Operations, Net Worth and Financial Position

In the financial year just ended, the result of GILDEMEISTER Aktiengesellschaft was essentially determined by the profit and loss transfers of the affiliated companies in the amount of € 88.2 million (previous year: € 54.4 million). GILDEMEISTER Aktiengesellschaft closes the financial year 2007 with an annual profit of € 21.5 million (previous year: € 14.9 million). After allocating € 10.7 million to revenue provisions and under consideration of the profit carried forward of € 7.9 million, GILDEMEISTER Aktiengesellschaft recorded a balance sheet profit on December 31, 2007 of € 18.7 million (previous year: € 16.6 million).

In the reporting year sales revenues (group cost allocations and rents) amounted to € 13.1 million (previous year: € 23.6 million). The decrease in sales revenues results primarily from the transfer of IT services to GILDEMEISTER Beteiligungen AG. Other operating income decreased from € 7.0 million to € 5.7 million in the same period. This difference is essentially due to profits arising from the disposal of fixed assets recognised in the previous year as well as currency and capital gains recognised in the reporting year.

Expenses incurred for external services mainly cover the maintenance area at the Bielefeld site. At € 2.3 million, this is about € 1.4 million below the level of the previous year (€ 3.7 million).

Due to the improvement in the economic situation, personnel costs in the reporting year rose by € 2.9 million to € 15.0 million (previous year: € 12.1 million). This rise is essentially due to an increase in variable salary components. Depreciation of € 1.5 million (previous year: € 1.4 million) has changed only marginally compared to the previous year.

Other operating expenses amount to € 29.1 million and are thereby € 0.3 million above last year's level (€ 28.8 million). In the reporting year value adjustments of receivables (€ 5.5 million) from affiliated companies were carried out.

Income from profit and loss transfer agreements increased from € 54.4 million in the previous year to € 88.2 million in the reporting year, in particular through the increased profit transfer from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER and GILDEMEISTER Beteiligungen AG, which for the first time directly included the profit contribution of DECKEL MAHO Seebach GmbH and of DMG Drehmaschinen GmbH.

The financial results amounted to -€ 16.6 million (previous year: -€ 5.7 million). This results essentially from a prepayment penalty (€ 8.5 million), which will be recorded as a one-time expense in connection with the premature redemption of the corporate bond, which is planned for 2008. The increased tax expenditure of € 20.9 million (previous year: € 18.1 million) results mainly from a higher taxable income from the GILDEMEISTER

Aktiengesellschaft group of companies in comparison with the previous year as well as from an additional tax payment from a tax audit for prior years.

The increase in tangible fixed assets is primarily due to additions for land and buildings at the Bielefeld site.

The increase in financial assets is primarily due to an increase in the investment book value in DMG Vertriebs und Service GmbH of € 15.0 million. This concerns capital contribution claims in the capital reserves pursuant to Section 272, paragraph 2, no. 4 of the German Commercial Code (HGB).

Current assets increased compared to the previous year by a total of € 28.6 million to € 343.4 million. Due to claims under the profit and loss transfer agreements, the backlog of receivables against affiliated companies increased in comparison with the previous year. Bank balances increased essentially due to higher receipts of net payments by € 24.9 million to € 47.4 million.

Due to the increase in loan capital of December 31, 2007, the equity ratio of GILDEMEISTER Aktiengesellschaft decreased from 47.8% in the previous year to 46.6%. Net indebtedness of GILDEMEISTER Aktiengesellschaft fell by € 33.2 million from € 170.4 million to € 137.2 million in the same period. The increase in liabilities to affiliated companies results essentially from the central group financing. The balance sheet total as of December 31, 2007 rose by 6.5% to € 722.9 million (previous year: € 678.5 million).

### **Dividend**

Due to the positive business and profits development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting of Shareholders, to be held on May 16, 2008, to distribute a dividend of € 0.35 per share for the financial year 2007.

### **Employees**

As of December 31, 2007, GILDEMEISTER Aktiengesellschaft was divided into four executive units; which are organised as follows:

- \_ Key Accounting / Personnel / Purchasing / Auditing,  
Compliance / Public and Investor Relations,
- \_ Controlling / Finances / Tax / Financial statements / Information technology (IT),
- \_ Technology and Production and
- \_ Sales and service.

On December 31, 2007, GILDEMEISTER Aktiengesellschaft had 66 employees, four employees more than on December 31, 2006.

### **Research and Development**

GILDEMEISTER Aktiengesellschaft is responsible for the research and development strategy. The activities are conducted at the level of the group companies; detailed information on this is included in the Group Management Report on page 71 et seq.

### Corporate Governance

Good corporate governance continues to be an integral part of corporate management at GILDEMEISTER. All areas of the company are aligned with these measures. Following the amendments resolved by the Commission of the German Corporate Governance Code on June 14, 2007, GILDEMEISTER continues to fulfil all the recommendations. The Executive Board and Supervisory Board issued the following declaration of compliance on December 31, 2007. Our shareholders can view the declaration on our website [www.gildemeister.com](http://www.gildemeister.com) at any time:

“GILDEMEISTER Aktiengesellschaft complies with all recommendations of the “Government Commission of the German Corporate Governance Code”, as amended on June 14, 2007, and has complied with these since making the last declaration of compliance on December 31, 2006.”

Corporate governance is regarded as an integral part of corporate management at GILDEMEISTER. We have amended our internal company guidelines to comply with these rules and principles. These are applied throughout all areas of the group. The Executive Board and Supervisory Board practise corporate governance through responsible and transparent management, as well as by monitoring the group, with the aim of achieving a sustainable increase in the company’s value.

### Remuneration of the Executive Board and Supervisory Board

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 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 components comprise a short term incentive (STI) and a long-term incentive (LTI), which support a sustainable value-based management.

In the financial year 2007, the fixed remuneration for each individual member of the Supervisory Board was € 12,000; the chairman received 2.5-times that amount (€ 30,000) and the deputy chairman 1.5-times that amount (€ 18,000). The fixed remuneration therefore totalled € 165,403 (previous year: € 167,967).

Remuneration for committee work amounted to a total of € 106,586 (previous year: € 86,368) and took into account the work carried out by the Finance and Auditing Committee, the Personnel, Nominations and Remuneration Committee, and by the Technology and Development Committee. No remuneration was paid for work on the Conciliation Committee or on the Nomination Committee, which is a sub-committee of the Personnel, Nomination and Remuneration Committee. The individual committee members each received € 6,000. The chairperson of a committee also receives an additional fixed remuneration of a further € 6,000 and the deputy chairperson € 3,000.

The performance-related remuneration components, STI and LTI, are based on index-oriented target values. The earnings per share (EPS) are used as the performance-related index in both remuneration components. The EPS is a fixed index, by which a performance orientation is given under consideration of 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 STI and LTI are variable, which means they are not a secured remuneration. Again the Supervisory Board chairman receives 2.5-times the amount in each component and the deputy chairman 1.5-times the remuneration of the other members of the Supervisory Board. Both the STI and the LTI are capped at the level of the respective fixed remuneration.

The STI is only paid if, in the reporting year, the EPS amounts to at least € 0.15. The performance-based remuneration for the Supervisory Board calculated from the STI totalled € 165,403 (previous year: € 132,274). The LTI takes into account not only the reporting year but also the two previous years. The index 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. The LTI calculated performance-based remuneration for the Supervisory Board totalled € 144,727 (previous year: € 75,585).



In 2007 the Supervisory Board remuneration was made up as follows:

REMUNERATION OF THE SUPERVISORY BOARD OF GILDEMEISTER AKTIENGESELLSCHAFT							
	COMMITTEE REMUNERATION	COMMITTEE REMUNERATION	COMMITTEE REMUNERATION				
	FINANCE & AUDITING (F&P)	PERSONNEL, REMUNERATION (PNR)	TECHNOLOGY & DEVELOPMENT (T&D)				
FIXED REMUNERATION IN €	IN €	IN €	IN €	STI IN €	LTI IN €	TOTAL IN €	
Hans Henning Offen							
Chairman SB,							
Chairman PNR	30,000	6,000	12,000	0	30,000	26,250	104,250
Prof. Dr.-Ing. Uwe Loos							
Chairman T&D	12,000	0	0	12,000	12,000	10,500	46,500
Günther Berger							
Chairman F&A	12,000	12,000	0	0	12,000	10,500	46,500
Dr.-Ing. Jürgen Harnisch	12,000	0	0	6,000	12,000	10,500	40,500
Dr. jur. Klaus Kessler (since 20 March 2007) (Member F&A Committee since 27 Nov. 2007)							
	9,403	559	0	0	9,403	8,227	27,592
Prof. Dr.-Ing. Walter Kunerth (Member PNV Committee since 27 March 2007) (Resigned F&A Committee on 27 Nov. 2007)							
	12,000	5,441	4,586	0	12,000	10,500	44,527
Gerhard Durr							
Deputy Chairman SB,							
Deputy Chairman PNR	18,000	6,000	9,000	6,000	18,000	15,750	72,750
Wulf Bantelmann	12,000	0	0	6,000	12,000	10,500	40,500
Harry Domnik							
Deputy Chairman F&A	12,000	9,000	6,000	0	12,000	10,500	49,500
Norbert Zweng	12,000	6,000	0	0	12,000	10,500	40,500
Günther Johann Schachner	12,000	0	0	0	12,000	10,500	34,500
Rainer Stritzke	12,000	0	0	0	12,000	10,500	34,500
<b>Total</b>	<b>165,403</b>	<b>45,000</b>	<b>31,586</b>	<b>30,000</b>	<b>165,403</b>	<b>144,727</b>	<b>582,119</b>

In the financial year 2007 the total remuneration of the Supervisory Board amounted to € 582,119 (previous year: € 462,194). Notices from the members of the Supervisory Board or other persons subject to reporting requirements on the 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, were not received.

**Insurance for Supervisory and Executive Board members of the GILDEMEISTER group**  
GILDEMEISTER has directors' and officers' liability insurance and legal expenses' insurance. Those covered by the insurance are all members of the Supervisory and Executive Boards, and managing directors. The D&O insurance provides for a reasonable retention amount.

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

The structure of the remuneration system for members of the Executive Board is discussed and decided by the Personnel, Nomination and Remuneration Committee of the Supervisory Board. The chairman of the Supervisory Board has provided the Supervisory Board with detailed information on discussions held by the Committee. The chairman will also report on this to the Annual General Meeting.

Members of the Executive Board receive direct and indirect remuneration components, whereby the indirect 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) and a long-term incentive (LTI). Both variable components are fixed in such a way that they represent a clear incentive for the board members to achieve the targets. In this way they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration include in particular the tasks rendered by each Executive Board member, his 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 € 5,407 K (previous year: € 3,974 K). Of this amount, € 1,297 K were attributed to fixed remuneration (previous year: 1,236 K), € 4,000 K to the STI (previous year: € 2,643 K), and € 110 K as payment in kind (previous year: € 95 K). In 2007 the direct remuneration of the Executive Board was made up as follows:

<b>EXECUTIVE BOARD DIRECT REMUNERATION</b>				
	FIXED € K	STI* € K	PAYMENT IN KIND € K	TOTAL € K
Dr. Rüdiger Kapitza, Chairman	455	1,000	37	1,492
Michael Welt	314	1,000	22	1,336
Günter Bachmann	252	1,000	29	1,281
Dr. Thorsten Schmidt	276	1,000	22	1,298
<b>Total</b>	<b>1,297</b>	<b>4,000</b>	<b>110</b>	<b>5,407</b>

\* Previous year: Management bonus

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

The STI is based on index aligned 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, this is capped at € 1,000 K, respectively, for 2007. The cap is also fixed a new each year. Should the EAT not reach a fixed value that is also set annually, the STI is not paid.

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. This involves a performance-units plan which is comparable to virtual shares and which does not include any dividend payments or voting rights. In addition, the units may not be traded nor sold to third parties. The tranches offered at the beginning of each year have a term of three years, so that the first tranche will be allocated on December 31, 2009. The first payment will be made following the Annual General Meeting in 2010 on the basis of the EBIT target achieved for the allocation year 2009 and the corresponding share price. A cap has been set at 2-times the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. The following table shows the number of performance units awarded in 2007 and the amount of the provisions for each Executive Board member.

NUMBER OF PERFORMANCE UNITS	PERFORMANCE UNITS	AMOUNT OF PROVISIONS
	2007 TRANCHE SHARES	AS AT 31 DEC.2007 € K
Dr. Rüdiger Kapitza, Chairman	14,401	271
Michael Welt	11,521	217
Günter Bachmann	11,521	217
Dr. Thorsten Schmidt	11,521	217
<b>Total</b>	<b>48,964</b>	<b>922</b>

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.

<b>INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS</b>	
	€ K
Dr. Rüdiger Kapitza, Chairman	213
Michael Welt	45
Günter Bachmann	60
Dr. Thorsten Schmidt	50
<b>Total</b>	<b>368</b>

In 2007, provision expenses of € 213 κ (previous year: € 63 κ) arose for the defined-benefit contribution commitment. The increase compared to the previous year results from an adjustment of the pension commitments, which takes into account the period of service already completed and thus explains the jump in the provisions. The payments restricted to the contribution-based pension plan amount to € 155 κ (previous year: € 200 κ). For an adjustment of the contribution-based pension plan of Dipl.-Kfm. Michael Welt, a one-off payment of € 392 κ was made.

Advances and loans to Executive Board members or Supervisory Board members were not granted, nor were any declarations of liability in favour of any of the aforementioned members entered into. There was no share option programme or similar securities based incentive system.

The companies of the GILDEMEISTER group did not pay any remuneration to officers for services personally rendered, in particular consulting and introduction services. An amount of € 587 κ was paid to former members of the Executive Board and their surviving dependants (previous year: € 591 κ). Pension obligations for former members of the Executive Board and their surviving dependants amounted to € 5,958 κ (previous year: € 5,889 κ).

### **Opportunities and Risk Reporting**

The worldwide business activities of GILDEMEISTER demand a permanent weighing up of opportunities and risks. The ability to identify risks and opportunities, to analyse and reduce or tackle them with appropriate strategies is an important factor in our corporate dealings. Our groupwide early warning risk management system allows us to identify and classify opportunities and risks at an early stage. In principle, our system accesses the group's existing organisational, reporting and management structures, and supplements these with specific elements. Our early warning risk management system comprises five elements:

1. the company-specific Risk Management Manual
2. a central Risk Management Representative, who is supported by a local Risk Representative in each group company
3. area-specific Schedules of Risks
4. the group's general reporting structure within each area and across all areas
5. the risk reporting system at group and at the individual company level.

The risk management system at GILDEMEISTER is structured in such a way that significant risks must be identified, monitored and continuously notified. The risks in the individual company areas are identified in this way every quarter and the risk potential that is determined as a result is analysed and evaluated using quantitative indicators. If it is possible to

offset a risk reliably using effective countermeasures, only the residual risk is presented following the measures introduced. The residual risk is assessed on a probability of occurrence basis and presented in the risk management report.

Our group-wide risk management system enables us to clarify changes in the overall risk position of the group by means of a simple, aggregated index at the group level. This index presents the accumulated risks in relation to equity. Risks are an integral element of our business activities and a necessary pre-condition for our corporate success. Through a controlled and conscious manner of dealing with risks, we can seize opportunities and achieve competitive advantages.

Opportunities arise for GILDEMEISTER through a steady investment strategy to further extend our innovations' leadership. GILDEMEISTER is participating in the growing solar energy market through the sale of SunCarrier systems from a+f GmbH. Further potential opportunities have arisen for GILDEMEISTER since mid-2007, on the one hand through integration solutions with robots for machine tool automation and, on the other, through supplying the fast-growing regions in eastern Europe, Asia and South America with the eco series. Taking advantage of these opportunities through our group companies paves the way for greater profit transfers for GILDEMEISTER Aktiengesellschaft.

The core task of GILDEMEISTER Aktiengesellschaft is the limitation of risks arising from financing and evaluation. Due to our international activities, currency-related risks may arise, which can be controlled through hedging transactions within the framework of our currency strategy. GILDEMEISTER has specified the hedging instruments permitted in a currency guideline. These hedging instruments are used exclusively to safeguard underlying transactions but not for trading or speculative purposes. More detailed information in this respect is given in the Notes to the Consolidated Financial Statements on page 177 et seq. According to our evaluations currency-related risks are low. Outside finance has been secured long-term through the issue of a fixed interest-bearing corporate bond which matures in July 2011. In addition, we have at our disposal a syndicated loan for a total amount of € 175.0 million with a term until June 2011. Risks arising from this area amount theoretically to about € 8.0 million and are manageable, we consider the probability of occurrence to be slight. For this purpose indices (covenants) were agreed based on our corporate planning. Any breach of these covenants entitles creditors to terminate their agreements. At the balance sheet date all covenants were observed. We consider the risk of any termination of agreements to be low. An improvement in the indices will reduce the credit margin agreed with the banking consortium. About two-thirds of our outside financing is secured against risks arising from changes in interest rates by agreements for long-term fixed interest rates or interest derivatives. A 1% increase in interest rates pertaining to the non-hedged portfolio on the balance sheet date would result in an increase in interest expenditure of about € 1.2 million.

With respect to the assets of GILDEMEISTER Aktiengesellschaft, risks primarily arise through the balancing and evaluation of financial assets. Financial assets are shown on the balance sheet at their acquisition costs or the lower fair value. Financial assets are checked annually for impairment with the use of the discounted earnings method, which is based on the affiliated companies' forecasting. The figures defined did not result in a devaluation requirement at the reporting date. If the planned results are not achieved, an adjustment to the lower fair value may be required. Due to current forecasts, impairment in value is not expected in 2008.

Our internal risk management system, which is integrated into the ordinary operation of our business, serves the early identification, assessment and control of risks and opportunities in the GILDEMEISTER group. In this context both the Executive Board and the Supervisory Board are regularly informed of the current risk situation of each group company. In addition, we have defined threshold values which, when exceeded, immediately alert the Executive Board. The early warning risk management policy has been audited by the auditor.

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

The adoption of the Takeover Directive Implementation Act in July 2006 has resulted in an amendment to Section 289 of the German Commercial Code (HGB), which has been extended to include a new paragraph 4. As a result, GILDEMEISTER must provide the following supplementary information according to Section 289, paragraph 4 German Commercial Code (HGB) in the management report:

**Under Section 289 paragraph 4, no. 1 HGB**

The registered capital of GILDEMEISTER Aktiengesellschaft amounts to € 112,586,507.80. It is divided into 43,302,503 owner shares with an accounting par value of € 2.60 per share.

**Under Section 289 paragraph 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 para. 2 of the Articles of Association of GILDEMEISTER Aktiengesellschaft as amended on May 19, 2006, 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 paragraph 4, no. 7 HGB**

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 56,000,000 in nominal terms during the period until May 15, 2010 by issuing new owner shares for contributions in cash and/or in kind (authorised capital).

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. The shareholders' statutory subscription rights are excluded 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 through the issue of up to 14,423,076 individual shares in the name of the holder (contingent capital I). The conditional capital increase is to be effected only insofar as the options or conversion rights relating to warrant or convertible bonds, issued or guaranteed

pursuant to the authorisation resolution of the Annual General Meeting of Shareholders of May 14, 2004, in the period until March 31, 2009 are exercised or any conversion obligation or obligation to exercise an option under the aforementioned bonds are fulfilled.

#### **Under Section 289 paragraph 4, no. 8 HGB**

As significant agreements that are subject to a change of control condition in the event of a takeover, the syndicated loan agreement and the corporate bond issue of GILDEMEISTER Aktiengesellschaft must be mentioned. In the event of a change of control (acquisition of 50% or more of the voting rights), a claim may be made to recover the syndicated loan (if necessary also in part amounts) or to return the corporate bond.

For more details we refer to the corresponding information in the Notes to the Consolidated Financial Statements.

In addition, the legislator has resolved that the Executive Board shall issue an explanatory report on the information given pursuant to Section 289 paragraph 4 HGB:

As at December 31, 2007, the registered capital of the company amounts to € 112,586,507.80 and is distributed in 43,302,503 individual shares in the name of the holder. Each share has a voting right and is the determining factor for the share of profits.

The company is managed by the Executive Board and is represented by the Executive Board to-wards 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).

The most recent amendment to the Articles of Association took place at the 104<sup>th</sup> Annual General Meeting of Shareholders on May 19, 2006, when Section 12 of the Articles of Association was amended.

In the reporting year the Executive Board did not exercise the above-referred authorisation.

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.

#### **Events occurring after the close of the accounting period**

For the months of January and February we received a notification of voting rights pursuant to the Takeover Bids Directive Implementation Act (TUG) according to Section 21, para. 1, clause 1 Securities Trading Act (WpHG): JPMorgan Chase & Co., New York, USA, assigned through its subsidiaries, has fallen below the threshold of 3% of the voting rights as of February 5.

The public prosecutor carried out investigations at GILDEMEISTER Aktiengesellschaft and its subsidiaries on January 15, 2008. The investigations relate to initial suspicions of a possible tax evasion or aiding and abetting this for the payment of commissions abroad and are directed towards individual persons. GILDEMEISTER is very interested in ensuring that the matter is fully explained and will support the public prosecutor in its investigations. An in-house inspection will be carried out by audit. Following a resolution of the Supervisory Board of January 29, 2008, an auditing firm and a law firm have been assigned a mandate to investigate and assess the allegations.

### Forecast

Current forecasts for the machine tool construction industry for 2008 expect further growth. The German Engineering Federation (VDMA) expects an increase in production of 5% in 2008. The German Machine Tool Builder's Association (VDW) estimates worldwide growth in consumption of machine tools of 7%. Growth of 10% has been forecast for Germany.

GILDEMEISTER made a successful start to the new business year. Our "Strategy 2011" is consistently directed towards profitable growth. It is also intended to continue to develop the company's profitability positively. For the financial year 2008 we expect an improvement in the EBT and in the annual profit. If the business continues to develop in line with plans, we will propose a further increase in the dividend to the 2009 Annual General Meeting of Shareholders.

We also expect GILDEMEISTER to continue to develop positively in the financial year 2009. The continued improvement in the quality of the results lies at the core of our business activities.

With respect to forward-looking statements we would like to point out that the actual events may differ materially from the expectations of future developments, if one of the uncertainties mentioned or any other uncertainty occurs, or if the assumptions on which these statements are based prove to be incorrect.

Disclaimer: With respect to forward-looking statements we would like to point out that the actual events may differ materially from the expectations of future developments if one of the uncertainties mentioned or any other uncertainty occurs or if the assumptions on which these statements are based prove to be incorrect.



**GILDEMEISTER Aktiengesellschaft****A. General Declaration**

The Annual Financial Statements of GILDEMEISTER Aktiengesellschaft for the year ending December 31, 2007 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 Balance Sheet and the 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 the useful life expectancy.

**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

Additions to intangible and tangible fixed assets were depreciated pro rata temporis during the year of purchase. Additions at an acquisition cost of up to € 410 (low value assets) were fully depreciated in the year of addition. The depreciation/amortisation method has not changed from the previous year. 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 balance sheet at their acquisition costs or the lower fair value.

Receivables and other assets with a term of up to one year were shown at face value, receivables and other assets with a term of more than one year were shown in the balance sheet at their present value. Receivables in foreign currencies were translated at the exchange rate at the reporting date. If the exchange rate at the reporting date falls below the rates prevailing at the time of origination, receivables are adjusted to the lower exchange rate at the reporting date.

The valuation of company pension provisions was carried out on an actuarial basis in accordance with Section 6A EstG (German Income Tax Law) with an assumed rate of interest of 6% p.a. For this purpose, the reference tables by Prof. Dr. Klaus Heubeck that were published in July 2005 were used as a basis. The pensions are not insured by an external pension fund. Provisions for obligations arising from old-age part-time agreements include expenses for wage and salary payments to employees during the preretirement lay-off phase and additional compensation. These provisions are accrued rateably from the start of the active phase of the part-time retirement and assessed at the present value. The remaining provisions were assessed so that they take into account all identifiable risks and contingent obligations. The valuations were made on the basis of proper commercial judgement. In each case the anticipated cost of fulfilment was taken into account. Provisions for employee anniversary bonuses were discounted at an interest rate of 5.5% p.a. Liabilities are assessed at their amounts repayable.

## C. Notes to individual balance sheet items

### Assets

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

- 1 INTANGIBLE ASSETS 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 The changes in financial assets of GILDEMEISTER Aktiengesellschaft are set out in the Balance Sheet supplement. 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 December 31, 2007 are set out in a separate summary at the end of the Notes. In the financial year 2007, GILDEMEISTER Aktiengesellschaft made contributions to the capital provisions through the contribution of claims against DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER in a total amount of € 15,000 K. These deposits increased the book value of the holding correspondingly.
- In the financial year 2007, GILDEMEISTER Aktiengesellschaft entered into control and profit and loss transfer agreements with the following companies:
- \_ GILDEMEISTER Beteiligungen AG
  - \_ DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.
- In contrast to the previous year there were no direct profit and loss transfer agreements with DECKEL MAHO Seebach GmbH and GILDEMEISTER Drehmaschinen GmbH, as these were concluded for the first time since 2007 with GILDEMEISTER Beteiligungen AG.
- 3 RECEIVABLES AND OTHER ASSETS Amounts owed by affiliated companies of € 289,604 K (previous year: € 288,548 K) are primarily due to profit and loss transfer agreements, and costs and finances allocations. Other assets include, amongst others, asset values from reinsurance for the social protection of employees of € 3,031 K (previous year: € 2,386 K), creditors with a debit balance to the value of € 123 K (previous year: € 574 K) and tax refund claims of € 2,621 K (previous year: € 457 K).
- Other assets to a value of € 3,031 K (previous year: € 2,386 K) have a residual term of more than one year.
- 4 CASH ASSETS, BANK BALANCES The statement pertains mainly to bank balances.
- 5 PREPAID EXPENSES The prepaid expenses pertain to accrued rents and fees for data processing maintenance and funding and maintenance costs of software licenses.

## Equity and liabilities

### 6 EQUITY **Subscribed capital**

The company's share capital is € 112,586,507.80. It is divided into 43,302,503 owner shares with an accounting par value of € 2.60 per share.

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 56,000,000 in nominal terms during the period until May 15, 2010 by issuing 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 occasions.

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 (direct subscription 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. The shareholders' statutory subscription rights are excluded 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 general meeting of shareholders, a subscription right to new shares to the extent they would be entitled to following the exercising of the option or conversion right or the fulfilment of conversion obligations,
- 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 paragraphs 1 and 2, 1 and 2, and section 186 paragraph 3 sentence 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 exclusion of the subscription 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 exclusion of the shareholders' subscription rights pursuant to section 71 paragraph 1, no. 8 sentence 5 and section 186 paragraph 3 sentence 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 general meeting of shareholders from May 14, 2004 to the exclusion of the subscription right pursuant to section 221 paragraph 4 and Section 186 paragraph 3 sentence 4 of the German Companies Act (AktG). The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details 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 I). The conditional capital increase is to be effected only insofar as the options or conversion rights relating to warrant or convertible bonds, issued or granted by the company or a 100% indirect or direct holding company of the company pursuant to the authorisation resolution passed at the Annual General Meeting of Shareholders held on May 14, 2004, in the period until March 31, 2009, are exercised, or any conversion obligation or obligation to exercise an option under the aforementioned bonds are fulfilled. The new shares will be issued at an option or conversion price to be determined in accordance with the above named authorising resolution. The new shares will profit as of the beginning of the financial year, in which they are issued following the exercising of options or conversions rights, or the fulfilment of conversion or option obligations. The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the implementation of the conditional capital increase.

#### **Capital provisions**

The capital provisions of € 71,297,862 have not changed since the previous year.

#### **Revenue reserves**

#### **Statutory provisions**

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

#### **Other revenue provisions**

Due to the transfer of € 10,730,000 of the annual profit to other revenue provisions, these provisions increased to € 133,532,902 when compared to the previous year.

### Proposed appropriation of earnings

The financial year 2007 of GILDEMEISTER Aktiengesellschaft closes with a profit for the year of € 21,466,615.61. It will be proposed to the Annual General Meeting of Shareholders on May 16, 2008 that following the transfer of € 10,730,000 to other revenue provisions, and taking into account the profit carry forward of the previous year of € 7,925,431.04, the remaining profit of € 18,662,046.65 be appropriated as follows:

- \_ the distribution of € 15,155,876.05 to the shareholders by payment of a dividend of € 0.35 per share
- \_ to carry the remaining balance of € 3,506,170.60 forward to new account

#### DEVELOPMENT OF THE NET PROFIT

	€ K
Net profit as of 31 Dec. 2006	16,586
Distribution of dividend	-8,661
Profit brought forward	7,925
Annual profit 2007	21,467
Transfer to other revenue provisions	-10,730
<b>Net profit as of 31 Dec. 2007</b>	<b>18,662</b>

**7 TAX PROVISIONS** Tax provisions include liabilities for corporation tax of € 3,227 κ, trade tax of € 3,751 κ and provisions for other taxes of € 33 κ (previous year: € 33 κ). Furthermore, deferred tax provisions of € 43 κ (previous year: € 43 κ) for tax differences from pension provisions is also recognised.

**8 OTHER PROVISIONS** Other provisions primarily include expenses for management bonuses to the value of € 5,735 κ (previous year: € 3,269 κ), expenses for legal and consultancy fees and costs for the preparation of accounts to the value of € 1,900 κ (previous year: € 1,971 κ), for other personnel costs of € 739 κ (previous year: € 699 κ) provisions for accounts receivable of € 700 κ (previous year: € 355 κ) and remaining other provisions of € 600 κ (previous year: € 475 κ).

9 LIABILITIES

	REPORTED IN THE BALANCE SHEET AS AT 31 Dec. 2007 € K	OF WHICH RESIDUAL TERM UP TO 1 YEAR € K	OF WHICH RESIDUAL TERM 1 TO 5 YEARS € K	OF WHICH RESIDUAL TERM MORE THAN 5 YEARS € K	REPORTED IN THE BALANCE SHEET AS AT 31 Dec. 2006 € K
1. Bond	183,531	183,531	0	0	175,000
2. Bank loans and overdrafts <sup>1)</sup>	1,116	242	310	564	17,902
3. Trade payables	1,973	1,973	0	0	4,233
4. Liabilities to affiliated companies	151,725	151,725	0	0	118,643
5. Other Liabilities <sup>2)</sup>	17,116	17,116	0	0	12,604
	355,461	354,587	310	564	328,382
Outstanding in each maturity period at 31 Dec. 2006		141,789	10,859	175,734	328,382

<sup>1)</sup> 1) of which secured by mortgages: € 1,116 K (previous year: € 1,901 K)  
<sup>2)</sup> 2) of which from taxes: € 9,052 K (previous year: € 3,990 K), of which social security contributions: € 4 K (previous year € 0 K)  
of which accrued interest payments: € 8,018 K (previous year: € 8,479 K)

In the financial year 2004, GILDEMEISTER Aktiengesellschaft issued a long-term, secondary corporate bond. The bond with a nominal volume of € 175.0 million and a coupon of 9.75% p.a. matures in July 2011. We plan a premature redemption at the earliest possible date on at 15 July 2008 at 104.875%. For this reason in 2007 a corresponding amount of € 8.5 million as prepayment costs has been taken into account at the closing date. Other liabilities include € 7,631 K (previous year: € 7,631 K) from accrued interest paid on the corporate bond.

The group companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, GILDEMEISTER Beteiligungen Aktiengesellschaft, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, FAMOT Pleszew S.A. and GILDEMEISTER Italiana S.p.A. are guarantors in relation to the bond agreement. In addition, the shares of the above companies to the nominal value of € 124,712 K (previous year: € 124,712 K) are secondarily pledged in favour of the bond holders. Of this GILDEMEISTER Aktiengesellschaft is directly affected as to € 70,995 K and indirectly through GILDEMEISTER Beteiligungen AG as to € 53,717 K. In addition, the claims to the respective dividend in the pledged shares, including any interest, have been pledged, each in second place, to the bond holders.

Up to June 30, 2011 GILDEMEISTER Aktiengesellschaft is guaranteed a credit line to the value of € 175.0 million. The lending volume contains two tranches, which differ in terms of amounts, usability and maturity, drawing terms and the agreed interest rates. The aforementioned group companies are also guarantors for the new loan agreement. In favour of the lending banks, the shares of DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen Aktiengesellschaft, FAMOT Pleszew S.A. and GILDEMEISTER Italiana S.p.A. at a nominal value of € 124,712 K (previous year: € 124,712 K), were pledged in first place to the national banking consortium. Of this GILDEMEISTER Aktiengesellschaft is directly affected as to € 70,995 K and indirectly through GILDEMEISTER Beteiligungen AG as to € 53,717 K. In addition, the claims to the respective dividend in the pledged shares, including any interest, have been pledged, each in first place, to each of the lending banks. The above group companies are also guarantors for the loan agreement.

For liabilities to financial institutions in the banking consortium of € 174 κ (previous year: € 16,001 κ) current account credits at these banks are offset against them to an amount of € 47,414 κ (previous year: € 22,506 κ).

10 CONTINGENCIES AND OTHER  
FINANCIAL OBLIGATIONS

At the balance sheet date the following contingencies and other financial obligations existed, shown at their face value:

CONTINGENCIES	STATUS 31 Dec.2007	STATUS 31 Dec.2006
	€ K	€ K
Guarantees	211,109	165,083
Warranties	9,908	7,296
	221,017	172,379
<b>OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE</b>		
within 1 year	1,057	6,510
within 1 to 5 years	1,480	7,429
after 5 years	380	633
	2,917	14,572

The guarantees of GILDEMEISTER Aktiengesellschaft include maximum-amount guarantees of € 62,862 κ (previous year: € 58,395 κ). The value date of the liabilities to banks pertaining to guarantees was fixed at December 31, 2007 at an amount of € 26,972 κ (previous year: € 22,805 κ). At the balance sheet date GILDEMEISTER Aktiengesellschaft is jointly and severally liable for liabilities of € 29,839 κ (previous year: € 21,448 κ).

The guarantees of GILDEMEISTER Aktiengesellschaft also include guarantees for affiliated companies for contingent claims of a factoring bank amounting to € 4,858 κ (previous year: € 54,859 κ).

Advance customer payment guarantees of € 41,788 κ (previous year: € 5,759 κ) 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 December 31, 2007 the amount used was € 124,615 κ (previous year: € 55,119 κ).

In addition, GILDEMEISTER Aktiengesellschaft issued letters of comfort to the value of € 12,083 to DECKEL MAHO Pfronten GmbH, DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, SAUER GmbH, a+f GmbH, DMG Benelux B.V., GILDEMEISTER Italiana Deutschland GmbH as well as DMG Malaysia SDN BHD. The related liabilities were stated as of December 31, 2007 at € 6,927 κ.

In addition, GILDEMEISTER Aktiengesellschaft has entered into two building leasing arrangements for DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, and DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg. The monthly rental interest on these agreements amounts to € 105 κ. These agreements have a term until 2024.

11 DERIVATIVE  
FINANCIAL INSTRUMENTS

The face and fair market values of derivative financial instruments existing at the balance sheet date are set out below:

	FACE VALUE		FAIR MARKET VALUE	
	31 Dec. 2007	31 Dec. 2006	31 Dec. 2007	31 Dec. 2006
	€ K	€ K	€ K	€ K
Forward exchange contracts	64,806	75,671	688	40
Currency swaps	0	937	0	0
	64,806	76,608	688	40

The face values correspond essentially with the non-balanced total of the currency portfolio. The fair market values shown correspond with 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 € 688 κ and comprise positive market values of € 961 κ and negative market values of € 273 κ. If the pre-conditions exist, the forward exchange contracts are combined in valuation units per currency. Due to the negative fair market values after forming the valuation units, a provision of € 18 κ (previous year: € 13 κ) for anticipated losses related to incomplete contracts was made on December 31, 2007.

GILDEMEISTER Aktiengesellschaft enters into intragroup forward exchange contracts with the product and production plants to the value of anticipated cash flows from order intake. 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 exchange contracts carried out mature within two years and serve the hedging of receivables from group companies in foreign currencies such as USD, CAD, SGD, JPY and AUD.



## D. Notes to individual items in the Income Statement

**12 SALES REVENUES** Sales revenues of € 13,146 κ (previous year: € 23,589 κ) primarily pertain to sales arising from the group-wide holding functions.

**13 OTHER OPERATING INCOME** Other operating income consists mainly of income from cost allocation and refund of expenses as well as exchange rate and currency gains. Also included is income unrelated to the accounting period from the receipt of payment from written-off claims of € 272 κ (previous year: € 0 κ), income from the release of provisions of € 112 κ (previous year: € 285 κ) and other income unrelated to the accounting period in an amount of € 34 κ (previous year: € 4 κ).

**14 PERSONNEL COSTS** In the financial year 2007, the employee pension plan contributions amounted to € 2,478 κ (previous year: € 1,975 κ). In the financial year 2007, direct remuneration of the members of the Executive Board amounted to € 5,407 κ (previous year: € 3,974 κ). Of this, € 1,297 κ (previous year: € 1,236 κ) was attributed to the fixed remuneration, € 4,000 κ to the STI (previous year: € 2,643 κ), and € 110 κ to remuneration in kind (previous year: € 95 κ). In addition, an amount of € 760 κ (previous year: € 263 κ) was spent on pension commitments. Former members of the Executive Board and their surviving dependants received € 587 κ (previous year: € 591 κ). Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 5,958 κ (previous year: € 5,889 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:

	2007	2006
Salary earnings	66	67

**15 OTHER OPERATING EXPENSES** Other operating expenses result mainly from external services to the value of € 5,240 κ (previous year: € 6,701 κ), expenses for legal and consultancy fees and costs for the preparation of accounts to the value of € 2,872 κ (previous year: € 3,731 κ), investor and public relation expenses of € 2,870 κ (previous year: € 1,885 κ) and travelling and entertaining expenses of € 1,796 κ (previous year: € 1,449 κ), rental and lease expenses of € 870 κ (previous year: € 5,554 κ) and costs of money transactions and capital procurement of € 251 κ (previous year: € 3,335 κ). Exchange rate and currency losses of € 6,734 κ are set off against € 3,685 κ exchange rate and currency gains. In the reporting year value adjustments were carried out on receivables from affiliated companies of € 5,537 κ.

### Auditor's fees and services

In the financial year 2007, the fees of the audit of the annual account, KPMG Deutsche Treuhand-Gesellschaft, Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft Berlin, amounted to € 333 κ (previous year: € 311 κ) and include the fees for the audit of the annual and consolidated statutory financial statements. A further charge for other audit or valuation services of € 3 κ (previous year: € 0 κ) and for other services of € 170 κ (previous year: € 226 κ) was also charged to expenses.

### Remuneration of the Supervisory Board

In the financial year 2007, € 582 κ (previous year: € 462 κ) were transferred to provisions for Supervisory Board members' remuneration. Further details on the remuneration of the Supervisory Board are given in the Group Management Report.

16 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS	The income from profit and loss transfer agreements of GILDEMEISTER Aktiengesellschaft of € 88,166 κ (previous year: € 54,356 κ) was accounted for by two (previous year: four) affiliated companies.
17 OTHER INTEREST AND SIMILAR INCOME	In the reporting period affiliated companies were charge interest to the value of € 19,940 κ (previous year: € 20,464 κ).
18 INTEREST AND SIMILAR EXPENSES	Interest paid, amounting to € 36,734 κ (previous year: € 26,306 κ) includes interest for the utilisation of the bond of € 17,063 κ (previous year: € 17,063 κ) and a premium for the premature redemption of the bond of € 8,531 κ. It also includes interest expense of € 6,736 κ (previous year: € 2,792 κ) charged by affiliated companies. The remainder of the interest expenses are essentially interest on liabilities to banks.
19 TAXES ON INCOME AND EARNINGS	Taxes on income and earnings includes expenses unrelated to the accounting period in an amount of € 2,120 κ (previous year: € 1,201 κ) and income unrelated to the accounting period in an amount of € 379 κ (previous year: € 226 κ).
20 DECLARATION OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF PRACTICE	The declaration of compliance in accordance with Section 161 German Companies Act (AktG) was issued on December 31, 2007 and has been made permanently accessible to shareholders on our website <a href="http://www.gildemeister.com">www.gildemeister.com</a> .

## 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
- \* Schwarz Beteiligungs GmbH,  
Neckarsulm, Member of the Advisory  
Board
- \* Familienstiftung Schwarz, Neckarsulm,  
member of the Supervisory Board
- \* Kaufland Stiftung & Co. KG, Neckarsulm,  
member of the Supervisory Board
- \* Lidl Stiftung & Co. KG, Neckarsulm,  
member of the Supervisory Board
- \* Heckler & Koch GmbH, Oberndorf am  
Neckar, Chairman of the Advisory Council
- \* Alpha-Stiftung, Dresden, board of trustees
- \* LB-Stiftung, Dresden, board of trustees
- \* Bürgerstiftung Stormarn, Bad Oldesloe,  
member of the Executive Board  
since 22 May 2007

#### Gerhard Dirr,

Vils, Austria, born 1964, Deputy Chairman  
Head of Facility Management at  
DECKEL MAHO Pfronten GmbH, Pfronten

#### Wulf Bantelmann,

Bielefeld, born 1947,  
Chairman of the Works Council at  
GILDEMEISTER Drehmaschinen GmbH, Bielefeld

#### Günther Berger,

Munich, born 1948,  
Independent Industry Consultant,  

- Rathgeber AG, Munich,  
member of the Supervisory Board

#### Harry Domnik,

Bielefeld, born 1953,  
1<sup>st</sup> secretary of the IG Metall  
headquarters, Bielefeld,  

- \* Thyssenkrupp Umformtechnik GmbH,  
Ludwigsfelde, member of the  
Supervisory Board

#### Dr.-Ing. Jürgen Harnisch,

Mühlheim an der Ruhr, born 1942,  
Independent Industry Consultant,

- Fahrzeug-Werke LUEG AG, Bochum,  
member of the Supervisory Board
- \* DSI Holding GmbH, Munich,  
member of the Supervisory Board
- \* TCG Holdings GmbH, Kirchdorf an der Krems, Austria,  
Chairman of the Supervisory Board
- \* Presswerk Krefeld GmbH & Co. KG, Krefeld  
member of the Supervisory Board
- \* Kongsberg Automotive Holding ASA, Kongsberg,  
Norway, member of the Supervisory Board

#### Dr. jur. Klaus Kessler,

Stuttgart, born 1942, Lawyer, Partner in  
Schelling & Partner Lawyers and notaries, Stuttgart  
Deutsche Schutzvereinigung für  
Wertpapierbesitz e.V. (DSW), Dusseldorf,  
member of the Executive Committee  

- \* Baden-Württembergische Wertpapier Börse, Stuttgart,  
Deputy Chairman of the Stock Exchange Council

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

Zeitlarn, born 1940,  
Independent Industry Consultant,  

- Götz AG, Regensburg,  
Chairman of the Supervisory Board
- Paragon AG, Dellbrück,  
Chairman of the Supervisory Board
- \* Autoliv Inc., Stockholm, Sweden,  
member of the Board of Directors

**Prof. Dr.-Ing. Uwe Loos,**

Stuttgart, born 1946,

Independent Industry Consultant,

- Dorma Holding GmbH + Co. KGaA, Ennepetal, member of the Supervisory Board
- EDAG Engineering + Design AG, Fulda, member of the Advisory Council
- \* Trumpf GmbH + Co. KG, Ditzingen, member of the Supervisory Board, member of the Administrative Board
- \* Claas KGaA mbH, Harsewinkel, member of the Shareholders' Committee
- \* Bharat Forge LTD, Pune, India, Non-Executive Independent Director
- \* ODP Bharat Forge GmbH, Ennepetal, member of the Advisory Council
- \* HP Pelzer Group, Witten, member of the Supervisory Board
- \* Rodenstock GmbH, Munich, member of the Supervisory Board member of the Advisory Board

**Günther-Johann Schachner,**

Peiting, born 1952,

member of the Executive Board of

IG Metall Frankfurt, until 10 Nov. 2007

1<sup>st</sup> Representative of

IG Metall Headquarters, Weilheim

**Rainer Stritzke,**

Seebach, born 1957,

Design engineer

**Norbert Zweng,**

Eisenberg, born 1957,

Head of Logistics at BECKEL MAHO

Pfronten GmbH,

Head of Group Facility Management

until 31. Dec. 2007

Senior Executives' representative

## Executive Board

**Dipl.-Kfm. Dr. Rüdiger Kapitza,**

Bielefeld,

Chairman

**Dipl.-Ing. Günter Bachmann,**

Wutha-Farnroda

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

Bielefeld

**Dipl.-Kfm. Michael Welt,**

Pfronten

## Affiliated companies

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

	NATIONAL CURRENCY	EQUITY <sup>11</sup>		PARTICIPATION QUOTA IN %	RESULT FOR
		IN € K			THE ACCOUNTING PERIOD 2007 <sup>11</sup>
					IN € K
GILDEMEISTER Beteiligungen AG, Bielefeld <sup>2)</sup>			229,841	100.0	
DECKEL MAHO Pfronten GmbH, Pfronten <sup>4/6/7)</sup>			48,422	100.0	
SAUER GmbH, Stipshausen/Idar-Oberstein <sup>4/8/9)</sup>			6,942	100.0	
DECKEL MAHO GILDEMEISTER (Shanghai)					
Machine Tools Co., Ltd., Shanghai, China <sup>6)</sup>	T CNY	96,217	8,959	100.0	158
FAMOT Pleszew S.A., Pleszew, Polen <sup>6)</sup>	T PLN	38,757	10,787	100.0	2,135
GILDEMEISTER Drehmaschinen GmbH, Bielefeld <sup>4/6/7)</sup>			16,650	100.0	
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy <sup>6)</sup>			108,967	100.0	462
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy <sup>3)</sup>			70,727	100.0	12,085
GRAZIANO Tortona S.r.l., Tortona, Italy <sup>3)</sup>			10,207	100.0	5,042
SACO S.p.A., Castelleone, Italy <sup>3)</sup>			7,772	100.0	168
DMG Italia S.r.l., Brembate di Sopra, Italy <sup>3)</sup>			3,376	100.0	504
DECKEL MAHO Seebach GmbH, Seebach <sup>4/6/7)</sup>			8,363	100.0	
DMG Automation GmbH, Hüfingen <sup>4/6)</sup>			1,486	100.0	
DMG Electronics GmbH, Pfronten <sup>4/6/7)</sup>			500	100.0	
DMG Spare Parts GmbH, Geretsried <sup>4/6/7)</sup>			25	100.0	
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>2/4/5)</sup>			107,875	100.0	
DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg <sup>4/5/10/11)</sup>			45,001	100.0	
DMG München Vertriebs und Service GmbH für Werkzeugmaschinen DECKEL MAHO GILDEMEISTER, Munich <sup>4/5/12/13)</sup>			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 Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg <sup>4/5/12/13)</sup>			610	100.0	
GILDEMEISTER Italiana Deutschland GmbH, Leonberg <sup>4/5/12/13)</sup>			300	100.0	
DMG Europe Holding GmbH, Klaus, Austria <sup>10)</sup>			63,969	100.0	11,510
DMG Asia Pacific Pte. Ltd., Singapore <sup>14)</sup>	T SGD	7,854	3,713	100.0	433
DMG Australia Pty. Ltd., Clayton Victoria, Australia <sup>15)</sup>	T AUD	4,201	2,504	100.0	169
DMG (Thailand) Co. Ltd., Bangkok, Thailand <sup>15)</sup>	T THB	16,337	373	100.0	-7
DMG Austria GmbH, Klaus, Austria <sup>14)</sup>			3,127	100.0	884
DMG Benelux B.V., Veenendaal, The Netherlands <sup>14)</sup>			30,370	100.0	706
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brazil <sup>16)</sup>	T BRL	1,194	456	100.0	16
DECKEL MAHO GILDEMEISTER Iberica S.L., Berriz, Spain <sup>16)</sup>			751	100.0	43
DMG America Inc., Itasca, USA <sup>16)</sup>	T USD	21,708	14,751	100.0	3,525
DMG Charlotte LLC, Charlotte, USA <sup>17)</sup>	T USD	24	17	100.0	-1,376
DMG Chicago Inc., Itasca, USA <sup>17)</sup>	T USD	2,541	1,726	100.0	608
DMG Houston Inc., Houston, USA <sup>17)</sup>	T USD	1,382	939	100.0	407
DMG Los Angeles Inc., Los Angeles, USA <sup>17)</sup>	T USD	1,696	1,152	100.0	472
DMG Asia Pte. Ltd., Singapore <sup>16)</sup>			7,402	100.0	1,548
DMG Benelux BVBA – SPRL., Zaventem, Belgium <sup>16)</sup>			2,131	100.0	366
DMG France S.a.r.l., Les Ulis, France <sup>16)</sup>			4,654	100.0	581
DMG Czech s.r.o., Brno, Czech Republic <sup>16)</sup>	T CZK	116,133	4,370	100.0	652
DMG Polska Sp.z o.o., Pleszew, Poland <sup>16)</sup>	T PLN	15,419	4,292	100.0	1,045
DMG (Schweiz) AG DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland <sup>16)</sup>	T CHF	12,427	7,505	100.0	1,479
DMG Romania Sales & Services S.r.l., Bukarest, Romania <sup>16)</sup>	T RON	18	5	100.0	
DMG South East Europe E.P.E., Thessaloniki, Greece <sup>16)</sup>			249	100.0	
DMG (U.K.) Ltd., Luton, Great Britain <sup>16)</sup>	T GBP	2,915	3,968	100.0	851

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

	NATIONAL CURRENCY	EQUITY <sup>11</sup> IN € K	PARTICIPATION QUOTA IN %	RESULT FOR	
				THE ACCOUNTING PERIOD 2007 <sup>11</sup> IN € K	
DMG Russland o.o.o., Moskau, Russia <sup>14)</sup>	T RUB	37,453	1,040	100.0	-292
DMG Istanbul Makine Tikaret ve Servis Limited Sirketi, Istanbul, Türkei <sup>14)</sup>	T TRL	2,569	1,499	100.0	450
DMG Malaysia SDN BHD, Puchong/Kuala Lumpur, Malaysia <sup>14)</sup>	T MYR	4,740	974	100.0	399
DMG Nippon K.K., Yokohama, Japan <sup>14)</sup>	T JPY	210,243	1,274	100.0	-237
DMG Scandinavia Sverige AB, Sollentuna, Sweden <sup>14)</sup>	T SEK	11,274	1,195	100.0	107
DMG Hungary Kereskedelmi és Szerviz Korlátolt Felelősségű Társaság, Budapest, Hungary <sup>14)</sup>	T HUF	148,114	587	100.0	85
DMG Scandinavia Norge AS, Langhus, Norge <sup>14)</sup>	T NOK	2,305	289	100.0	237
DMG Canada Inc., Toronto, Canada <sup>10)</sup>	T CAD	1,325	918	100.0	134
DECKEL MAHO GILDEMEISTER México, S.A. de C.V., Monterrey, Mexico <sup>10)</sup>	T MXN	3,852	240	100.0	11
DMG Technology Trading (Shanghai) Co., Ltd., Shanghai, China <sup>10)</sup>	T CNY	39,924	3,717	100.0	530
DMG DECKEL MAHO GILDEMEISTER (India) Pvt. Ltd., Bangalore, India <sup>10)</sup>	T INR	193,767	3,344	100.0	375
DMG Machinery Taiwan Ltd., Taichung, Taiwan <sup>10)</sup>	T TWD	74,627	1,564	100.0	235
DMG Korea Ltd., Seoul, Korea <sup>10)</sup>	T KRW	1,687,874	1,226	100.0	-45
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>4/5/10/11)</sup>			1,500	100.0	
DMG Service Fräsen Pfronten GmbH, Pfronten <sup>4/5/10/11)</sup>			1,559	100.0	
DMG Service Fräsen Seebach GmbH, Seebach <sup>4/5/10/11)</sup>			1,171	100.0	
DMG Gebrauchtmachines GmbH DECKEL MAHO GILDEMEISTER, Geretsried <sup>4/5/10/11)</sup>			17,517	100.0	
DMG Gebrauchtmachines Czech s.r.o., Zlin, Czech Republic <sup>18)</sup>	T CZK	20,153	758	100.0	178
DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER, Bielefeld <sup>4/5/10/11)</sup>			270	100.0	
DMG MICROSET GmbH, Bielefeld <sup>4/5/10)</sup>			1,405	100.0	
a+f GmbH, Würzburg <sup>4/5/10/11)</sup>			3,112	100.0	
<b>OTHER</b>					
MITIS Grundstücks-Vermietungs Gesellschaft mbH & Co.					
Objekt Bielefeld KG, Düsseldorf <sup>19)</sup>			0	98.0	
BIL Leasing GmbH & Co 736 KG, Munich <sup>20)</sup>			0		
BIL Leasing GmbH & Co 748 KG, Munich <sup>21)</sup>			0		
Chemnitzer Grundbesitz Limited, Birmingham, Great Britain <sup>22)</sup>	T GBP	74	101	94.9	33
Zarząd Bloków Mieszkalnych Spółka z o.o., Pleszew, Poland <sup>23)</sup>	T PLN	203	58	100.0	

<sup>11</sup> 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.

<sup>20</sup> Management and profit and loss transfer agreement with GILDEMEISTER Aktiengesellschaft

<sup>21</sup> Participation interest of GILDEMEISTER Partecipazioni S.r.l.

<sup>22</sup> The domestic subsidiary has complied with the conditions required by Section 264 paragraph 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.

<sup>23</sup> The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of the management report.

<sup>24</sup> Participation interest of GILDEMEISTER Beteiligungen AG

<sup>25</sup> Management and profit and loss transfer agreement with GILDEMEISTER Beteiligungen Aktiengesellschaft

<sup>26</sup> Participation interest of DECKEL MAHO Pfronten GmbH

<sup>27</sup> Management and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH

<sup>28</sup> Participation interest of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

<sup>29</sup> Management and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

<sup>30</sup> Participation interest of DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

<sup>31</sup> Management and profit and loss transfer agreement with DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

<sup>32</sup> Participation interest of DMG Europe Holding GmbH

<sup>33</sup> Participation interest of DMG Asia Pacific Pte. Ltd.

<sup>34</sup> Participation interest of DMG Benelux B.V.

<sup>35</sup> Participation interest of DMG America Inc.

<sup>36</sup> Participation interest of DMG Gebrauchtmachines GmbH DECKEL MAHO GILDEMEISTER

<sup>37</sup> Percentage of voting rights 49%, Special Purpose Entity of GILDEMEISTER Aktiengesellschaft

<sup>38</sup> Special Purpose Entity of DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg, excluding equity share

<sup>39</sup> Special Purpose Entity of DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, excluding equity share

<sup>40</sup> Participation interest of DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Berlin

<sup>41</sup> Participation interest of FAMOT Pleszew S.A., Pleszew, Poland; non-consolidated

GILDEMEISTER Aktiengesellschaft is the parent company according to § 290 (HGB) and is engaged to prepare a Consolidated Financial Statement. The Consolidated Financial Statements and the Group Management Report for the year ending 31 December 2007 are available in the Electronic Bundesanzeiger and the Commercial Register as well as on our website [www.gildemeister.com](http://www.gildemeister.com).

**Income Statement**  
**for the period 01 January to 31 December 2007**  
**of GILDEMEISTER Aktiengesellschaft**

	NOTES	2007 €	2006 €
1. Sales revenues	12	13,145,858	23,588.993
2. Other operating income	13	5,688,266	6,969.070
		<b>18,834,124</b>	<b>30,558.063</b>
3. Cost of materials			
a) Cost of raw materials and consumables for purchased goods		177,019	62,670
b) Cost of purchased services		2,333,017	3,704,068
		<b>2,510,036</b>	<b>3,766,738</b>
4. Personnel costs	14		
a) Wages and salaries		11,791,450	9,455,326
b) Social contributions, pensions and other benefits		3,178,457	2,687,394
		<b>14,969,907</b>	<b>12,142,720</b>
5. Depreciation of tangible and intangible assets		1,472,515	1,367,151
6. Other operating expenses	15	29,092,498	28,838,874
7. Income from management and profit and loss transfer agreements	16	88,165,906	54,355,709
8. Other interest receivable and similar income	17	20,131,506	20,575,097
9. Interest payable and similar expenses	18	36,733,532	26,306,083
10. Profit on ordinary activities		42,353,048	33,067,303
11. Taxes on profit	19	20,886,433	18,119,935
12. Annual profit		21,466,615	14,947,368
13. Profit carry forward from previous year		7,925,430	9,108,563
14. Withdrawal from revenue provisions		10,730,000	7,470,000
<b>15. Net profit for the year</b>		<b>18,662,045</b>	<b>16,585,931</b>

**Balance Sheet as at 31 December 2007  
of GILDEMEISTER Aktiengesellschaft**

<b>ASSETS</b>	NOTES	31 Dec. 2007 €	31 Dec. 2006 €
<b>A. Fixed Assets</b>			
I. Intangible assets	1		
Industrial property and similar rights and values and licences to such rights and values		133,783	395,680
II. Tangible assets	1		
1. Land and buildings		16,661,343	13,466,949
2. Other equipment, factory and office equipment		2,129,890	1,007,132
3. Payments on account and construction in progress		800,350	3,367,865
		19,591,583	17,841,946
III. Financial assets	2		
Shares in affiliated companies		359,840,026	344,808,724
		379,565,392	363,046,350
<b>B. Current Assets</b>			
I. Receivables and other assets	3		
1. Trade receivables		6,590	96,433
2. Receivables from affiliated companies		289,603,793	288,547,602
3. Other assets		6,317,163	3,621,317
		295,927,546	292,265,352
II. Cash assets and bank balances	4	47,415,821	22,514,291
<b>C. Prepaid Expenses</b>	5	23,872	628,604
		<b>722,932,631</b>	<b>678,454,597</b>



<b>EQUITY AND LIABILITIES</b>		31 Dec. 2007	31 Dec. 2006
	NOTES	€	€
<b>A. Equity</b>	<b>6</b>		
I. Subscribed capital		112,586,508	112,586,508
II. Capital provisions		71,297,862	71,297,862
III. Revenue provisions			
1. Statutory provisions		680,530	680,530
2. Other revenue provisions		133,532,902	122,802,901
IV. Net profit		18,662,045	16,585,931
		<b>336,759,847</b>	<b>323,953,732</b>
<b>B. Provisions</b>			
1. Pension provisions		13,983,443	13,832,966
2. Tax provisions	7	7,054,258	5,516,821
3. Other provisions	8	9,673,762	6,768,954
		<b>30,711,463</b>	<b>26,118,741</b>
<b>C. Liabilities</b>	<b>9</b>		
1. Bond		183,531,250	175,000,000
2. Bank loans and overdrafts		1,115,830	17,901,952
3. Trade creditors		1,973,233	4,232,678
4. Amounts owed to affiliated companies		151,725,318	118,642,719
5. Other liabilities		17,115,690	12,604,775
		<b>355,461,321</b>	<b>328,382,124</b>
		<b>722,932,631</b>	<b>678,454,597</b>

**Fixed Asset Movement Schedule**  
**as at 31 December 2007 of GILDEMEISTER Aktiengesellschaft**

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**AQUISITION AND PRODUCTION COSTS**

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**I. Intangible assets**

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

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**II. Tangible assets**

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

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**III. Financial assets**

Shares in affiliated companies

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**Total fixed assets**

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**DEPRECIATION**

	AS AT 01 Jan. 2007 €	ADDITIONS €
<b>I. Intangible assets</b>		
Industrial property and similar rights and values and licences to such rights and values	16,878,447	318,977
	<b>16,878,447</b>	<b>318,977</b>
<b>II. Tangible assets</b>		
1. Land and buildings	15,900,751	690,834
2. Other equipment, factory and office equipment	6,137,364	462,704
3. Payments on account and construction in progress	0	0
	<b>22,038,115</b>	<b>1,153,538</b>
<b>III. Financial assets</b>		
Shares in affiliated companies	59,732,646	0
	<b>59,732,646</b>	<b>0</b>
<b>Total fixed assets</b>	<b>98,649,208</b>	<b>1,472,515</b>

AS AT 01 Jan. 2007 €	ADDITIONS €	DISPOSALS €	BOOK TRANSFER €	AS AT 31 Dec. 2007 €
17,274,127	1,420	0	55,660	17,331,207
<b>17,274,127</b>	<b>1,420</b>	<b>0</b>	<b>55,660</b>	<b>17,331,207</b>
29,367,700	1,518,869	0	2,414,524	33,301,093
7,144,496	793,740	1,386	744,752	8,681,602
3,367,865	731,019	83,598	-3,214,936	800,350
<b>39,880,061</b>	<b>3,043,628</b>	<b>84,984</b>	<b>-55,660</b>	<b>42,783,045</b>
404,541,370	15,031,302	0	0	419,572,672
<b>404,541,370</b>	<b>15,031,302</b>	<b>0</b>	<b>0</b>	<b>419,572,672</b>
<b>461,695,558</b>	<b>18,076,350</b>	<b>84,984</b>	<b>0</b>	<b>479,686,924</b>

DISPOSALS €	BOOK TRANSFER €	AS AT 31 Dec. 2007 €	BOOK VALUE AS AT 31 Dec. 2007 €	AS AT 31.12.2006 €
0	0	17,197,424	133,783	395,680
<b>0</b>	<b>0</b>	<b>17,197,424</b>	<b>133,783</b>	<b>395,680</b>
0	48,165	16,639,750	16,661,343	13,466,949
191	-48,165	6,551,712	2,129,890	1,007,132
0	0	0	800,350	3,367,865
<b>191</b>	<b>0</b>	<b>23,191,462</b>	<b>19,591,583</b>	<b>17,841,946</b>
0	0	59,732,646	359,840,026	344,808,724
<b>0</b>	<b>0</b>	<b>59,732,646</b>	<b>359,840,026</b>	<b>344,808,724</b>
<b>191</b>	<b>0</b>	<b>100,121,532</b>	<b>379,565,392</b>	<b>363,046,350</b>

## Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting and reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group 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 principal opportunities and risks associated with the expected development of the group.

Bielefeld, March 11, 2008  
GILDEMEISTER Aktiengesellschaft

The Executive Board



Dipl.-Kfm. Dr. Rüdiger Kapitza



Dipl.-Ing. Günter Bachmann



Dipl.-Kfm. Dr. Thorsten Schmidt



Dipl.-Kfm. Michael Welt

## Audit Report

We have audited the consolidated financial statements prepared by GILDEMEISTER Aktiengesellschaft, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1, 2007 to December 31, 2007. The contents of the “declaration of compliance”, pursuant to Section 161 of the German Stock Companies Act (AktG) in the group management report, is not the object of our audit. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, paragraph 1, HGB (German Commercial Code), are the responsibility of the legal representatives of the company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB (German Commercial Code) and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of the audit process. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements and group 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 Consolidated Financial Statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a, paragraph 1, HGB (German Commercial code), and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 11, 2008

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Rehnen  
Auditor

Dübeler  
Auditor

## Financial Calendar

13 March 2008	Press conference on Financial Statements, Bielefeld
13 March 2008	Publication of Annual Report 2007
14 March 2008	DVFA-Analysts' conference, Frankfurt
06 May 2008	First Quartaly Report 2008 (1 January to 31 March)
16 May 2008	General Meeting of Shareholders at 10 am in the Town Hall Bielefeld
19 May 2008	Distribution of dividend
05 August 2008	Second Quartaly Report 2008 (1 April to 30 June)
24 September 2008	German Investment Conference, Munich
06 November 2008	Third Quartaly Report 2008 (1 July to 30 September)
12 February 2009	Press release on provisional figures for the financial year 2008
15 May 2009	General Meeting of Shareholders at 10 am in the Town Hall Bielefeld

Subject to alternation

### Statements relating to the future

This report contains statements relating to the future, which are based on current estimates by the management regarding future developments. Such statements are subject to risks and uncertainties and as such it is impracticable for GILDEMEISTER to carry out a check or make a precise estimate, such as for example for the future market environment and the general economic conditions, the conduct of the market participants, the successful integration of new acquisitions and the realization of expected synergy effects as well as measures by state agencies. Should one of these uncertainty factors or incalculabilities occur, or should the assumptions on which these statements are based turn out to be incorrect, the actual results may deviate significantly from the results explicitly stated or implicitly included in these statements. GILDEMEISTER neither intends nor assumes a separate obligation to update forward-looking statements in order to adapt them to events or developments after the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein.

This Report is available in German and in English; both versions can be downloaded from the Internet at [www.gildemeister.com](http://www.gildemeister.com). Further copies of this Report and additional Information on GILDEMEISTER can be obtained free of charge on request.

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