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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 recognised for the parent company comprise almost exclusively income from performing holding and service functions for the group as well as from rental income. The earnings position of GILDEMEISTER Aktiengesellschaft differs from that of the group in terms of level and structure. The earnings result essentially from control and profit and loss transfer agreements with two domestic subsidiaries and from income and expenses resulting from the holding functions. The present management report refers exclusively to GILDEMEISTER Aktiengesellschaft as the parent company. A detailed presentation of the GILDEMEISTER group is given in our Annual Report 2012 and in 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 Development of Business 2012

Overall Economic Development

The world economy lost momentum over the course of 2012. As a consequence of the euro crisis, the economy became weaker; the slowdown had already taken hold in the second half of 2011. According to provisional calculations from the Institute for World Economics (IfW) at the University of Kiel, the world economy still grew in 2012 by 3.2% (previous year: +3.8%). Even economic momentum in Asia lost pace slightly, nevertheless it continued to grow by 6.6% (previous year: +8.2%). Compared to other industrial countries, the growth trend in the USA was positive. In the newly industrialising countries, primarily in the BRIC countries, domestic demand was supported by private consumption and an increase in investments, resulting in positive growth over the course of the year. In Europe, economic growth was restrained as the government debt and euro crisis became acute in the middle of the year and spread to other countries in the eurozone. The German economy proved to be robust.

Preliminary notes
Economic Situation and
Development of Business
Development of the
Machine Tool Industry

Development of the Machine Tool Building Industry

International development

The worldwide market for machine tools grew steadily overall in 2012. The German Machine Tool Builders Association (VDW) calculated growth in world consumption of 7.2% or € 4.4 billion to € 66.2 billion (previous year: € 61.8 billion).

The structural shift of the worldwide machine tool market from Europe and America towards Asia continued. Asia's share in world consumption in 2012 was 61%. Growth in Asia was 5.6% (previous year: +24%). In America consumption rose the strongest by 17.5% (previous year: 40%).

Whilst the machine tool industry in Europe was still able to record a high rate of growth of 27% in 2011, the trend in 2012 was slightly downwards (-1.3%).

By a clear margin, most machine tools in 2012 were once again consumed in China: China was again the world's largest sales market at € 23.8 billion and had a share in world consumption of 36% (previous year: € 22.1 billion; +8%).

The second most important market for machines tools in 2012 was the USA with growth of 29% and consumption of € 6.8 billion. Japan's machine tool consumption rose by 9% and was ranked third with € 5.8 billion (previous year: € 5.3 billion). In Germany, consumption slightly decreased (-2%) and amounted to € 4.9 billion. South Korea (€ 3.6 billion; -4%) took fifth place as in the previous year. The ten most important consumer markets accounted for 80% of world machine tool consumption, as they did the previous year.

German machine tool industry

For the manufacturing industries, the ifo business climate index is the leading indicator of economic development in Germany. Its survey shows a significantly lower assessment for the main consumer industries (mechanical engineering, automotive manufacturing and electrical engineering) than in the previous year. This reflects the changes in the general conditions in these industries.

In 2012 the German machine tool industry recorded declining order intake, yet higher production and a rise in sales revenues. At € 15.1 billion, order intake remained 10% below the previous year's figure (€ 16.9 billion). At the same time, domestic demand fell by 10% (previous year: +46%), international decreased by 11% (previous year: +44%). For order intake for cutting machines the German Machine Tool Builders' Association (VDW) reports a fall of 13% compared to the previous year; as a result of high order backlogs, German machine tool producers were able to increase sales revenues by 11% in a year-on-year comparison.

Results of Operations, Net Worth and Financial Position

The earnings of GILDEMEISTER Aktiengesellschaft were essentially determined by income from financial assets (€ 92.3 million), which arise from the profit and loss transfers from DMG Vertriebs und Service DECKEL MAHO GILDEMEISTER of € 32.8 million (previous year: € 21.7 million); of GILDEMEISTER Beteiligungen GmbH of € 58.3 million (previous year: € 42.0 million) and income from investment in Mori Seiki Co. Ltd. of € 1.2 million (previous year: € 1.0 million). GILDEMEISTER Aktiengesellschaft closes the financial year with an annual profit of € 44.9 million (previous year: € 13.8 million). Appropriation to revenue reserves was € 22.4 million (previous year: € 0.0). Taking into account the profit carryforward of the previous year of € 2.2 million, the net retained profits totalled € 24.7 million (previous year: € 16.8 million).

In the reporting year sales revenues (group cost allocations and rents) were € 13.8 million (previous year: € 11.4 million). The increase was due essentially to the rise in group cost allocations. Other operating income decreased in the same period by € 0.2 million to € 14.9 million.

Expenses incurred for purchased services mainly cover maintenance of the production halls at the Bielefeld site. At € 2.3 million, they are about € 0.5 million higher than those of the previous year (€ 1.8 million)

Employee expenses rose by € 3.6 million to € 20.3 million (previous year: € 16.7 million). due to a rise in demands made of the holding functions and the associated increase in employee numbers. Compared to the previous year, depreciation has only increased slightly at € 1.8 million (previous year: € 1.7 million).

Other operating expenses amount to € 30.9 million and are thus € 15.1 million below the previous year's figure (€ 46.0 million) In the previous year other operating expenses included the allocation to a provision for contingent losses which were set up due to the ineffectiveness of an interest rate hedging instrument (€ 13.2 million). In addition, costs in 2011 for the capital increases of € 6.4 million are included.

Income from investment income rose from € 64.7 million in the previous year to € 92.3 million in the reporting year. Of this, € 91.1 million arose from profit and loss transfer agreements as well as € 1.2 million from the income from investment from the 5.1% investment in Mori Seiki Co. Ltd.

The financial result was improved by € 8.7 million to € 6.1 million (previous year: € -2.6 million). The reasons for this are found in lower indebtedness as well as in improved interest rate terms for borrowings.

The tax expense recognised of € 26.6 million results from current tax expense (€ 22.8 million) and from changes in deferred tax assets of € 5.6 million. The activation of claims for tax refunds for the previous years amounting to € 1.8 million resulted in a reduction of expenses.

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The balance sheet total as at 31 December 2012 rose by 14.4% to € 1,040.7 million (previous year: € 909.5 million). The substantial changes arise from a rise in receivables from affiliated companies due to the higher receivables from profit and loss transfer agreements as well as from a rise in bank deposits. The equity ratio amounted to 59.1% (previous year: 64.2%).

Fixed assets have increased on the balance sheet from € 490.6 million to € 499.6 million. The significant additions to property, plant and equipment relate to investments in the Energy Solutions Park of € 6.7 million at the Bielefeld site, the acquisition of environmentally-friendly ventilation systems totalling € 1.2 million and updating and expanding the production buildings in an amount of € 2.5 million. The financial assets portfolio has not been subject to any material changes.

Current assets rose compared to the previous year by a total of € 128.4 million to € 529.9 million. The substantial changes arose from a rise in receivables from affiliated companies due to the higher distributed profits as well as from a rise in bank deposits.

Under equity and liabilities, equity increased due to the net income for the year from € 584.3 million to € 614.5 million.

Other provisions decreased compared to the previous year by € 3.5 million to € 24.9 million. This change was essentially due to the partial use of provisions for anticipated losses allocated in the previous year, which were set up due to the ineffectiveness of an interest rate hedging instrument and remain in existence until 2015.

GILDEMEISTER covers its capital requirements from the operating cash flow and from taking out short- and long-term financing. The essential component is a syndicated credit facility of € 450 million with a term until 2016. In addition to the syndicated credit facility there are still some long-term loans totalling € 564 K (previous year: € 647 K).

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). The covenants were complied with in the financial year.

Through this financing mix we have sufficient funding lines with which we can make the necessary liquidity for our business.

GILDEMEISTER group financing is carried out centrally. Only if 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.

Dividend

The Executive Board and the Supervisory Board will propose to the 111th Annual General Meeting on 17 May 2013 that a dividend of € 0.35 per share be distributed for financial year 2012 (previous year: € 0.25). Moreover, it will be proposed to the Annual General Meeting to carry forward the remaining net retained profits of GILDEMEISTER Aktiengesellschaft of € 4.2 million to new account..

Employees

As of 31 December 2012, GILDEMEISTER Aktiengesellschaft was divided into five executive units, which are organised as follows:

- Key accounting / Human resources / Purchasing / Audit / Compliance / Investor and public relations,
- Sales and service / Information technology (IT)
- Technology and Production,
- Controlling / Finance / Accounting / Tax and risk management, and
- Projects / Product development / Technology.

As of 31 December 2012, GILDEMEISTER Aktiengesellschaft had 81 employees (previous year: 68 employees).

Research & Development

GILDEMEISTER Aktiengesellschaft is responsible for the research and development strategy. The research and development activities are conducted at the level of the group companies.

Corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB)

Corporate Governance

Good corporate governance has long been a key component of corporate management and of all corporate divisions at GILDEMEISTER. For the Executive Board and Supervisory Board corporate governance represents responsible, transparent corporate management and control of the group. GILDEMEISTER has already been following the recommendations of the German Corporate Governance Code for several years. Since the issue of the last declaration of conformity in November 2011, GILDEMEISTER Aktiengesellschaft has complied with the recommendations of the Government Commission's German Corporate Governance Code in the version dated 26 May 2010 with the exceptions stated and justified therein.

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In November 2012, the Executive Board and the Supervisory Board once again issued a declaration of conformity, which confirmed compliance with all recommendations of the “Government Commission’s German Corporate Governance Code” in the Code version of 15 May 2012 and its publication in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) on 15 June 2012 and likewise confirmed that they would also comply with these 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. The company takes appropriate measures to counteract 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, as well as for managing directors and executive staff. The D&O insurance provides for the corresponding excess provided for in the Code and in the pertinent statutory provisions, respectively.

Description of the work of the Executive Board and Supervisory board and of their committees

Responsible Management of Opportunities and Risks

A systematic opportunities and risk management is an important element of corporate management for us and belongs to good corporate governance; it assists in identifying opportunities and risks in good time and in assessing them. Opportunities are identified and analysed by simulating positive deviations from plan assumptions. The risk management system at GILDEMEISTER is structured in such a way that significant risks are systematically identified, assessed, aggregated, monitored and notified. The Executive Board and the Supervisory Board are informed regularly about the current risk situation of the group and that of the individual business units. The early risk identification system set up by the Executive Board pursuant to Section 91(2) of the German Stock Corporate Act (AktG) is audited by the annual auditors, is continuously enhanced by GILDEMEISTER and adapted to meet the changing economic environment.

Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely together in the interests of the company. The Executive Board agrees the strategic direction of the company with the Supervisory Board and informs the latter regularly, timely and comprehensively of all issues of relevance to the company relating to strategy, business development, the risk position, risk management and compliance. Any deviations in the course of business from the established plans and targets of the group are discussed and the grounds therefor are

stated. The Executive Board forwards the half-yearly and quarterly reports to the Finance and Audit Committee and discusses them with the Finance and Audit Committee before their publication.

The Supervisory Board's right to reserve approval for a number of business procedures is specified in the articles of association as well as in the rules of procedure for the Executive Board.

Goals for the Composition of the Supervisory Board

Pursuant to Article 5.4.1 of the Corporate Governance Code, the Supervisory Board has decided to the effect of a self-imposed obligation that nominations for the future composition of the Supervisory Board should continue to be aligned with the interests of the company and that the following goals should be adhered to in doing so:

- The composition of the Supervisory Board with members on the owners' side having experience of management or of monitoring internationally-operating companies should be maintained at the level as at present.
- Employees from significant areas within GILDEMEISTER should be taken into consideration on the employees' side.
- Knowledge of the group and of the markets especially important for GILDEMEISTER as well as of technical relations and of the management of technologies should be taken into account. The same applies to specialist knowledge and experience in the use of accounting principles as well as of internal monitoring procedures and compliance processes.
- The current female ratio should be increased from one female member at present to four female members by the date of the re-elections to the Supervisory Board in 2018, whereby every effort should be made to achieve equal female distribution on the owners' and employees' sides.
- The independence of more than 50% of the Supervisory Board members should be retained; conflicts of interest should be avoided and an upper age limit of 70 years at the time of election to the Supervisory Board should be observed. Due to no pending new elections to the Supervisory Board at present, there has so far not been an opportunity to implement these targets.

Avoidance of conflicts of interest

Members of the Executive Board and Supervisory Board are obliged to act in the interests of the company. In making decisions and in connection with their functions, the members of the Executive Board and of the Advisory 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. Such transactions or secondary occupations as well as any other conflicts of interest must be immediately reported for approval or assessment, respectively, to the Supervisory Board. The Supervisory Board reports to the Annual

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General Meeting of Shareholders on any conflicts of interest and how they are dealt with. GILDEMEISTER recognises preventive measures against the misuse of insider information and insider trading as part of good corporate governance. Firstly, when hiring 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). Secondly, 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.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the general meeting of shareholders that takes place annually. The Annual General Meeting passes resolutions on the appropriation of profits, the discharge of the Supervisory Board and of the Executive Board, as well as on the nomination of the annual auditor or changes to the articles of association, amongst others. Shareholders may exercise their voting right in person. 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. All documents and information are made available in good time to shareholders at our website.

Transparency

GILDEMEISTER aspires to ensure 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.

Shareholders and potential investors can obtain information at any time from the Internet 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. Press releases, business and quarterly reports, as well as a detailed financial calendar in both German and English are published on our website. This information is likewise distributed via the group's publicly accessible Twitter channel.

Reporting and auditing of annual accounts

We have again agreed with the annual auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for this reporting year that the chairman of the Supervisory Board and the chairman of the Finance and Audit Committee are informed without delay during the audit of any reasons that might give rise to exclusion or reservation insofar as these

cannot be resolved. In addition, the auditors shall also report immediately any findings and issues that arise during the audit of the financial statements and the consolidated financial statements and which have a significant bearing on the tasks of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board or note in the audit report if, when conducting the audit, any facts are discovered that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the corporate governance code.

Suggestions included in the German Corporate Governance Code

GILDEMEISTER also largely complies with the suggestions of the German Corporate Governance Code. There are currently deviations from the Code in the following points:

- Annual general meeting: The Code suggests that the proxy exercising the shareholder's voting rights at the shareholder's directive should be contactable during the annual general meeting. As before, for organisational reasons, we have not provided for the complete transmission of the annual general meeting over the internet.
- Supervisory Board: In codetermined supervisory boards, the representatives of the shareholders and of the employees may each prepare the meetings of the supervisory board separately, as necessary with the members of the executive board. This procedure is only followed at GILDEMEISTER in exceptional cases.

Supervisory Board and Committees

Pursuant to the articles of association, the Supervisory Board comprises 12 members. In accordance with the German Codetermination Act (Mitbestimmungsgesetz), in addition to the six owners' representatives there are six employee representatives, one of whom represents the executive staff, on the Supervisory Board. The term of office of the incumbent Supervisory Board expires upon the end of the annual general meeting 2013.

The members of the Supervisory Board are named in the notes. The Supervisory Board held four meetings in the financial year. The Supervisory Board also reported on the scope of its work in the Report of the Supervisory Board in the group annual report on pages 7 et seqq.

In financial year 2012, the Supervisory Board of GILDEMEISTER Aktiengesellschaft had five committees: The Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee, the Nominations Committee, the Technology and Development Committee and the Mediation Committee. The Supervisory Board also reported on the scope of its work in committees in the Report of the Supervisory Board in the group annual report on pages 7 et seqq.

The group annual report is published in the Internet under www.gildemeister.com.

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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 Article 12 of the articles of association of GILDEMEISTER Aktiengesellschaft. It includes non-performance related remuneration elements as well as a performance-based remuneration component. The remuneration components not dependent upon performance include the fixed remuneration that each member of the Supervisory Board receives, remuneration for committee work and meeting attendance fees. The performance-related component comprises a long-term performance incentive (LTI), which has the aim of promoting sustainable, value-based corporate management.

In financial year 2012, 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 € 333,836 (previous year: € 333,140).

Remuneration for committee work amounted to € 217,869 (previous year: € 213,254) and took account of the work carried out by the Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee, and the Technology and Development Committee. No remuneration was paid for work on the Mediation Committee or on the Nominations Committee, which are sub-committees of the Personnel, Nominations and Remuneration Committee. The individual committee members each received € 12,000. The chairperson of a committee also received an additional fixed remuneration of a further € 12,000 and the deputy chairperson a further € 6,000.

The members of the Supervisory Board and its committees receive an attendance fee of € 800 for each Supervisory Board and committee meeting that they participate in as a member. In total, attendance fees for financial year 2012 were € 84,800.

The LTI performance-related remuneration component is based on target values related to key figures. The earnings per share (EPS) are used as the performance-related key figure. The EPS is an established key figure by which specific performance is fulfilled and which takes into consideration 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 that it is not a secure remuneration. Again the Supervisory Board chairman receives 2.5-times and the deputy chairman

1.5-times the remuneration of the other members. The LTI is capped at the level of the respective fixed remuneration.

The LTI takes account not only of the reporting year but also of the two preceding years.

The key figure is the mean average of the EPS figures 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 financial year 2012 and the two preceding years the corresponding EPS average was € 0.75 (previous year: € 0.35). The performance-related remuneration for the Supervisory Board calculated from the LTI totalled € 260.809 (previous year: € 121,458).

The Supervisory Board remuneration in 2012 was made up as follows:

**REMUNERATION OF THE SUPERVISORY BOARD
OF GILDEMEISTER AKTIENGESELLSCHAFT**

	Fixed remuneration in €	Committee remuneration- Finance and Auditing committee (F&P) in €	Committee remuneration Personnel, Nominations and Remuneration committee (PNR) in €	Committee remuneration Technology and Development committee (T&D) in €	Attendance fee in €	LTI in €	Total remuneration in €
Hans Henning Offen Chairman SB, Chairman PNR	60,000	12,000	24,000	0	12,000	46,875	154,875
Ulrich Hocker	24,000	0	12,000	0	6,400	18,750	61,150
Prof. Dr. Edgar Ernst Chairman F&A	24,000	24,000	0	0	8,000	18,750	74,750
Prof. Dr.-Ing. Raimund Klinkner member SB since 18 April 2012 Chairman T&D as of 18 May 2012	16,918	0	0	14,951	4,000	13,217	49,086
Dr.-Ing. Jürgen Harnisch member SB until 15 March 2012 Chairman T&D until 15 March 2012	4,918	0	0	4,918	1,600	3,842	15,278
Dr.-Ing. Masahiko Mori	24,000	12,000	0	0	5,600	18,750	60,350
Prof. Dr.-Ing. Walter Kunerth deputy Chairman T&D	24,000	0	0	18,000	5,600	18,750	66,350
Mario Krainhöfner *	24,000	12,000	12,000	0	9,600	18,750	76,350
Oliver Grabe *	24,000	0	0	12,000	5,600	18,750	60,350
Dr. Constanze Kurz * deputy Chairman PNV	24,000	0	18,000	0	4,800	18,750	65,550
Norbert Zweng deputy Chairman F&A	24,000	18,000	0	0	8,000	18,750	68,750
Günther-Johann Schachner * deputy Chairman SB	36,000	12,000	0	0	8,000	28,125	84,125
Matthias Pfuhl *	24,000	0	0	12,000	5,600	18,750	60,350
Total	333,836	90,000	66,000	61,869	84,800	260,809	897,314

* These employee representatives pay the majority of their remuneration for Supervisory Board work to Hans-Böckler-Stiftung, Düsseldorf.

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For financial year 2012, the total remuneration of the Supervisory Board was € 897,314 (previous year: € 667,852).

Remuneration of the Executive Board of GILDEMEISTER Aktiengesellschaft

The remuneration of the Executive Board is discussed and decided by the plenary meeting of the Supervisory Board.

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 members of the Executive Board of GILDEMEISTER Aktiengesellschaft contains fixed and variable components. The variable components comprise a short-term incentive (STI), an individual and performance-based remuneration, and a long-term incentive (LTI). All variable components are designed in such a way that they represent a clear incentive for the Executive 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 or her personal performance, the performance of the Executive Board, the business situation, and the success and future prospects of the company within the framework of its comparative environment.

Direct remuneration of the members of the Executive Board amounted to € 9,005 k (previous year: € 7,644 k). Of this, € 2,410 k was allocated to the fixed remuneration (previous year: € 1,848 k), € 4,500 k to the STI (previous year: € 3,515 k) and € 1,000 k to the individual performance remuneration (previous year: € 900 k). The amount paid out as LTI totalled € 955 k (previous year: € 816 k). Benefits in kind accounted for € 140 k (previous year: € 115 k).

In 2012 the direct remuneration of the Executive Board broke down as follows

EXECUTIVE BOARD DIRECT REMUNERATION						
	Fixed € k	STI € k	LTI € k	Performance remuneration € k	Payments in kind € k	Total € k
Dr. Rüdiger Kapitza, Chairman	800	1,350	409	300	42	2,901
Dr. Thorsten Schmidt, deputy Chairman	500	900	273	200	30	1,903
Günter Bachmann	450	900	273	200	34	1,857
Kathrin Dahnke	390	900	–	200	21	1,511
Christian Thönes	270	450	–	100	13	833
Total	2,410	4,500	955	1,000	140	9,005

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

The STI is based on targets relating to key figures. In the reporting year the earnings after taxes (EAT) provided the reference value used. The target figures are on a sliding scale and are re-defined annually. In addition, the STI includes a ceiling limit (CAP) in an amount of € 900 k for 2012 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 fall 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 with respect to the EAT of the company with the performance of the GILDEMEISTER share. 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. Should the EAT of the allocation year be less than the EBIT minimum figure to be set for every new award of a tranche, the LTI will not be paid.

The LTI involves a performance units plan, which does not include any dividend payments or voting rights. In addition, the units may not be traded or sold to third parties. The tranches awarded at the beginning of each year have a term of three years, respectively four years since 2009. The LTI tranche 2009-2012, which was allocated on 31 December 2012 and will be paid out in 2013, results in a payment totalling € 955 k.

With respect to the provisions of the German Act on the Appropriateness of Management Board Remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung – VorstAG) in 2009 the Supervisory Board passed a resolution extending the term of a tranche from three to four years and specifying the EAT (earnings after taxes) as the success factor. In order to continue the incentive effect of the LTI, in 2009 an additional tranche with a period of four years was awarded to each Executive Board member. This tranche was allocated in 2012 and will be payable in 2013.

The tranches awarded for financial year 2012 will be allocated on 31 December 2015 and will be paid out in 2016, taking into account the average EAT (earnings after taxes) achieved of the last four years and the respective share price. The following table presents the number of the performance units awarded in the years 2009, 2010, 2011 and 2012, as well as the fair value of the LTI at the date it was granted to each Executive Board member.

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TRANCHES OF THE LONG TERM INCENTIVE	tranche 2009 4-year term			tranche 2010 4-year term		tranche 2011 4-year term		tranche 2012 4-year term	
	Number of performance units awarded UNITS	Fair Value when awarded € K	Allocation amount for 2012 € K	Number of performance units awarded UNITS	Fair Value when awarded € K	Number of performance units awarded UNITS	Fair value when awarded € K	Number of performance units awarded UNITS	Fair value when awarded € K
Dr. Rüdiger Kapitza, Chairman	20,790	141	409	37,879	559	26,858	262	22,422	248
Dr. Thorsten Schmidt, deputy Chairman	13,860	94	273	25,253	372	17,905	175	14,948	165
Günter Bachmann	13,860	94	273	25,253	372	17,905	175	14,948	165
Kathrin Dahnke	–	–	–	13,889	205	17,905	175	14,948	165
Christian Thönes	–	–	–	–	–	–	–	7,474	83
Total	48,510	329	955	102,274	1,508	80,573	787	74,740	826

The individual performance remuneration takes account of the level of success of the individual members of the Executive Board in reaching their individually set goals. Both the STI and the LTI, as well as the individual performance remuneration, are variable, which means they are not a secure remuneration.

Remuneration in kind arises mainly from the value to be assessed in accordance with applicable tax regulations for the use of company cars 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 mainly implemented through a defined contribution 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		325
Dr. Thorsten Schmidt, deputy Chairman		120
Günter Bachmann		277
Kathrin Dahnke		50
Christian Thönes		50
Gesamt		822

In financial year 2012, provision expenses arose for the defined-benefit award of € 325 K (previous year: € 268 K), whereby the entire sum of provisions was € 5,239 K. 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 € 497 K (previous year: € 350 K). On the basis of the German Accounting Law

Modernization Act (BilMoG – Bilanzrechtsmodernisierungsgesetz) a distribution amount results for the defined benefit commitment of € 79 κ (previous year: € 79 κ). The entire provisions expense for the financial year just ended amounted to € 822 κ (previous year: € 1,235 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 officers for services personally rendered, in particular consulting and introduction services. Former members of the Executive Board and their surviving dependants were paid € 588 κ in pensions (previous year: € 605 κ). The amount of pension obligations (present value of defined benefit obligation) for former members of the Executive Board and their surviving dependants amounted to € 6,361 κ (previous year: € 6,212 κ).

Directors' Dealings

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Supervisory Board and of the Executive Board, or other persons subject to reporting requirements, must disclose any purchase or disposal of shares, as well as any related rights of purchase or disposal, such as options or rights that are directly dependent upon the quoted share price of the company. In the reporting year there were no notifications of directors' dealings.

Mori Seiki Co. Ltd. (Nagoya), which is managed by a member of the Supervisory Board, holds a share of 20.1% of the total number of shares. The remaining members of the Supervisory Board together hold less than 1% of the total shares issued. The Executive Board member Christian Thönes owns 1,080 GILDEMEISTER shares. No other member of the Executive Board owns any GILDEMEISTER shares

Opportunities and Risk Management Report

GILDEMEISTER Aktiengesellschaft is integrated in the opportunities and risk management of the GILDEMEISTER group. 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 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.

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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. On this basis we measure, assess and check all sales and service activities and other activities for effectiveness and cost-efficiency. This allows us to draw up short-term and medium-term forecasts on expected customer orders per machine type and sales region.

As the holding company, GILDEMEISTER Aktiengesellschaft shares in the opportunities of its subsidiaries. These are described in detail in the group management report. If the subsidiaries are able to make use of their opportunities, this has a positive effect on income from financial assets and thus on the earnings 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 areas are identified in this way every quarter and the risk potential that is determined as a result is analysed and evaluated using quantitative measures. In doing so, measures to reduce risks will be taken into account and any risks that jeopardize the company as a going concern are reported immediately outside the regular reporting schedule.

The accounting-related internal control system is part of the entire internal control system (IKS) of GILDEMEISTER Aktiengesellschaft, which is embedded in the group-wide risk management system. It comprises organisational, control and monitoring structures to ensure the legally compliant collection, preparation and assessment of business facts and their subsequent inclusion in the annual financial statements. The analyses carried out by the risk management contribute to identifying risks with an impact on financial reporting and to initiate measures to minimise risks. The accounting-related internal control system includes principles, procedures and measures to ensure the correctness of the financial accounting. In this respect we analyse new laws, accounting standards and other communiques with respect to their effect on the annual financial statements. Throughout the group, we have codified relevant regulations in guidelines, such as those in the accounting handbook. These guidelines, together with the financial statement calendar valid throughout the group, form the basis of the financial statements preparation process. Local regulations also exist, which each have to be harmonised with the group financial accounting. This also includes compliance with the German Commercial Code (HGB) accounting regulations. As required, GILDEMEISTER Aktiengesellschaft avails itself of external service providers, for example for measuring pension obligations. The

employees entrusted with preparing the financial reports undergo regular training. The control system covers both preventive as well as discovery control activities, which include plausibility checks, separation of functions and the “four-eyes” principle (dual control). Additionally, the analyses conducted by risk management contribute to identifying risks with an impact on financial reporting and to introducing measures to minimise such risks. The effectiveness of the system is checked on the basis of self-assessments.

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 until 2016, and a factoring programme. At the present time, an interest rate hedge exists with a term until 2013, respectively 2015. GILDEMEISTER’s liquidity is sufficiently assessed. 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 € 9 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 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 downwards adjustment at the reporting date. In the event that the planned results are not achieved, adjustment to the lower fair value may be required. The current existing budget overview gives no reason for impairment in 2012. Insofar as deferred tax assets on loss carry forwards or Interest carry forwards are not impaired, it is assumed in the planning period that this potential tax reduction can be used against taxable income. We assume that the tax and social insurance declarations we submit are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. Overall, we have assessed any possible losses arising out of tax risks at € 8 million with a low probability of occurrence.

We consider the risks to be manageable and do not consider them to jeopardize the continued existence of GILDEMEISTER Aktiengesellschaft as a going concern. Nevertheless, in comparison with the previous year, risks have risen slightly overall.

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Disclosures required by Section 289(4) German Commercial Code (HGB) as amended by the Takeover Directive Implementation Act (Übernehmerichtlinie-Umsetzungsgesetz)

As to Section 289(4)(1) German Commercial Code (HGB)

The registered capital of GILDEMEISTER Aktiengesellschaft amounts to € 156,437,431.80. It is divided into 60,168,243 no par value shares with a theoretical par value of € 2.60 per share.

As to Section 289(4)(2) German Commercial Code (HGB)

Mori Seiki Co. Ltd. has undertaken not to exercise its voting right at the annual general meeting insofar as this would result in Mori Seiki Co. Ltd. exercising a majority vote at the annual general meeting.

As to Section 289(4)(3) German Commercial Code (HGB)

Mori Seiki Co. Ltd. holds 20.1% of the voting rights.

As to Section 289(4)(6) German Commercial Code (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, Article 7(2) of the articles of association of GILDEMEISTER Aktiengesellschaft as amended in May 2012 sets out that 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 Stock Corporation Act (AktG) in conjunction with Article 15(4) of the articles of association.

As to Section 289(4)(7) German Commercial Code (HGB)

The Executive Board is authorised, according to section 5(3) of the articles of association, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 78,218,714.60 during the period until 17 May 2017 through the issue of up to 30,084,121 new no par value bearer shares for contributions in cash and / or in kind (authorised capital). At the same time the Executive Board is authorised to issue shares under exclusion of pre-emptive rights to a value of € 5,000,000.00 to employees of the company and of companies affiliated with the company

Moreover, by resolution of the Annual General Meeting of 18 May 2012, the company is authorised to purchase its own shares up to a pro rata amount of just under 10% of the registered capital, which corresponds to € 15,643,743.18. In the period from 26 August 2011 to 31 December 2011, the company made use of the authorisation existing at that time as to 3% (1,805,048 shares) so that the current authorisation is effectively limited to about 7% (4,211,776 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 a seller in return for the acquisition of companies or interests in other companies.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' statutory pre-emptive rights in certain cases that are stipulated in the articles of association (authorised capital) or in clearly defined cases in the authorisation resolution of the Annual General Meeting (own shares) on the use of own shares.

Moreover there has been a contingent increase in the registered capital pursuant to Article 5(4) of the Articles of Association of up to a further € 37,500,000 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 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 15 May 2009, are exercised or any conversion obligation or obligation to exercise an option is fulfilled.

As to Section 289 (4)(8) German Commercial Code (HGB)

As material agreements that are subject to a change of control condition in the event of a takeover, the syndicated loan agreement of € 450,000,000 of GILDEMEISTER Aktiengesellschaft must be stated. 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 facilities want to give notice. An individual right to terminate of the banks only exists if more than 50% of the shares are taken over.

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

As at December 31, 2012, the registered capital of the company amounts to € 156.437.431,80 and is divided into 60,168,243 no par value bearer shares. Each share has a voting right and is the determining factor for participation in the profits. The company may not exercise the voting right of its own shares and may not participate pro rata in the profits.

The company is managed by the Executive Board and is represented by the Executive Board vis-à-vis 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 German Stock Corporation Act (AktG).

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

The change of control conditions comply with 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.

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Supplementary Report

In the Supervisory Board meeting of 12 March 2013 the Supervisory Board appointed Dr. Maurice Eschweiler as deputy member of the Executive Board of GILDEMEISTER Aktiengesellschaft effective as of 1 April 2013. He will be responsible for the newly established department Industrial Services.

Forecast Report

Although the earnings position of GILDEMEISTER Aktiengesellschaft differs from that of the group in terms of level and structure, nevertheless it is significantly affected by the group results. Therefore in the following, the group forecast will initially be detailed.

For the current year the Institut für Weltwirtschaft (IfW – Kiel Institute for the World Economy) is forecasting growth in the global gross domestic product of 3.4%; for 2014, it is assuming a gain of 3.9%. The German Machine Tool Builders' Association (VDW) expects consumption worldwide to rise by 7.6%; a slight increase of 0.2% is forecast for Germany. We consider the VDW forecasts to be too high at the current moment in time; in addition, we assume that individual markets will differ even more strongly in their development.

GILDEMEISTER intends to expand its global market presence, especially in the fast-growing markets of China and Russia. Extending the sales and service cooperation with Mori Seiki onto these markets will play a central role in this. With production sites in the major markets, we intend to reinforce our local presence. With production sites in important markets we want to strengthen our local presence. The consistent strengthening of our innovative capacity forms the basis for building upon our international leading market position as a manufacturer of cutting machine tools. By constantly remaining service-oriented, we create the basis for strengthening our profitability and thus the future security of the company. In the energy solutions division GILDEMEISTER will focus even more strongly on products and services to optimise the energy management of industrial customers; a new element in this will be the offer of an energy efficiency advisory service for industrial customers.

Future sales markets with growth potential, we believe, are to be found primarily in the growth markets of Russia and China but also in the USA, where a trend towards re-industrialisation is becoming apparent. The VDW's current forecast expects a rate of growth of 9.5% for the BRIC countries (share in world consumption about 45%) and for the USA growth of 7.6% (share in global consumption about 10%) in 2013. To share in this growth, with the aid of our centres of expertise we will focus specifically on growing industries such as aerospace, automotive, medical technology and renewable energies. For financial year 2013 we expect an increasingly volatile economic environment.

With our growing global presence we are primarily planning for growth in the “Industrial Services” segment. A prolonged stagnation in European business could be compensated, according to our current assessment, by development in the Asian and American growth markets as well as in Russia. Expanding our production sites to growth markets should make a positive contribution to this. For the whole year we plan order intake of about € 2 billion.

Due to these expectations, and based on the sound order backlog, we are planning sales revenues in the group in 2013 of about € 2 billion. We are planning for largely stable material and personnel ratios.

Given these conditions, and on the assumption that the market continues to develop in line with our expectations, we are planning to achieve EBT in the group of about € 120 million. We anticipate positive free cash flow of more than € 75 million.

In GILDEMEISTER Aktiengesellschaft we therefore assume an overall steady development also in 2013.

The general conditions for 2014 are still difficult to predict at the current time. Should the world economy grow along the lines of the current forecasts, then we anticipate achieving moderate growth in financial year 2014. We are constantly working on making our cost structure and production processes more flexible and on being able to respond to any possible economic downturns.

Forward-looking statements

This report contains forward-looking statements, which are based on current estimates of the management of future developments. Such statements are subject to risks and uncertainties that are beyond GILDEMEISTER’s ability to control or estimate precisely, such as the future market environment and general economic conditions. Such uncertainties arise in particular for GILDEMEISTER from the following factors:

Changes in the general economic and business situation (including margin developments in the most important business divisions as well as the consequences of a recession); the risk that customers might delay or cancel orders or become insolvent or that further pressure is placed on prices due to a sustained unfavourable market environment than we currently expect; developments on the financial markets, including fluctuations in interest rates and currency exchange rates, in prices for raw materials, in borrowing and equity margins as well as in financial assets in general; increasing volatility and further decline in the capital markets; a deterioration in the general conditions for the lending business and in particular the growing uncertainty arising out of the mortgage,

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financial market and liquidity crisis as well as the future, economic performance of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other material portfolio measures; the introduction of competing products or technologies by other enterprises; a lack of acceptance of new products and services in the target customer groups of the GILDEMEISTER group; changes in business strategy; the outcome of public investigations and pending legal disputes as well as other official measures.

Should one of these or other factors of uncertainty 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, success or performance expressed in, or implied by, these statements. GILDEMEISTER neither intends to nor does GILDEMEISTER assume any separate 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.

Notes for the Financial Year 2012 of GILDEMEISTER Aktiengesellschaft

A. General Declaration

The annual financial statements of GILDEMEISTER Aktiengesellschaft for the year ending 31 December 2012 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The form of the previous year's statement, particularly the subdivision of the balance sheet and the income statement, has been retained. The income statement is drawn up according to the total cost method of accounting.

B. Accounting and Valuation Principles

The intangible assets acquired against payment and tangible fixed assets were recognised at their acquisition costs and, if applicable, reduced by amortisation and depreciation. For depreciation the straight line method was applied in accordance with the useful life expectancy.

USEFUL LIFE OF ASSETS

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

Amortisation and depreciation of additions to intangible assets and fixed assets was carried out in the year of acquisition pro rata temporis according to the straight-line method. Additions with procurement costs of € 150 to € 1,000 were combined in a compound item and were amortised and depreciated over five years. 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 building, 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 recognised in the balance sheet 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. Insofar as there are indications for impairment, receivables and other assets are measured at lower fair market value. Measurement of internal and external derivatives is made at market value. Assets that are not accessible to other creditors and may only be used to cover pension commitments or comparable long-term obligations (so-called plan assets) are recognised in the income statement at fair market value and are offset against these liabilities.

General Declaration
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Reinsurance policies for pension obligations or claims from life assurance policies under plan assets are measured at the lower of cost or market and thus at fair value within the meaning of Section 255(4)(4) German Commercial Code (HGB) corresponding to the so-called actuarial reserves of the insurance policy specified in the business plan plus any existing credit from contribution refunds (so-called irrevocable distributed profit participation). This value is also consistent with the taxable asset value.

Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term. For pension provisions or comparable long-term obligations, a flat discounting rate was applied at an average market interest rate that results upon an assumed remaining term of 15 years.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) on the basis of an interest rate for accounting purposes of 5.06% (previous year: 5.13 %). 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 measured at present value, based on an actuarial interest rate of 4.26% (previous year: 4.48%). 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 the fair values set off against provisions for partial retirement. The remaining provisions were calculated so that they allow for all identifiable risks and contingent obligations. The measurements 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 5.06% p.a. (previous year: 5.13 %).

In recording hedges for foreign currency, as of 2010 the gross hedge presentation method is used.

Liabilities are recognised at their settlement amounts. Liabilities in foreign currency are measured as of the transaction date.

C. Notes on the individual balance sheet items

Assets

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

1 INTANGIBLE ASSETS AND FIXED ASSETS The value disclosed 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 to the notes. The companies included in the “Shares in affiliated companies” item, and the corresponding information on registered office, equity, capital shares and results as of 31 December 2012 are set out in a separate summary at the end of the notes. No impairments of financial assets were carried out in the financial year.

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

- GILDEMEISTER Beteiligungen GmbH, Bielefeld
- DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld

3 RECEIVABLES AND OTHER ASSETS Receivables owed by affiliated companies of € 440,357 K (previous year: € 336,858 K) arise essentially from receivables under profit and loss transfer agreements as well as from the allocation of costs and financing. Other assets to the value of € 6,028 K (previous year: € 11,867 K) include receivables from derivatives amounting to € 2,277 K (previous year: € 6,556 K) and tax refund claims of € 3,106 K (previous year: € 4,912 K) amongst others. Receivables and other assets to the value of € 156 K (previous year: € 4,827 K) include receivables with a remaining term of more than one year. Moreover, there are receivables owed by affiliated companies of € 4,700 K with a remaining term of more than one year.

4 CASH ASSETS, BANK BALANCES The disclosure refers to credit balances with banks and the cash in hand value.

5 PREPAID EXPENSES The prepaid expenses refer to payments of € 44 K (previous year: € 47 K) before the reporting date which represent expense for the following year.

6 DEFERRED TAX ASSETS Deferred tax assets totalling € 9,019 K (previous year: € 14,589 K) arise as of 31 December 2012 from temporary differences between the financial statements and the tax accounts. The temporary differences in value at the balance sheet date consist at the provision for contingent losses, for follow-up effects from the audit at amounts receivable against subsidiaries as well as at controlled entities essentially by differences in value at the

provisions. In addition to temporary differences, the previous year's amount includes deferred tax claims for tax deductible loss carryforwards of € 2,823 κ. In determining deferred tax assets, an average tax rate of 29.4% has been taken as a basis (previous year: 29.4%).

7 EXCES OF PLAN ASSETS OVER PENSION LIABILITY

GILDEMEISTER has taken out appropriate reinsurance policies for specific pension provisions. The disclosure relates to the part that exceeds the corresponding pension obligations. The costs of acquisition of the offset assets are € 7,359 κ (previous year: € 7,198 κ). The settlement amount of the provision is € 6,188 κ (previous year: € 5,576 κ); of which € 955 κ (previous year: € 1,028 κ) pursuant to Section 67(1) Introductory Act to the Commercial Code (EGHGB – Einführungsgesetz zum Handelsgesetzbuch) have not yet been recognised as a provision as of 31 December 2012. According to the accounting of intangible assets and liabilities, earnings amounting to € 161 κ and expenses amounting to € 325 κ are also shown balanced in the personnel expenditures.

Equity and liabilities

8 EQUITY Subscribed capital

The share capital of GILDEMEISTER Aktiengesellschaft amounts to € 156,437,431.80 and is fully paid up. It is divided into 60,168,243 no par value shares with a theoretical par value of € 2.60 per share.

The following statements have essentially been taken from the articles of association of GILDEMEISTER Aktiengesellschaft (version as of May 2012).

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 78,218,714.60 during the period until 17 May 2017 through the issue of up to 30,084,121 new no par value bearer shares for contributions in cash and/or in kind (authorised capital). This authority can be exercised once or several times in partial amounts.

The new shares may be taken up by one or more banks specified by the Executive Board, with the obligation to offer them to the shareholders (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. To this extent, shareholders' statutory pre-emptive rights are excluded.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' statutory pre-emptive rights in the following events:

- a) capital increases through non-cash capital contribution so as to acquire, in appropriate instances, companies, business units or interests in companies, in return for shares,
- b) to the extent required to prevent dilution in order to grant the holders of warrants or the creditors of convertible bonds issued by the company, or a company in which it holds an investment interest, as part of an authorisation given to the Executive

- Board by the annual general meeting of shareholders, a pre-emptive 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 pre-emptive right, and
 - d) for capital increases through cash contributions, 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) Section 186(3)(4) of the German Stock Corporation Act (AktG), and the prorated amount of the share capital relating to the new shares for which pre-emptive rights have been excluded 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 term of the authorised capital with the exclusion of the shareholders' pre-emptive rights pursuant to Section 71(1)(8)(5) and Section 186(3)(4) of the German Stock Corporation 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 of 14 May 2004 with the exclusion of the pre-emptive right pursuant to Section 221(4) and Section 186(3)(4) of the German Stock Corporation Act (AktG). The Executive Board is authorised, with the approval of the Supervisory Board, to stipulate 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 serves to grant new no par value shares to holders of warrant or convertible bonds, which by virtue of the authorisation resolved by the annual general meeting of 15 May 2009 under agenda item 7 are issued by the company or by a group company controlled by the company in return for cash and to grant a conversion or warrant rights to new no par shares of the company or to create a conversion obligation.

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

The capital increase will be carried out solely to the extent that holders of warrants or conversion rights or those subject to the obligation to exercise conversion rights or warrants make use of their warrants or conversion rights or, insofar as they are obliged to exercise their conversion rights or warrants, fulfil their obligation to exercise their conversion or warrant obligations and have not used existing shares or a cash payment for performance purposes.

The new shares that are issued by virtue of the exercise of warrant or conversion rights or by performance of the conversion or warrant obligation shall participate in the profits from the start of the financial year in which they are issued.

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, 1,805,048 shares had been bought back at a par value of € 4,693,124.80. The shares purchased may be used for all purposes stated in the authorisation granted by the Annual General Meeting; in this connection, in particular, their use as payment for acquisitions is included.

Capital provision

As in the previous year, the capital reserves total € 265,570,478

Revenue provision

Statutory provision

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

Other revenue provision

Due to the transfer of € 22,400,000 of the annual profit to other revenue reserves, these reserves increased to € 171,905,815 when compared to the previous year.

Proposed appropriation of profits

The financial year 2012 of GILDEMEISTER Aktiengesellschaft closes with a profit for the year of € 44,860,877.36. It will be proposed to the annual general meeting on 17 May 2013 that following the allocation of € 22,400,000.00 to other revenue reserves and taking account of the profit carryforward from the previous year of € 2,186,895.80 the net retained profits of € 24,647,773.16 be appropriated as follows:

- to distribute € 20,427,118.25 to the shareholders by payment of a dividend of € 0.35 per share.
- to carry the remaining net retained profit of € 4,220,654.91 forward to new account

DEVELOPEMENT OF NET RETAINED PROFIT		€ K
Net retained profit at 31 Dec. 2011		16,778
Dividend distribution		14,591
Annual profit 2012		44,861
Appropriation to other revenue reserves		22,400
Net retained profit at 31 Dec. 2012		24,648

For the amount of the deferred tax assets of € 9,019,449 (previous year: € 14,588,794) pursuant to Section 268(8) German Commercial Code (HGB) there is a restriction on distribution with respect to annual earnings insofar as there are not sufficient, freely available reserves to cover the basic amount that is barred from distribution. However, as the current freely available other revenue reserves of € 171,906 K exceed the amount of the deferred tax assets of € 9,019 K, there is no restriction on distribution according to Section 268(8) HGB of the net retained profits.

9 PENSION PROVISION The measurement of pension obligations was carried out by the projected unit credit method (PUC method). The provisions amount has been determined by taking account of trend assumptions with respect to future development of entitlements or pensions as well as of fluctuation probabilities. An actuarial interest rate of 5.06% 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 arose from the calculation basis employed was taken as a basis. In principle the contractually agreed pension age was used as the age for ending the financing. Within the framework of implementing the German Accounting Law Modernisation Act (BilMoG) as of 1 January 2010, GILDEMEISTER exercised the option under Art. 67(1)(1) of the Introductory Act on the German Commercial Code (EGHGB). Art. 67(1)(1) EGHGB contains the option to accumulate at least a fifteenth of the allocations to provisions determined on the basis of the revised measurement of current pensions and vested pensions rights at the latest by 31 December 2024 in each financial year. The total allocation determined as of 1 January 2010 was € 3,228 K. Of this, as in the previous year, in financial year 2012 one-fifteenth (€ 212 K) (previous year: € 212 K) was recognised as an expense and recognised under extraordinary expense. A difference remains of € 2,542 K for subsequent years.

10 PROVISIONS FOR TAXES Tax provisions include liabilities for corporation tax and trade tax of € 12,499 K (previous year: € 2,805 K).

Notes on the individual balance sheet items

11 OTHER PROVISIONS Other provisions include anticipated bonus payments of € 10,555 (previous year: € 7,320 K) and a provision for anticipated losses of € 9,054 K (previous year: € 13,769 K) from the ineffectiveness of interest rate hedging instruments (interest rate swaps). Furthermore, these include expense for other employee expenses of € 2,656 K (previous year: € 3,868 K), of these severance payments accounted for € 1,630 K (previous year: € 2.810 K). Additionally, other provisions include expense for legal, advisory and annual financial statement costs of € 1,621 K (previous year: € 1,753 K), provisions for Supervisory Board members' remuneration of € 897 K (previous year: € 664 K) and other provisions of € 70 K (previous year: 973 K).

12 LIABILITIES

	Statement of financial position as of 31.12.2012 € 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	Statement of financial position as of 31.12.2011 € K
1. Bank loans and overdrafts ¹⁾	564	88	404	72	655
2. Trade payables	3,527	3,527	0	0	2,645
3. Liabilities to affiliated companies	367,556	367,556	0	0	271,077
4. Other liabilities ²⁾	7,636	7,636	0	0	9,864
	379,283	378,807	404	72	284,241
Outstanding in each maturity period at 31 Dec. 2011		283,677	383	181	284,241

1) of which secured by mortgages: € 564 K (previous year: € 647 K)
2) of which from taxes: € 4,101 K (previous year: € 2,828 K), of which social security contributions: € 0 K (previous year: € 0 K) of which accrued interest payments: € 1,020 K (previous year: € 164 K)

Liabilities to banks decreased in comparison with the previous year by a total of € 91 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. Our syndicated credit facility with a volume totalling € 450.0 million has a term until 2016. It comprises a cash tranche of € 200.0 million and an aval tranche of more than € 250.0 million. The 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 € 564 K (previous year: € 647 K).

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

For the refinancing the lending banks have completely waived the collateral requirement for the syndicated credit facility. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen GmbH, a+f GmbH, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z.o.o. and GILDEMEISTER Italiana S.p.A. are guarantors for the loan agreement.

**13 CONTINGENCIES AND OTHER
FINANCIAL OBLIGATIONS**

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

CONTINGENCIES	Status	Status
	31.12.2012	31.12.2011
	€ K	€ K
Guarantees	399,797	478,383
Warranties	73,992	67,065
	473,789	545,448
OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE		
within 1 year	337	371
within 1 to 5 years	243	447
after 5 years	0	0
	580	818

The guarantees of GILDEMEISTER Aktiengesellschaft include maximum-amount guarantees for affiliated companies of € 24,391 K (previous year: € 94,301 K) and payment sureties of € 78,574 K (previous year: € 137,706 K). The corresponding bank liabilities are value-dated as of 31 December 2012 at € 7,565 K (previous year: € 21.684 K). GILDEMEISTER Aktiengesellschaft was jointly and severally liable for liabilities of € 154,095 K (previous year: € 135,295 K) as of the balance sheet date.

An amount of € 7.442 K (previous year: € 3,955 K) was given as prepayment guarantees to customers of several group companies.

GILDEMEISTER Aktiengesellschaft also has a guarantee line, which can be used to guarantee advance payment and warranties of domestic and foreign subsidiaries with secondary liability of GILDEMEISTER Aktiengesellschaft. As of 31 December 2012 the amount availed of was € 109,343 K (previous year: € 102,826 K).

Moreover, GILDEMEISTER Aktiengesellschaft has issued comfort letters for DMG Europe Holding GmbH, Sauer GmbH, a+f GmbH, DMG Mori Seiki Benelux B.V., DMG MORI SEIKI Malaysia SDN BHD, DMG Asia pte, FAMOT Pleszew Sp.z.o.o and DMG Mori Seiki Benelux b.v.b.a. totalling € 19,754 K. The liabilities in this respect were valued at € 1,766 K as at 31 December 2012.

The probability of any imminent claim by the beneficiaries based on previous experience is considered to be very slight in our estimation.

Notes on the individual balance sheet items

14 DERIVATIVE FINANCIAL INSTRUMENTS The notional amount and fair market values of derivative financial instruments existing at the balance sheet date are set out below:

	Nominal volume		Fair value	
	31.12.2012 € K	31.12.2011 € K	31.12.2012 € K	31.12.2011 € K
Forward foreign exchange contracts	188,574	250,359	- 214	- 284
Interest rate swaps	200,000	200,000	- 9,871	- 13,769
	388,574	450,359	- 10,085	- 14,053

The notional amount corresponds to the total of all absolute sale and purchase amounts of derivative financial transactions. The fair market values disclosed 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 foreign exchange contracts are balanced at € -214 K (previous year: € -284 K) and comprise positive market values of € 2,277 K (previous year: € 6,557 K) and negative market values of € 2,491 K (previous year: € 6,841 K). If the preconditions exist, the forward foreign exchange contracts are combined in hedges per currency.

GILDEMEISTER Aktiengesellschaft enters into intragroup forward foreign exchange transactions with the group companies to the value of anticipated cash flows from order intake as well as receivables in foreign currency from loans to group companies. The terms of these operations usually is shorter than one year. The anticipated cash flows are hedged externally with financial institutes.

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

The forward foreign exchange contracts concluded show a residual term of up to two years as of the balance sheet date and serve to hedge foreign currency receivables from group companies in USD, CAD, SGD, JPY and GBP. Interest rate swaps for a nominal volume totalling € 140,000 K were concluded at a hedged interest rate of 4.98% up to 5.02% with a term until 29 May 2013. The interest rate swaps bind GILDEMEISTER to pay a fixed interest rate over the term on the volume concluded. In return, GILDEMEISTER receives payment at the 6-month EURIBOR rate from the counterparty to the interest rate swap. In addition, GILDEMEISTER has concluded an additional interest rate swap for a nominal volume of € 60,000 K and a fixed interest rate of 4.79% with a term until 29 May 2015. As

of 31 December 2012, the market value (dirty fair value) was € 9,871 κ. Of these € 9.054 κ (clean fair value) are recognised in other provisions and in other liabilities € 817 κ (deferred interest) are recognised.

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

No.	Risk	Underlying transaction		Hedging instrument				
		Type of underlying transaction	Nominal amount (balanced) in € MILLION	Hedge ratio in %	Type of hedge instrument	Nominal amount (balanced) in € MILLION	Type of hedge	Accounting method
1	Currency risk (USD, GBP, CAD, SGD, JPY)	Internal forward foreign exchange contracts (mapping of order intake and supplier payables at subsidiaries)	65.4	93.9	external forward foreign exchange contracts	61.4	Portfolio hedge	Gross hedge presentation method
2	Currency risk (USD, GBP, JPY, SGD, CHF, DKK, SEK, PLN)	Internal foreign currency loans	29.9	99.0	external forward foreign exchange contracts	29.5	Portfolio hedge	Gross hedge presentation method

Due to the conformity of significant features of a hedge transaction, the changes in value or cash flows largely offset each other. 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 test effectiveness, the dollar offset method is used.

15 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

In financial year 2012, GILDEMEISTER Aktiengesellschaft only concluded transactions at customary market conditions with related companies and persons

D. Notes to individual items in the Income Statement

16 SALES REVENUES

Sales revenues of € 13,773 κ (previous year: € 11,427 κ) essentially involve sales arising from the group-wide holding functions.

17 OTHER OPERATING INCOME

Other operating income of € 14,864 κ (previous year: € 15,119 κ) includes largely foreign exchange and currency gains of € 8,599 κ (previous year: € 9,628 κ) as well as income from cost allocations and cost refunds of € 4,210 κ (previous year: € 3,665 κ). In addition, income is included from the reversal of provisions of € 1,360 κ (previous year: € 1,438 κ).

18 EMPLOYEE EXPENSES For financial year 2012, the employee pension plan expense totalled € 1,170 κ (previous year: € 2,059 κ). Direct remuneration of the members of the Executive Board was € 9,005 κ (previous year: € 7,644 κ). Of this, € 2,410 κ was allocated to the fixed remuneration (previous year: € 1,848 κ), € 955 κ (previous year € 816 κ) to the LTI and € 4,500 κ to the STI (previous year: € 3,515 κ). The STI thus takes account of the target achievement of the Executive Board. As individual performance remuneration € 1,000 κ (previous year: € 900 κ) was awarded. Benefits in kind accounted for € 140 κ (previous year: € 115 κ).

Former members of the Executive Board and their surviving dependants received € 588 κ (previous year: € 605 κ) in pensions. Pension provisions have been set up for former members of the Executive Board and their surviving dependants of € 6,361 κ (previous year: € 6,212 κ).

Advances and loans to members of governing bodies were not granted No liability arrangements were entered into in favour of any members of governing bodies (Section 285(9c) HGB)

In comparison with the previous year, the average number of employees has changed as follows:

	2012	2011
Wage and salary earners	74	68

19 OTHER OPERATING EXPENSES Other operating expenses result from expense for external services of € 5,487 κ (previous year: € 3,530 κ), expenses for legal and consultancy fees and costs for the preparation of the annual accounts of € 4,956 κ (previous year: € 3,000 κ), investor and public relations expenses of € 2,491 κ (previous year: € 3,143 κ), travel and entertaining expenses of € 2,331 κ (previous year: € 1,526 κ), insurance contributions of € 1,540 κ (previous year: € 1,518 κ), and rental and lease expenses of € 783 κ (previous year: € 633 κ). Exchange and currency losses of € 7,845 κ (previous year: € 10,995 κ) were set off against exchange and currency gains of € 8,599 κ (previous year: € 9,628 κ). Other operating expenses include expenses unrelated to the accounting period of € 53 κ (previous year: € 0 κ).

Auditor's fees and services

In the financial year 2012, the fees of the auditor of the financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, were recognised as expense of € 333 κ (previous year: € 279 κ) and include the fees and expenses for the statutory audit of the annual and consolidated financial statements. In addition, for other assurance or assessment services € 3 κ (previous year: € 375 κ) and other services of € 1,041 κ (previous year: € 389 κ) were recognised in expense. Of this € 267 κ (previous year: € 0 κ) were allocated to tax consulting fees.

Remuneration of the Supervisory Board

In the financial year 2012, € 897 κ (previous year: € 668 κ) were allocated to provisions for Supervisory Board members' remuneration. Further details of the remuneration of the Supervisory Board are given in the Group Management Report.

20 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS	GILDEMEISTER Aktiengesellschaft achieved income from profit and loss transfer agreements of € 91,161 κ (previous year: € 63,766 κ) from GILDEMEISTER Beteiligungen GmbH and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.
21 INCOME FROM EQUITY INVESTMENTS	The income from equity investments of € 1,181 κ (previous year: € 959 κ) relates to the dividend distribution of Mori Seiki Co. Ltd.,
22 OTHER INTEREST RECEIVABLE AND SIMILAR INCOME	In the reporting period affiliated companies were charge interest to the value of € 23,603 κ (previous year: € 29,359 κ).
23 INTEREST AND SIMILAR INCOME	The interest expense of € 17,866 κ (previous year: € 32,313 κ) includes interest of € 13,153 κ (previous year: € 7,000 κ), which has been charged by affiliated companies as well as an interest expense from pension provisions of € 679 κ (previous year: € 825 κ). The remainder of the interest expenses is essentially interest on liabilities to banks.
24 EXTRAORDINARY RESULTS	The extraordinary expense originates from adjustments to comply with the German Accounting Law Modernisation Act (BilMoG). In extraordinary expenses of € 212 κ (previous year: € 212 κ) the amount recognised in expenses in the financial year for allocations to pension reserves due to measurement adjustments in accordance with the BilMoG is disclosed. We refer to our explanatory notes in Section (9) Provisions.
25 TAX ON INCOME AND EARNINGS	Taxes on income and earnings includes expenses unrelated to the accounting period in an amount of € 1,756 κ (previous year: € -7,488 κ) as well as tax expense of € 22,806 κ (previous year: € 2,408 κ). Moreover, € 5,569 κ deferred taxes are included.
26 STATUTORY COMPANY STATE- MENT PURSUANT TO SECTION 26 WPHG	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 12 March 2012 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60,

33689 Bielefeld, Germany, fell below the threshold of 3% on 9 March 2012 and as of that date amounts to 0% (0 voting rights).

BlackRock, Inc., New York (NY), USA, informed us pursuant to Section 21(1) WPHG by letter of 1 October 2012 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstraße 60, 33689 Bielefeld, Germany, on 25 September 2012 had exceeded the threshold of 3% and amounted to 3.08% (1,853,099 shares). The attribution of the voting rights takes place pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WPHG.

BlackRock Holdco 2, Inc., Wilmington (DE), USA, informed us pursuant to Section 21(1) WPHG by letter of 1 October 2012 that its share of the voting rights in our company as of 25 September 2012 had exceeded the threshold of 3% and amounted to 3.08% (1,852,135 shares). The attribution of the voting rights takes place pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WPHG.

BlackRock Financial Management, Inc., New York (NY), USA; informed us pursuant to Section 21(1) WPHG by letter of 1 October 2012 that its share of the voting rights in our company as of 25 September 2012 had exceeded the threshold of 3% and amounted to 3.08% (1,852,135 shares). The attribution of the voting rights takes place pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WPHG.

BlackRock Inc., New York (NY), USA; informed us pursuant to Section 21(1) WPHG by letter of 6 December 2012 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstraße 60, 33689 Bielefeld, Germany, as of 30 November 2012 fell below the threshold of 3% and amounted to 2.995% (1,802,176 shares). These voting rights are attributable to the company pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WPHG.

BlackRock Holdco 2, Inc., Wilmington (DE), USA, informed us pursuant to Section 21(1) WPHG by letter of 6 December 2012 that its share of the voting rights in our company as of 30 November 2012 fell below the threshold of 3% and amounted to 2.99% (1,801,212 shares). These voting rights are attributable to the company pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WPHG.

BlackRock Financial Management, Inc., New York (NY), USA; informed us pursuant to Section 21(1) WPHG by letter of 6 December 2012 that its share of the voting rights in our company as of 30 November 2012 fell below the threshold of 3% and amounted to 2.99% (1,801,212 shares). These voting rights are attributable to the company pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WPHG.

**27 DECLARATION OF CONFORMITY
WITH THE CORPORATE GOVERNANCE
CODE OF PRACTICE**

The declaration of conformity in accordance with Section 161 of the German Companies Act (AktG) was issued in November 2012 and has been made permanently accessible on our website at www.gildemeister.com – as well as the declaration of conformity – of the previous years.

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,

- * Schwarz Beteiligungs GmbH, Neckarsulm, member of the Advisory Board
- * Schwarz Unternehmenstreuhand KG, Neckarsulm, extraordinary member of the Advisory Board

Günther-Johann Schachner,

Peiting, born 1952, Deputy Chairman, 1st Secretary of the IG Metall Headquarters, Weilheim

Prof. Dr. Edgar Ernst,

Bonn, born 1952, President of Deutsche Prüfstelle für Rechnungslegung DPR,

- Deutsche Postbank AG, Bonn, member of the Supervisory Board
- Österreichische Post AG, Wien, member of the Supervisory Board
- TUI AG, Hannover, member of the Supervisory Board
- Wincor Nixdorf AG, Paderborn, member of the Supervisory Board

Oliver Grabe,

Bielefeld, born 1964, Production controller, member of the Works Council a GILDEMEISTER Drehmaschinen GmbH, Bielefeld, member of the Group Works Council at GILDEMEISTER Aktiengesellschaft, Bielefeld

Dr.-Ing. Jürgen Harnisch,

Mülheim an der Ruhr, born 1942, member of the Supervisory Board until 13 March 2012, 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, Mitglieds des Aufsichtsrates

Ulrich Hocker,

Düsseldorf, born 1950, General Manager of Deutsche Schutzvereinigung für Wertpapierbesitz e. V.,

- Deutsche Telekom AG, Bonn, member of the Supervisory Board, until 24 May 2012,
- E.ON AG, Düsseldorf, member of the Supervisory Board, until 15 Nov. 2012,
- FERI Finance AG, Bad Homburg, Deputy Chairman of the Supervisory Board
- * Phoenix Mecano AG, Kloten, Schweiz, President of the Administrative Board

Prof. Dr.-Ing. Raimund Klinkner,

Gräfelfing, born 1965, since 18 April 2012, Managing partner, INSTITUTE FOR MANUFACTURING EXCELLENCE GmbH,

- * Terex Corporation, Westport Connecticut, USA, member of the Board of Directors,

Mario Krainhöfner,

Pfronten, born 1964
Chairman of the Group Works Council at GILDEMEISTER AG, Chairman of the Works Council at DECKEL MAHO Pfronten GmbH

Executive Board

Dr. Constanze Kurz,
Frankfurt am Main, born 1961,
Political Secretary of the Executive Committee
of IG Metall, Corporate and Industry 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, born 1961,
President of 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

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

Dipl.-Kfm. Dr. Thorsten Schmidt,
Bielefeld,
Deputy Chairman since 23.11.2012

Dipl.-Ing. Günter Bachmann,
Wutha-Farnroda

Dipl.-Kffr. Kathrin Dahnke,
Bielefeld

Dipl.-Kfm. Christian Thönes,
Bielefeld

Affiliated Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity ¹⁾	€ K	Participation quota in %	Earnings of
					Financial Year 2012 ¹⁾
					€ K
GILDEMEISTER Beteiligungen GmbH, Bielefeld ^{2/5)}			240,416	100.0	
DECKEL MAHO Pfronten GmbH, Pfronten ^{4/6/7)}			47,922	100.0	
SAUER GmbH, Stipshausen / Idar-Oberstein ^{4/8/9)}			7,455	100.0	
Alpenhotel Krone GmbH & Co., Pfronten ^{4/8)}			73	100.0	
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten ^{4/8)}			27	100.0	
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China ⁶⁾	CNY K	78,933	9,602	100.0	-11,355
FAMOT Pleszew Sp. z o.o., Pleszew, Poland ⁶⁾	PLN K	158,343	38,867	100.0	11,543
GILDEMEISTER Drehmaschinen GmbH, Bielefeld ^{4/6/7)}			15,750	100.0	
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy ⁶⁾			63,739	100.0	-16,847
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy ³⁾			38,259	100.0	-7,558
GRAZIANO Tortona S.r.l., Tortona, Italy ³⁾			18,648	100.0	4,555
DMG Service Drehen Italia S.r.l., Brembate di Sopra (Bergamo), Italy ³⁾			580	100.0	245
DMG Italia S.r.l., Brembate di Sopra, Italy ³⁾			14,104	100.0	9,338
a+f Italia S.r.l., Milan, Italy ³⁾			817	100.0	-3,626
MASSERIA MARAMONTI S.r.l., Milan, Italy ¹⁸⁾			12	100.0	1
Agridaunia S.r.l., Milan, Italy ¹⁸⁾			11	100.0	
Capitanata Rurale S.r.l., Milan, Italy ¹⁸⁾			11	100.0	
La Daunia Gialla S.r.l., Milan, Italy ¹⁸⁾			11	100.0	
La Terra del Sole S.r.l., Milan, Italy ¹⁸⁾			12	100.0	
Terra Mia S.r.l., Milan, Italy ¹⁸⁾			11	100.0	
Energia Solare S.r.l., Milan, Italy ¹⁸⁾			13	100.0	2
Le Fonti Rinnovabili S.r.l., Milan, Italy ¹⁸⁾			12	100.0	2
Solar Energy S.r.l., Milan, Italy ¹⁸⁾			11	100.0	
DECKEL MAHO Seebach GmbH, Seebach ^{4/6/7)}			30,363	100.0	
DMG Automation GmbH, Hüfingen ^{4/5/6/7)}			1,486	100.0	
DMG Electronics GmbH, Pfronten ^{4/6/7)}			500	100.0	
DMG Spare Parts GmbH, Geretsried ^{4/5/6/7)}			19,000	100.0	
Ulyanovsk Machine Tools ooo, Ulyanovsk, Russia ⁶⁾	RUB K	-868	-22	100.0	-121
MITIS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld ⁴⁾			2	100.0	20
MITIS Grundstücks-Vermietungs Gesellschaft mbH, Bielefeld ⁴⁾			83	100.0	13

Affiliated Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity ¹⁾	€ K	Participation quota in %	Earnings of
					Financial Year 2012 ¹⁾
					€ K
DMG Vertriebs und Service GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld ^{2/4/5)}			152,663	100.0	
a+f GmbH, Würzburg ^{4/5/10/11)}			52,100	100.0	
Cellstrom GmbH, Wien, Austria ¹⁷⁾			1,291	100.0	-4,570
AF Sun Carrier Iberica s.L., Madrid, Spain ¹⁷⁾			26	100.0	-158
Green Energy Babice s.r.o., Babice, Czech Republic ¹⁷⁾	T CZK	-22,543	-896	100.0	75
Karina Solar S.r.l., Milan, Italy ¹⁷⁾			168	100.0	133
Leonie Solar S.r.l., Milan, Italy ¹⁷⁾			189	100.0	149
Simon Solar, S.r.l., Milan, Italy ¹⁷⁾			684	100.0	618
Vincent Solar S.r.l., Milan, Italy ¹⁷⁾			106	100.0	75
Rena Energy S.r.l., Milan, Italy ¹⁷⁾			582	100.0	337
Winch Puglia Foggia S.r.l., Milan, Italy ¹⁷⁾			754	100.0	280
Cucinella S.r.l., Milan, Italy ¹⁷⁾			161	100.0	98
Solar Power Puglia S.r.l., Bozen, Italy ¹⁷⁾			11	100.0	-18
DMG Canada Inc., Toronto, Kanada ¹⁰⁾	CAD K	3,330	2,535	100.0	587
DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED, Bangalore, India ¹⁰⁾	INR K	662,675	9,148	51.0	571
DMG MORI SEIKI (Taiwan) Co. Ltd., Taichung, Taiwan ¹⁰⁾	TWD K	86,337	2,254	100.0	-79
DMG MORI SEIKI Korea Co. Ltd., Siheung-si / Gyeonggi-do, Korea ¹⁰⁾	KRW K	7,568,735	5,382	100.0	272
DMG Technology Trading (Shanghai) Co. Ltd., Shanghai, China ¹⁰⁾	CNY K	75,644	9,202	100.0	470
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld ^{4/5/10/11)}			1,508	100.0	
DMG Service Fräsen GmbH, Pfronten ^{4/5/10/11)}			2,730	100.0	
DMG Gebrauchtmachines GmbH					
DECKEL MAHO GILDEMEISTER, Geretsried ^{4/5/10/11)}			17,517	100.0	
DMG Trainings-Akademie GmbH					
DECKEL MAHO GILDEMEISTER, Bielefeld ^{4/5/10/11)}			271	100.0	
DMG MICROSET GmbH, Bielefeld ^{4/5/10/11)}			1,405	100.0	
DMG MORI SEIKI Services GmbH, Bielefeld ^{4/5/10/11)}			1,000	100.0	
DMG MORI SEIKI Deutschland GmbH, Leonberg ^{4/5/10/11)}			45,000	100.0	
DMG MORI SEIKI München Vertriebs und Service GmbH, Munich ^{4/5/12/13)}			929	100.0	
DMG MORI SEIKI Hilden Vertriebs und Service GmbH (former: DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER), Hilden ^{4/5/12/13)}			935	100.0	

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS				Participation quota in %	Earnings of Financial Year 2012 ¹⁾ € K
	National currency	Equity ¹⁾	€ K		
DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH, (former: DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER), Bielefeld ^{4/5/12/13)}			957	100,0	
DMG MORI SEIKI Berlin Vertriebs und Service GmbH (former: DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER), Berlin ^{4/5/11/12)}			301	100,0	
DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH, Bad Homburg ^{4/5/12/13)}			610	100,0	
DMG MORI SEIKI Hamburg Vertriebs und Service GmbH, Hamburg ^{4/5/12/13)}			200	100,0	
DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH, Leonberg ^{4/5/12/13)}			4,299	100,0	
DMG Netherlands B.V., Veenendaal, Netherlands ¹⁰⁾			156,625	100,0	106,174
DMG Holding AG, Dübendorf, Switzerland ²⁰⁾	CHF K	133,602	110,671	100,0	-2,082
DMG Mori Seiki Europe AG, Dübendorf, Switzerland ¹⁹⁾	CHF K	264,848	219,390	60,0	563
DMG / Mori Seiki Austria International GmbH, Klaus, Austria ²¹⁾			1,022	100,0	-8
DMG / Mori Seiki Austria GmbH, Klaus, Austria ²²⁾			3,367	100,0	1,628
DMG / MORI SEIKI Benelux B.V., Veenendaal, Netherlands ²¹⁾ (former: DMG Benelux B.V.)			3,272	100,0	58,155
DMG – MORI SEIKI Benelux BVBA – SPRL., Zaventem, Belgien ²¹⁾ (former DMG Benelux BVBA – SPRL.)			1,428	100,0	412
DMG MORI SEIKI Czech s.r.o., Brno, Czech Republic ²¹⁾ (former: DMG Czech s.r.o.)	CZK K	52,675	2,094	100,0	1,104
DMG MORI SEIKI DENMARK ApS, Kopenhagen, Denmark ²¹⁾ (former: DMG Scandinavia Denmark ApS)	DKK K	4,984	668	100,0	-1,252
DMG MORI SEIKI FRANCE SAS, Paris, France ²¹⁾ (Merger of DMG France S.a.r.l., MORI SEIKI FRANCE SAS and MORI SEIKI SUD-EST S.A.S)			8,001	100,0	-409
DMG / MORI SEIKI Hungary Kereskedelmi és Szeviz Korlatolt Felelősségű Tarasag, Budapest, Hungary ²¹⁾			2,107	100,0	711
DMG MORI SEIKI Iberica S.L.U, Ripollet, Spain ²¹⁾ (Merger of DECKEL MAHO GILDEMEISTER Iberica S.L. and MORI SEIKI ESPANA SA)			6,630	100,0	750

Affiliated Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity ¹⁾	€ K	Participation quota in %	Earnings of Financial Year 2012 ¹⁾
					€ K
DMG MORI SEIKI Italia S.r.l., Milan, Italy ²¹⁾ (Merger of DMG MORI SEIKI Italia and MORI SEIKI Italiana S.r.l.)			28,253	100.0	2,419
DMG MORI SEIKI Middle East FZE, Dubai, United Arab Emirates ²¹⁾ (former: DMG Middle East FZE)	AED K	1,316	272	100.0	108
DMG / MORI SEIKI POLSKA Sp. z o.o., Pleszew, Poland ²¹⁾ (former: DMG Polska Sp. z o.o.)	PLN K	17,320	4,251	100.0	1,223
DMG MORI SEIKI (Schweiz) AG DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland ²¹⁾ (former: DMG (Schweiz) AG DECKEL MAHO GILDEMEISTER)	CHF K	9,677	8,016	100.0	1,162
DMG / MORI SEIKI South East Europe M.E.P.E., Thessaloniki, Greece ²¹⁾ (former: DMG South East Europe E.P.E.)			177	100.0	57
DMG Mori Seiki Sweden AB, Göteborg, Schweden ²¹⁾ (Merger of DMG Scandinavia Sverige AB and Mori Seiki Sweden AB)	SEK K	56,056	6,532	100.0	-471
DMG Scandinavia Norge AS, Langhus, Norway ²¹⁾	NOK K	8,181	1,113	100.0	43
DMG MORI SEIKI (UK) Limited, Luton, Great Britain ²¹⁾ MORI SEIKI (UK) Ltd., Coventry, Great Britain ²³⁾	GBP K	14,031	17,193	100.0	1,590
DMG Europe Holding AG, Dübendorf, Switzerland ¹⁹⁾	CHF K	100	83	100.0	0
DMG Europe Holding GmbH, Klaus, Austria ²⁰⁾			98,732	100.0	-6,954
DMG Mori Seiki South East Asia Pte. Ltd., Singapore ¹⁴⁾	SGD K	25,079	15,566	51.0	283
DMG (Thailand) Co. Ltd., Bangkok, Thailand ¹⁵⁾	THB K	1,967	49	100.0	-39
DMG Mori Seiki (Malaysia) SDN BHD, Shan Alam / Selangor, Malaysia ¹⁵⁾	MYR K	11,155	2,765	100.0	3
DMG Mori Seiki (Vietnam) Co. Ltd., Hanoi, Vietnam ¹⁵⁾	VND K	13,341,522	485	100.0	-308
DMG ECOLINE GmbH, Klaus, Austria ¹⁴⁾			3,321	100.0	465
DMG MORI SEIKI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey ¹⁴⁾	TRY K	10,961	4,654	100.0	1,115
DMG Nippon K.K., Yokohama, Japan ¹⁴⁾	JPY K	266,728	2,348	100.0	-227
DMG Russland o.o.o., Moskau, Russia ¹⁴⁾	RUB K	171,356	4,249	100.0	1,998
DMG Egypt for Trading in Machines Manufactured LLC, Kairo, Egypt ¹⁴⁾	EGP K	200	24	100.0	
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Kairo, Egypt ¹⁴⁾	EGP K	200	24	100.0	
DMG America Inc., Itasca, USA ¹⁴⁾	USD K	40,144	30,426	100.0	-12,993

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS				Participation quota in %	Earnings of Financial Year 2012 ¹⁾ € K
	National currency	Equity ¹⁾	€ K		
DMG Mori Seiki México S.A. de C.V., Queretaro, Mexico ¹⁶⁾	MXN K	57,362	3,338	51.0	528
DMG Los Angeles Inc., Los Angeles, USA ¹⁶⁾	USD K	333	252	100.0	
DMG Asia Pte. Ltd., Singapore ¹⁴⁾			20,062	100.0	4,260
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brazil ¹⁴⁾	BRL K	4,903	1,813	100.0	-357
DMG / Mori Seiki Romania S.R.L., Bucharest, Romania ²⁰⁾ (vorher DMG Romania Sales & Services S.r.l.)	RON K	8,232	1,852	100.0	918
Jointly-controlled entities (joint ventures)					
DMG / Mori Seiki Australia Pty. Ltd., Clayton Victoria, Australien	AUD K	3,168	2,492	50.0	
SUN CARRIER OMEGA Pvt. Ltd., Bhopal, Indien	INR K	60,000	828	50.0	
Associates					
MG Finance GmbH, Wernau			17,830	33.0	
Other equity investments					
Mori Seiki Co. Ltd., Nagoya				5.1	

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 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.

5) 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 preparation of a management report.

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 Ibérica S.L.

23) Participating interest of DMG France S.a.r.l.

24) Participating interest of DMG Holding AG

Statement of comprehensive
Income

Statement of comprehensive Income
for the period 01 January to 31 December 2012
of GILDEMEISTER Aktiengesellschaft

	Notes	2012 €	2011 €
1. Sales revenues	16	13,773,154	11,427,435
2. Other operating income	17	14,863,924	15,119,190
		28,637,078	26,546,625
3. Cost of materials			
a) Cost of purchased goods		80,646	80,580
b) Cost of purchased services		2,326,336	1,842,214
		2,406,982	1,922,794
4. Employee expenses	18		
a) Wages and salaries		18,133,185	13,932,310
b) Social contributions, pensions and other benefits		2,120,594	2,788,081
		20,253,779	16,720,391
5. Depreciation of tangible and and intangible assets		1,824,530	1,690,665
6. Other operating expenses	19	30,858,537	45,978,653
7. Income from profit and loss transfer agreements	20	91,160,890	63,766,365
8. Income from investments	21	1,181,451	958,685
9. Other interest receivable and similar income	22	23,922,424	29,685,052
10. Interest payable and similar expenses	23	17,865,649	32,312,724
11. Profit on ordinary activities		71,692,366	22,331,500
12. Extraordinary expense		211,849	211,849
13. Extraordinary result	24	-211,849	-211,849
14. Tax on income	25	26,619,640	8,325,951
15. Net profit		44,860,877	13,793,700
16. Profit carryforward from previous year		2,186,896	2,983,994
17. Appropriation to other revenue reserves		22,400,000	0
18. Net profit for the year		24,647,773	16,777,694

Balance Sheet as at 31 December 2012
of GILDEMEISTER Aktiengesellschaft

ASSETS	Notes	31 Dec. 2012 €	31 Dec. 2012 €	31 Dec. 2011 €
A. Fixed assets	1			
I. Intangible assets				
Industrial property and similar rights and values and licences to such rights and values			13,522	24,587
II. Tangible assets	1			
1. Land and building		18,914,139		19,128,541
2. Other equipment, factory and office equipment		10,076,432		3,163,633
3. Payments on account and construction in progress		4,029,285		1,753,268
			33,019,856	24,045,442
III. Financial assets	2			
1. Shares in affiliated companies		415,453,026		415,453,026
2. Investments		51,131,401		51,115,105
			499,617,805	490,638,160
B. Current assets				
I. Receivables and other assets	3			
1. Receivables from affiliated companies		440,357,195		336,858,809
2. Other assets		6,027,734		11,867,263
			446,384,929	348,726,072
II. Cash assets and bank balances	4		83,520,028	52,848,091
C. Prepaid expenses	5		44,394	47,154
D. Deferred tax assets	6		9,019,449	14,588,794
E. Excess of plan assets over pension liability	7		2,126,486	2,649,629
			1,040,713,091	909,497,900

Balance Sheet

EQUITY AND LIABILITIES		31 Dec. 2012	31 Dec. 2012	31 Dec. 2011
	Notes	€	€	€
A. Equity	8			
I. Subscribed capital		156,437,432		156,437,432
Treasury shares		-4,693,125	151,744,307	-4,693,125
II. Capital provision			265,570,478	265,570,478
III. Revenue provision				
1. Statutory provision			680,530	680,530
2. Other revenue provision		187,898,830		165,498,830
Treasury shares		-15,993,015	171,905,815	-15,993,015
IV. Net profit			24,647,773	16,777,694
			614,548,903	584,278,824
B. Provisions				
1. Pension provisions	9	9,523,074		9,825,639
2. Tax provisions	10	12,498,631		2,805,000
3. Other provisions	11	24,859,918		28,347,627
			46,881,623	40,978,266
C. Liabilities	12			
1. Liabilities to banks		563,613		655,202
2. Trade payables		3,526,603		2,645,263
3. Amounts owned to affiliated companies		367,555,996		271,076,528
4. Other liabilities		7,636,353		9,863,817
			379,282,565	284,240,810
			1,040,713,091	909,497,900

Fixed Asset Movement Schedule
as at 31 December 2012 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. 2012 €	Additions €
I. Intangible assets		
Industrial property and similar rights and values and licences to such rights and values	17,514,372	22,065
	17,514,372	22,065
II. Tangible assets		
1. Land and buildings	20,457,311	1,062,760
2. Other equipment, factory and office equipment	8,500,814	739,705
3. Payments on account and construction in progress	0	0
	28,958,125	1,802,465
III. Financial assets		
1. Shares in affiliated companies	0	0
2. Investments	0	0
	0	0
Total fixed assets	46,472,497	1,824,530

Fixed Asset
Movement Schedule

	As at 01 Jan. 2012 €	Additions €	Disposals €	Book Transfer €	As at 31 Dec. 2012 €
	17,538,959	11,000	0	0	17,549,959
	17,538,959	11,000	0	0	17,549,959
	39,585,852	690,302	0	158,056	40,434,210
	11,664,447	6,420,284	62,100	1,294,320	19,316,951
	1,753,268	3,775,393	47,000	-1,452,376	4,029,285
	53,003,567	10,885,979	109,100	0	63,780,446
	415,453,026	0	0	0	415,453,026
	51,115,105	16,296	0	0	51,131,401
	466,568,131	16,296	0	0	466,584,427
	537,110,657	10,913,275	109,100	0	547,914,832

CARRYING AMOUNT				
Disposals €	Book Transfer €	As at 31 Dec. 2012 €	As at 31 Dec. 2012 €	As at 31 Dec. 2011 €
0	0	17,536,437	13,522	24,587
0	0	17,536,437	13,522	24,587
0	0	21,520,071	18,914,139	19,128,541
0	0	9,240,519	10,076,432	3,163,633
0	0	0	4,029,285	1,753,268
0	0	30,760,590	33,019,856	24,045,442
0	0	0	415,453,026	415,453,026
0	0	0	51,131,401	51,115,105
0	0	0	466,584,427	466,568,131
0	0	48,297,027	499,617,805	490,638,160

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting and 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 principal opportunities and risks associated with the expected development of the group.”

Bielefeld, 12 March 2013
GILDEMEISTER Aktiengesellschaft
The Executive Board



Dipl.-Kfm. Dr. Rüdiger Kapitza



Dipl.-Kfm. Dr. Thorsten Schmidt



Dipl.-Ing. Günter Bachmann



Dipl.-Kffr. Kathrin Dahnke



Dipl.-Kfm. Christian Thönes

Auditors' 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 financial year from 1 January to 31 December 2012.

The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with the 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 the (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 the 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, 12 March 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Tonne
Auditor

Bröker
Auditor

14 March 2013	Press Conference of the balance sheet
14 March 2013	Publication of the Annual Report 2012
15 March 2013	Society of Investment Professionals in Germany (dvfa) Analysts' Conference, Frankfurt
07 May 2013	First Quarterly Report 2013 (1 January to 31 March)
17 May 2013	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld
21 May 2013	Dividend Distribution
25 July 2013	Second Quarterly Report 2013 (1 April to 30 June)
29 October 2013	Third Quarterly Report 2013 (1 July to 30 September)
16 May 2014	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld subject to alteration

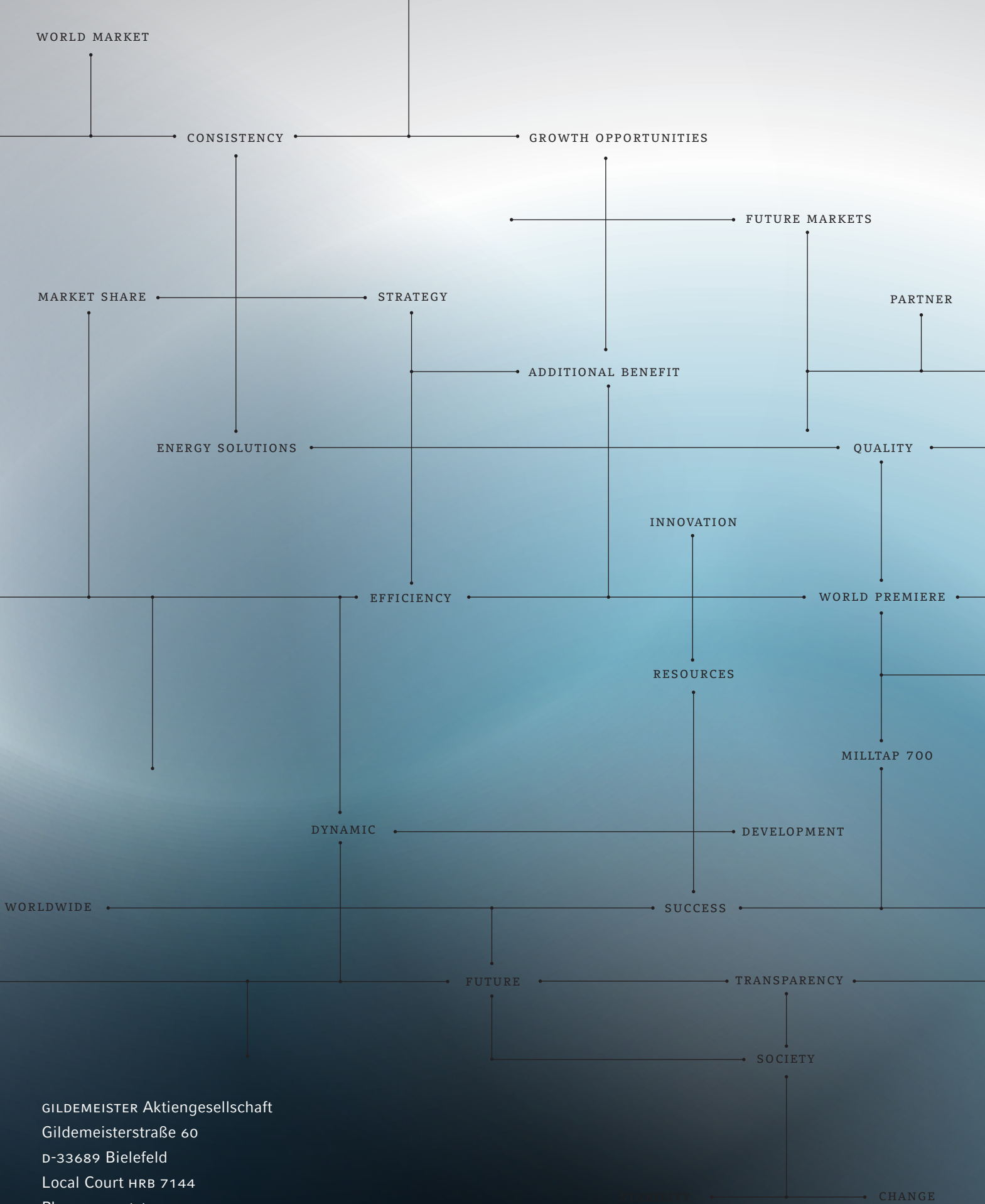
SUBJECT TO ALTERATION

Forward-looking statements

This report contains forward-looking statements, which are based on current estimates of the management of future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors, which could lead to the actual future circumstances, including the assets, liabilities, financial position and profit or loss of GILDEMEISTER, differing materially from or being more negative than those expressly or implicitly assumed or described in these statements. The business activities of GILDEMEISTER are subject to a series of risks and uncertainties, which may result in forward-looking statements, estimates or forecasts becoming inaccurate.

GILDEMEISTER is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in the most important business areas as well as the consequences of a recession) as these have a direct effect on processes, suppliers and customers. Due to their differences, not all business areas are affected to the same extent by changes in the economic environment; significant differences exist with respect to the timing and extent of the effects of any such changes. This effect is further intensified by the fact that, as a global entity, GILDEMEISTER operates in various markets with very different economic rates of growth. Uncertainties arise inter alia from the risk that customers may delay or cancel orders or they may become insolvent or that prices become further depressed by a persistently unfavourable market environment than that which we are expecting at the current time; developments on 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 in financial assets in general; growing volatility and further decline in the capital markets and a deterioration in the conditions for the credit business and in particular deterioration from growing uncertainties that arise from the financial market and liquidity crisis including that of the euro debt crisis as well as a deterioration in the future economic success of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other essential portfolio measures; the introduction of competing products or technology by other companies or the entry onto the market of new competitors; a change in the dynamics of competition (primarily on developing markets); a lack of acceptance of new products and services in customer target groups of the GILDEMEISTER group; changes in corporate strategy; interruptions in the supply chain, including the inability of a third party, for example due to a natural catastrophe, to supply parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other measures of public bodies; the potential effects of these investigations and proceedings on the business of GILDEMEISTER and various other factors.

Should one of these factors of uncertainty 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 stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. GILDEMEISTER neither intends to nor does GILDEMEISTER assume any separate 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 the future developments or events contained therein.



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