ANNUAL REPORT 2009

Mastering challenges. Securing the future!

www.gildemeister.com

GILDEMEISTER

GILDEMEISTER group

Key Figures

Sales Revenues

Order Intake

EBIT

Annual Result

Employees

COVER:

The cover picture shows 276 turbine blades of a 15 metres long and 80 metric ton heavy steam turbine, machined in 2,5 hours on the CTX gamma 1250 / 2000 TC universal lathe with 5-axis simultaneous machining. Through combining standard 2-axis machining, even especially large pieces of high-alloy steel can be completely machined in one operation.

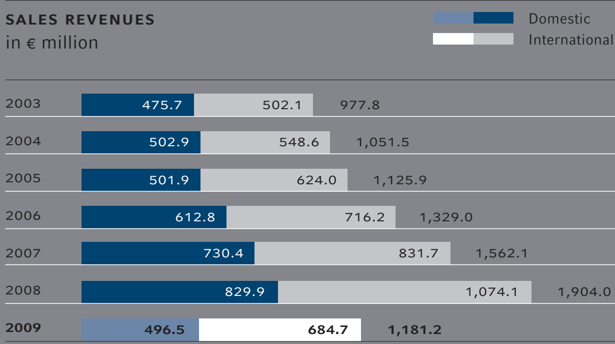
Key Figures

The Consolidated Annual Financial Statements for GILDEMEISTER Aktiengesellschaft as at 31 December 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS) – as they have to be applied in the European Union.

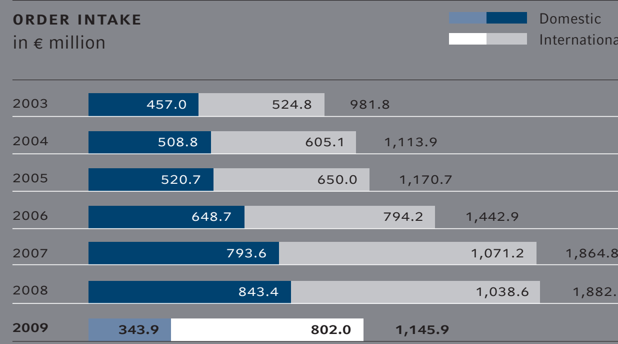
GILDEMEISTER GROUP	2009 € million	2008 € million	Changes 2009 against 2008 € million	%
Sales revenues				
Total	1,181.2	1,904.0	–722.8	–38
Domestic	496.5	829.9	–333.4	–40
International	684.7	1,074.1	–389.4	–36
% International	58	56		
Order Intake				
Total	1,145.9	1,882.0	–736.1	–39
Domestic	343.9	843.4	–499.5	–59
International	802.0	1,038.6	–236.6	–23
% International	70	55		
Order backlog*				
Total	586.7	727.4	–140.7	–19
Domestic	67.3	232.7	–165.4	–71
International	519.4	494.7	24.7	5
% International	89	68		
Investments	57.8**	50.2	7.6	15
Personnel costs	346.1	405.5	–59.4	–15
Personnel quota in %	30.3	20.7		
Employees	5,197	6,191	–994	–16
plus trainees	253	260	–7	–3
Total employees*	5,450	6,451	–1,001	–16
EBITDA	60.9	188.9	–128.0	–68
EBIT	31.8	158.2	–126.4	–80
EBT	7.1	126.7	–119.6	–94
Annual result	4.7	81.1	–76.4	–94

* Reporting date 31 December
** of which € 31.3 million additions to the disposal of financial assets

SALES REVENUES
in € million

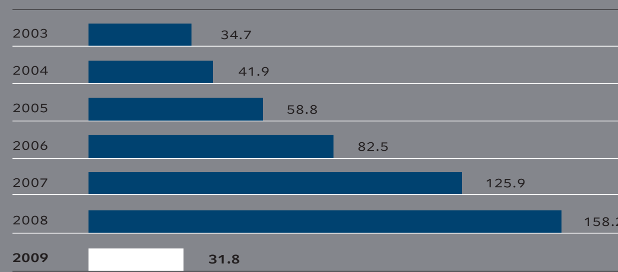


ORDER INTAKE
in € million

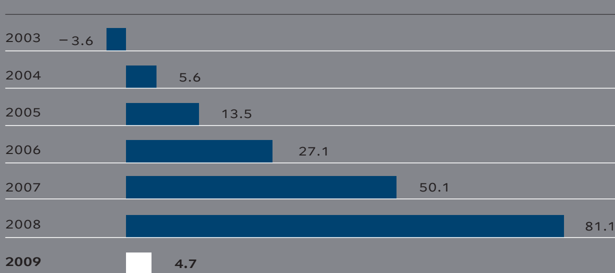


QUARTERLY RESULTS (EBIT)
in € million

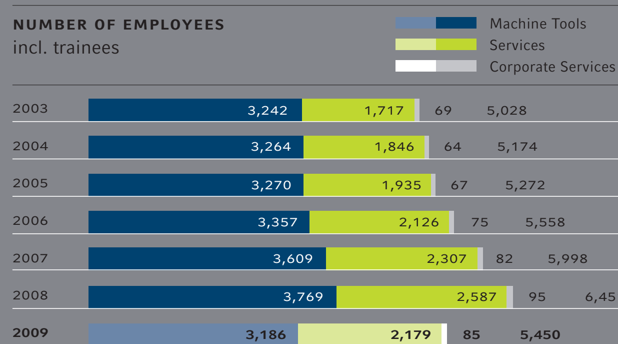
EBIT
in € million



ANNUAL RESULT
in € million



NUMBER OF EMPLOYEES
incl. trainees



Mastering challenges. Securing the future!

_________ GILDEMEISTER has made this its motto for the year 2010. Even in difficult economic times, we are following our strategic goals. With many years' experience, wide-ranging technological know-how and our power of innovation, we will continue to be at the head of the leading manufacturers worldwide of cutting machine tools. The cooperation with the Japanese machine tool builder Mori Seiki strengthens our global position. Our range includes, in addition to our core areas of expertise of "turning", "milling" and "ultrasonic / lasering", also automation and software solutions for machine tools. These are accompanied by the Service business. The "solar technology" division with the "SunCarrier" has developed satisfactorily. The effects of the worldwide economic crisis have left their mark on the year under report. The overall difficult economic environment has severely affected all our business areas. The adjustment measures carried out create a good starting position for the future. GILDEMEISTER will therefore emerge stronger from the crisis. _________

Mastering challenges.
Securing the future!

JANUARY

The economic crisis affects the entire economic situation. Worldwide machine tools market is suffering its worst historical crisis. The year 2009 is marked for GILDEMEISTER by crisis management and adjustment of the company.

a+f GmbH presents its new Solar Center of Expertise. At the grand opening the “SkyCarrier” – a solar tracking system for countries close to the equator – is presented for the first time.

FEBRUARY

The traditional in-house exhibition at DECKEL MAHO in Pfronten meets with great customer interest. Ordering activity, however, is very restrained.

MARCH

GILDEMEISTER enters into a cooperation agreement with the Japanese machine tool builder Mori Seiki (Nagoya). The cooperation covers production, research and development, purchasing, sales and service in selected markets, as well as the provision of customer financing. A 5% cross shareholding strengthens the alliance.

At the in-house exhibition in Bielefeld, GILDEMEISTER presents 21 exhibitions to an international trade public under the motto “Grasping chances. Showing strengths”. The highlight of the exhibition is the opening of the new “DMG Experience Center Turn & Mill”. Here customer needs are promptly solved by our specialists through application support and advice.

GILDEMEISTER feels the effects of the economic crisis: order intake, sales revenues as well as order backlog and earnings decline in the first quarter of 2009.

APRIL

With order intake of € 22.5 million and 138 machines sold, GILDEMEISTER strikes a positive balance at the most important machine tool trade fair in Asia. The stimuli resulting from the CIMT in Beijing confirm the Asia strategy of GILDEMEISTER.

MAY

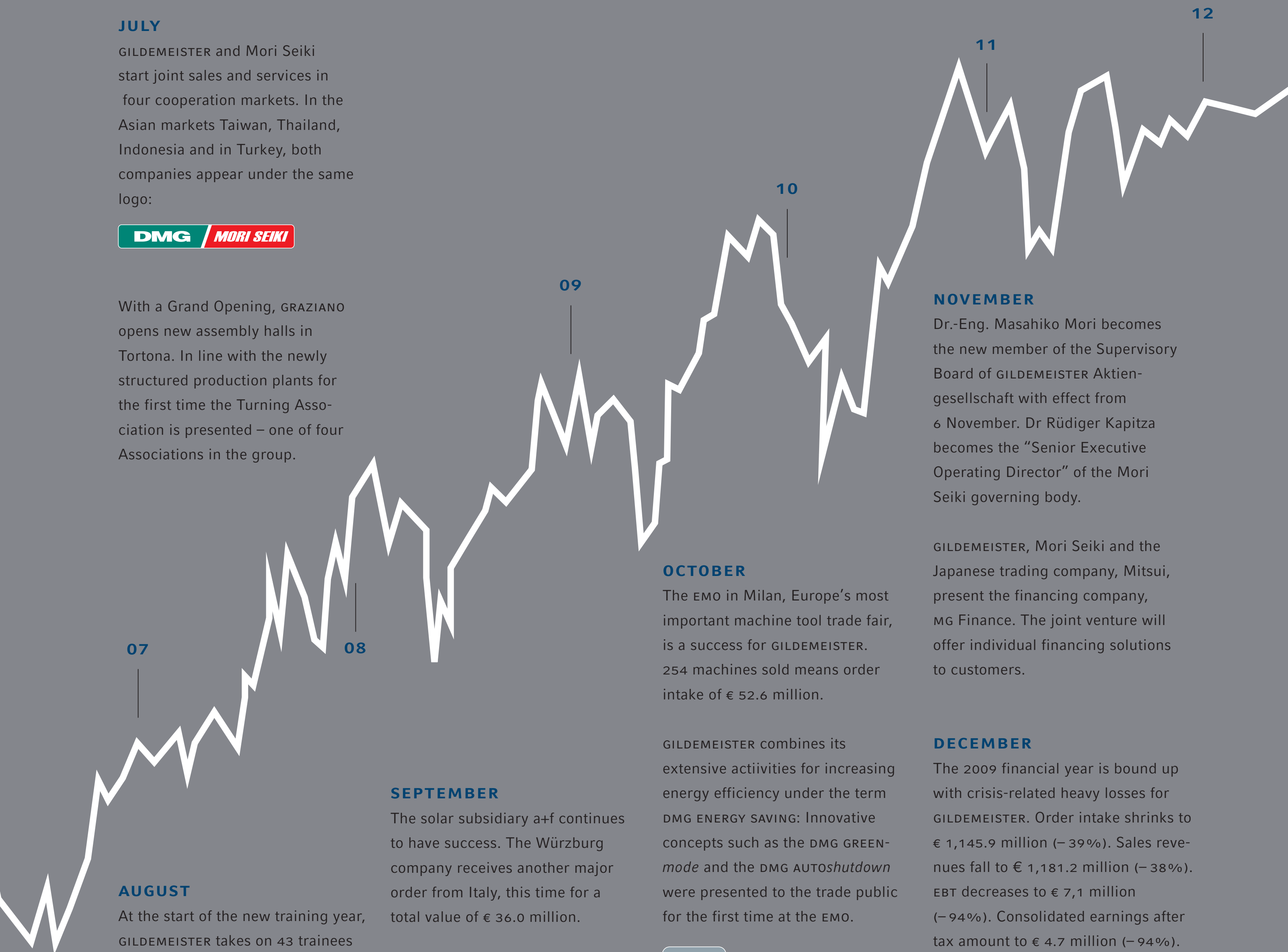
The 107th Annual General Meeting of Shareholders takes place on 15 May in the Stadthalle, Bielefeld, with more than 1,200 shareholders. All items in the agenda were approved with a vast majority. Dr.-Eng. Masahiko Mori introduced himself for the first time as the largest, single shareholder.

JUNE

Positive result from the Intersolar in Munich: at the largest trade fair worldwide for solar technolgoy, a+f GmbH achieves orders of over € 38.9 million. At the end of the month a further major order follows for a total value of € 41.4 million.

The global recession continues to affect business development. Order intake, sales revenues and earnings fall noticeably in the first six months. As at 30 June 2009 the group reports annual profit of € 9.7 million.

Development of the GILDEMEISTER share



JULY

GILDEMEISTER and Mori Seiki start joint sales and services in four cooperation markets. In the Asian markets Taiwan, Thailand, Indonesia and in Turkey, both companies appear under the same logo:

With a Grand Opening, GRAZIANO opens new assembly halls in Tortona. In line with the newly structured production plants for the first time the Turning Association is presented – one of four Associations in the group.

AUGUST

At the start of the new training year, GILDEMEISTER takes on 43 trainees at the domestic companies. In doing so, the technology group once again shows its commitment to the importance of vocational training and invests in the future.

Also the core areas of expertise in the “milling” business unit are adjusted to the difficult market situation. They are newly aligned in the Milling Association and in the Milling and Assembly Association. The Ecoline division is combined as the fourth Association.

SEPTEMBER

The solar subsidiary a+f continues to have success. The Würzburg company receives another major order from Italy, this time for a total value of € 36.0 million.

manager magazin once again acknowledges GILDEMEISTER as MDAX winner for its annual report 2008.

GILDEMEISTER continues to feel the effects of the crisis in the form of a reluctance to purchase. In the third quarter demand for machine tools and all service products is heavily declining.

OCTOBER

The EMO in Milan, Europe’s most important machine tool trade fair, is a success for GILDEMEISTER. 254 machines sold means order intake of € 52.6 million.

GILDEMEISTER combines its extensive actiivities for increasing energy efficiency under the term DMG ENERGY SAVING: Innovative concepts such as the DMG GREEN*mode* and the DMG AUTO*shutdown* were presented to the trade public for the first time at the EMO.

NOVEMBER

Dr.-Eng. Masahiko Mori becomes the new member of the Supervisory Board of GILDEMEISTER Aktiengesellschaft with effect from 6 November. Dr Rüdiger Kapitza becomes the “Senior Executive Operating Director” of the Mori Seiki governing body.

GILDEMEISTER, Mori Seiki and the Japanese trading company, Mitsui, present the financing company, MG Finance. The joint venture will offer individual financing solutions to customers.

DECEMBER

The 2009 financial year is bound up with crisis-related heavy losses for GILDEMEISTER. Order intake shrinks to € 1,145.9 million (– 39%). Sales revenues fall to € 1,181.2 million (– 38%). EBT decreases to € 7,1 million (– 94%). Consolidated earnings after tax amount to € 4.7 million (– 94%).

Success on the Italian solar market continues to grow. a+f GmbH receives two further major orders for a total value of € 81.0 million for the installation of ”SunCarriers” in Apulia. In addition, a+f opens the first “SunCarrier” park of its kind in India.

Due to the success and the good demand in Bielefeld GILDEMEISTER presents a new “DMG Experience Center Turn & Mill” in Shanghai. Thus the successful concept was extended to the Asian market.

Chairman of the Supervisory Board

Hans Henning Offen (69)

Has been chairman of the Supervisory Board since May 2004 and a member since 1994. Following a master's degree in business administration at universities in Cologne and Hamburg, Mr Offen started his career at Citibank in Hamburg, New York and Frankfurt. In 1979 he became a member of the executive board of the Handelsbank in Lübeck AG and in 1985 he became spokesman of the executive board of Deutsche Bank Asia AG, both subsidiaries of Deutsche Bank AG. In 1990 Hans Henning Offen was appointed to the executive board of Westdeutsche Landesbank Girozentrale and was deputy chairman of the executive board from 1992 to 2002.

In each of its meetings in the financial year 2009 and in the meantime the Supervisory Board was intensively concerned with the effects of the particularly difficult financial and economic crisis on the enterprise. In addition, the strategic and operational development of the group to the year 2012 was on the agenda. The chairmen of the committees regularly reported to the plenum about the contents and the recommendations of the meetings of the committees held before. We performed our tasks and duties with the utmost care pursuant to the Articles of Association and the law. Five meetings were held at the Bielefeld location. The Supervisory Board discussed fundamental and strategicissues concerning corporate planning, business policy, business development, the risk status, risk management and compliance. The Executive Board regularly prepared written, comprehensive and timely reports on any events of significant importance and on the development of key financial indicators. Also in this year under report there were no conflicts of interest of members of the Supervisory Board.

Supervisory Board welcomes negotiations with Mori Seiki

In the financial year 2009, there was one change to the members of the Supervisory Board: Dr.-Eng. Masahiko Mori was appointed as a new member of the Supervisory Board with resolution of the Local Court Bielefeld of 6 November 2009 and on 24 November 2009 he participated in a Supervisory Board Meeting for the first time. He succeeds Dr. Klaus Kessler, who resigned from his position as at 1 November 2009. The Supervisory Board and Executive Board thank Dr. Kessler for his contribution to the Supervisory Board and his work as a member of the Finance and Audit Committee.

At the **Annual Accounts Meeting on 10 March 2009**, following its own audit, the Supervisory Board unanimously approved the group and annual accounts of GILDEMEISTER Aktiengesellschaft as at 31 December 2008. The Supervisory Board held intense discussions with the Executive Board on the strategic options of a cooperation in several areas with the Japanese machine tool builder Mori Seiki. When doing so, a possible reciprocal shareholding was also discussed. Ten of the twelve Supervisory Board members were present at this meeting, as well as the annual auditor. In order to make the planned cross-shareholding possible, following renewed in-depth examination, the Supervisory Board unanimously agreed to a capital increase in authorised capital excluding subscription rights at the end of March. This was taken up by Mori Seiki.

In the second **meeting on 14 May 2009**, the Supervisory Board prepared for the 107th Annual General Meeting of Shareholders. Moreover, it gave its intensive attention to business development in the first quarter against the background of the difficult, economic environment. All members were present.

Business development in the first six months of the year, as well as the progress of the public prosecutor's investigations, were the subjects of the third **Supervisory Board meeting on 10 August 2009**. Furthermore, the Supervisory Board discussed structural adjustments, the development of working capital / cash flow and the effects of legislative changes. One Supervisory Board member was not present at this meeting.

In the **meeting of 24 September 2009**, the Supervisory Board discussed in detail the changes of rules and regulations according to the demands of the new German Act on the Appropriate Remuneration of Members of the Executive Board. All members of the Supervisory Board were present at this meeting.

The main topics of the **planning meeting of 24 November 2009** were the corporate strategy 2010 to 2012 and investments for 2010. Moreover, the Supervisory Board discussed intensively the development of the group at that time against the economic conditions and the latest financial position and results of operations of the group. In addition, the Supervisory Board gave its approval for a shareholding in a company with the purpose of facilitating customer finance. Furthermore, the Supervisory Board dealt with issues concerning the remuneration of the Executive Board taking special account of the stipulations of the German Act on the Appropriate Remuneration of the Executive Board (VorstAG). All members of the Supervisory Board were present at this meeting.

A significant part of the Supervisory Board's work is carried out by committees: In the financial year 2009, the Supervisory Board of GILDEMEISTER Aktiengesellschaft had five committees. The **Finance and Audit Committee** met three times. The topics discussed were the audit of the group and annual reports, the further development of the finance and tax strategy, and the proposal to appoint the auditor. Other main items were the status of the cash flow and of finance projects, in particular the customer finance facility. The Finance and Audit Committee is headed by a highly-qualified financial expert with many years' experience in financing, accounting and risk management. In this respect, we also fulfil the latest stipulations of the German Accounting Law Modernisation Act. The Committee oversaw the annual auditor's independence and obtained the declaration of independence of the annual auditor pursuant to Clause 7.2.1 of the German Code of Corporate Governance. In this connection, discussion was also held on the possibility of awarding a contract to the annual auditor for non-audit related services.

Cash flow and finance projects form core topics

The **Personnel, Nominations and Remuneration Committee** conferred four times. In particular, the items discussed were the new regulations of the legislator and of the German Corporate Governance Code, the assessment of the Executive Board remuneration and the re-appointment of Dr. Rüdiger Kapitza as the chairman of the Executive Board. The Committee gathered information on the progress made in the public prosecutor's investigation as well as on the latest developments in stock corporation law.

The **Nominations Committee** met once and put forward a proposal to extend the Finance and Audit Committee of the Supervisory Board. Moreover, it passed an unanimous resolution to propose Dr.-Eng. Masahiko Mori to the Supervisory Board to take up a position as the new member of the Finance and Audit Committee.

The **Technology and Development Committee** met four times and discussed purchasing consulting, product life management, productivity at the plant and foreman levels, precision control of the plants and adaptation to the order situation, as well as the capacity situation and short-time working costs.

In the reporting year there was no need to call a meeting of the **Conciliation Committee**.

In December 2009 the Supervisory Board and Executive Board adopted the **Declaration of Compliance 2009** with the German Corporate Governance Code. Once again GILDEMEISTER complied with all recommendations until the entering into force of the new version on 5 August 2009. At the current time, GILDEMEISTER complies with the code with one exception: The appointment to the Supervisory Board of Dr.-Eng. Masahiko Mori, who is the president of a foreign manufacturer of cutting machine tools, deviates from the recommendations of the government commission's German Code of Corporate Governance. The Executive Board and the Supervisory Board acknowledge good corporate governance as an integral component of corporate management, which, in keeping with the interests of the shareholders, is focused on a sustainable increase in enterprise value. The joint report on "Corporate Governance" can be found in the chapter of the same name on pages 52 et seq.

Corporate governance is a core component

The core topics of the **Supervisory Board meeting of 28 January 2010**, which ten members of the Supervisory Board attended, were financing issues and new developments in renewable energies as well as the assessment of the Executive Board remuneration.

In the **balance sheet meeting of 16 March 2010**, which eleven members of the Supervisory Board attended, the annual auditor reported on the audit procedure and significant results of the annual audit and was available for additional questioning. In conclusion, following its own audit, the Supervisory Board approved the consolidated annual financial statements and the annual financial statements for the financial year 2009. The annual financial statements of GILDEMEISTER Aktiengesellschaft have therefore been adopted in accordance with Section 172 of the German Companies Act (AktG). The Supervisory Board endorses the Executive Board's proposal for the appropriation of retained profits. The Executive Board prepared the Annual Financial Statements and the Management Report 2009 of GILDEMEISTER Aktiengesellschaft in accordance with the provisions of the German Commercial Code (HGB). The 2009 Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union. Pursuant to the exemption provision in Section 315a of the German Commercial Code (HGB), consolidated financial statements in accordance with the German Commercial Code were not prepared. The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, issued an unqualified audit certificate for both the Financial Statements and Management Reports.

Consolidated financial statements 2009 prepared in accordance with IFRS

The Supervisory Board would like to thank the Executive Board and all employees for their commitment and their efforts in a recession year in which the global machine tool market suffered its most difficult crisis in history.

Hans Henning Offen
Chairman of the Supervisory Board
Bielefeld, 16 March 2010

The Executive Board

Dr. Rüdiger Kapitza (55)
has been the Chairman of the Executive Board since April 1996. He was appointed to the Board of GILDEMEISTER Aktiengesellschaft in 1992. Following his apprenticeship as a machinist and industrial clerk at GILDEMEISTER, he studied economics in Paderbon and obtained his doctorate at the Johannes Gutenberg University in Mainz. Dr. Rüdiger Kapitza is responsible for corporate strategy, key accounting, personnel, purchasing, auditing, compliance, as well as investor and public relations.

Günter Bachmann (58)
has been a member of the Executive Board since October 2006. The engineering graduate studied mechanical engineering at the Technical University of Chemnitz and started his professional career in 1974 in the production area at today's DECKEL MAHO Seebach GmbH in Thüringen. He was promoted to Head of Production in 1985 and in 1994 to Managing Director of the company. Günter Bachmann is responsible for technology and production.

Dear Shareholders,

The financial year 2009 was, due to the economic crisis, one of the most difficult years for the machine tool industry and also one of the most difficult for GILDEMEISTER in its corporate history. The worldwide market for machine tools suffered its worst crisis ever. Demand fell worldwide by 31%, in Germany by 61%. To sum up the result for GILDEMEISTER in one sentence: compared to the industry we've done well!

Nevertheless, this dramatic situation demanded a lot of us. Order intake declined by 39% and reached € 1,145.9 million. Sales revenues fell by € 722.8 million (–38%) to € 1,181.2 million; it was possible to avoid an even greater decline through the good order backlog at the start of the year. Despite the massive losses, by consistently initiating operational and structural measures, we have been able to achieve overall positive earnings before taxes (EBT) of € 7.1 million. Annual profit in the group amounted to € 4.7 million. **We reached our target of achieving a positive result (EBT).** Earnings per share amount to € 0.10.

Dear Shareholders: the Executive Board and the Supervisory Board will propose to the Annual General Meeting of Shareholders on 14 May 2010 that the net profit achieved should be distributed to you with a dividend of € 0.10 per share for the financial year 2009. With respect to the current difficult financial year 2010 we are not planning a payment of a dividend.

Your GILDEMEISTER share performed satisfactorily. The share price gain of 44% (year-on-year) outperformed the MDAX (+34%).

The present annual report is intended to provide you with a detailed overview of business development in 2009 and to provide an authentic, transparent picture of GILDEMEISTER.

For us, the year 2009 meant withstanding the difficult market conditions. In the “Machine Tools” segment, due to the decline in order intake (–51%), we had to accept significant cuts. The “Services” area likewise declined (–21%). In the first nine months, our customers ordered fewer spare parts, components and services. The “Solar Technology” division developed positively. Overall, in the solar business we achieved order intake of € 299.8 million, which is an increase of 85% compared to the previous year. **2010 will be put GILDEMEISTER to the test once again. Our motto for the year is: Mastering challenges. Securing the future!** The crisis appears to have bottomed out now. Nevertheless, a demanding year lies ahead of us, in which we will use our strengths to continue to generate success. We will consistently pursue our strategic goals. With its innovative products and user-oriented technology, GILDEMEISTER is setting trends worldwide. Our ability through our combined strengths to recognise any measures that may be necessary and to implement these effectively has proven successful.

How do we intend to master the challenges facing us? We are consolidating our strengths! The new association structure in our core business fields puts us in a position to respond faster and more flexibly; it speeds up our internal decision-making processes and makes them more transparent. We could already increase efficiency at our supply plants noticeably. We expect to gain sustainable synergy effects from this bundling. Yet we have not only streamlined production, our sales and service business has become even more closely aligned with our customers' needs.

_We will strengthen our strategic alliance! Side by side we are working closely with the Japanese machine tool builder, Mori Seiki, with each of us benefiting from the other's strengths. Production, purchasing, development of machines and sales and services in selected markets are the mainstays of our cooperation. Together we are developing forward-looking solutions, which create added value for our customers. Through joint sales and service in Taiwan, Thailand, Indonesia, in Turkey, in Japan, Korea and Australia, our customers benefit from a significantly stronger sales and service organisation. The employees' know-how and the technologies of both companies complement each other perfectly and generate the potential for long-term stability and future growth. Through using the same system suppliers, we achieve significant economies in purchasing and in procurement. From April 2010, for the first time we will be offering our customers financing solutions when purchasing our machine tools.

_Our solar business is developing successfully! We have strengthened our position in the Italian market. In the USA and in India we were able to gain a foothold with the realisation of our first orders. We are planning to extend the solar business in future to individual customers (DMG customers), for our customers know that we are a reliable partner. In the long-term, we are expecting further growth in the solar business. Due to its growing importance, we plan to provide a separate segmental report for this business unit from the first quarter report in 2010.

_We put all our projects to the test! We are constantly adjusting our investment volume to economic conditions. We analyse business development at the individual companies on an on-going basis and, as necessary, introduce personnel measures timely. We make particular use of short-time working in order to modify surplus personnel capacity to the furthest extent possible. By following our consistent savings programme, we were able to reduce costs throughout the group by € 180 million and have already taken about € 40 million in one-off restructuring costs into account in the results 2009. We are well positioned for the coming upturn.

Dear Shareholders, with the start of the new financial year we are well-positioned for the coming challenges. We are continuing to make every effort through adjustment measures to create a good starting position for the future.

With confident steps into the future! Only someone who offers a high degree of credibility has the confidence of his customers. For 140 years we have successfully held our position in the machine tools market and draw on our many years' experience in our daily operational and strategic work. With our global position and the cooperation with our Japanese partner, we will drive sustainable growth with innovative technologies and thus create the path to a secure future. My confidence in this is based on consistently following our long-time strategy, our operational strengths, our power of innovation and on the fact that we have always had the courage to follow new ideas.

What can we expect in the financial year 2010? Following the latest forecasts, global production in the machine tool industry will fall further; we will be put to the test again and thus face another difficult year. In "Machine Tools", we are expecting a difficult international market environment. Due to the lower order backlog, sales revenues will decline again. In "Services", we expect a revival in the market. For the solar business we expect a positive development trend.

We are expecting important stimuli to come from the industry's national and international events. The Intersolar in Munich, the AMB in Germany, the BIMU in Italy, the IMTS in the US and the JIMTOF in Japan, will be trend-setting.

Even in the **financial year 2011**, conditions will remain challenging; nevertheless, the machine tools builders' industry is counting on significant improvement trends. In view of our strong global presence and the cooperation with Mori Seiki, we will share in the expected sustainable recovery in the world market. In the medium-term, we intend to return to our former targets. We have implemented new structures, will drive their implementation and lever further potential.

We are starting the new financial year with determination and confidence! This demands the strength and trusting, constructive cooperation of all those involved. I would like to thank – also on behalf of my colleagues on the Executive Board – all our customers, suppliers, business and cooperation partners and investors, all other friends of GILDEMEISTER and, especially, our employees. Their skill provides the basis of our performance. In times of difficult decisions, they have shown solidarity, resilience and commitment. Special thanks also go to you, our Shareholders. My Executive Board colleagues and I will continue to lead GILDEMEISTER with the goal of achieving a long-term increase in value in line with good corporate governance. We are dedicated to making every effort to ensure GILDEMEISTER remains an attractive investment for you.

Yours sincerely,
Your

Rüdiger Kapitza

Dr. Rüdiger Kapitza
Chairman of the Executive Board
Bielefeld, 16 March 2010

Dr. Thorsten Schmidt (37)
has been a member of the Executive Board since October 2006 and is responsible for sales and services. He holds a doctorate in economics from Münster University and has been working at GILDEMEISTER since January 2002. Within a very short space of time he took over management responsibility in sales and services in America and then as Managing Director in Asia.

Michael Welt (55)
has been a member of the Executive Board since January 2003. He is responsible for controlling, finance, tax, balances and information technology (IT). Michael Welt holds a degree in business administration and joined the group in 1996 as the Commercial Director of DECKEL MAHO Pfronten GmbH. He held various positions before joining GILDEMEISTER, most recently as a managing director in the field of machine and plant construction.

Group Structure

GILDEMEISTER Aktiengesellschaft; Bielefeld

GILDEMEISTER Beteiligungen AG; Production plants (10)

Milling Association	Milling and Processing Association	Turning Association	Ecoline Association	Electronics
DECKEL MAHO Pfronten GmbH Pfronten	DECKEL MAHO Seebach GmbH Seebach, Geretsried	GILDEMEISTER Drehmaschinen GmbH Bielefeld	DMG Ecoline GmbH Klaus (Austria)	DMG Electronics GmbH Pfronten
SAUER GmbH Idar-Oberstein, Pfronten	FAMOT Pleszew Sp. z o.o. Pleszew (Poland)	GRAZIANO Tortona S.r.l. Tortona	DECKEL MAHO GILDEMEISTER Machine Tools Co., Ltd., Shanghai	
		GILDEMEISTER Italiana S.p.A. Bergamo		

GILDEMEISTER as a manufacturer of cutting machine tools, holds a leading position worldwide as a full-liner. It offers innovative machine technology, services and software solutions.

The "Machine Tools" segment forms the group's new machine business with the technologies turning and milling, ultrasonic / lasering as well as electronics. GILDEMEISTER has reorganised its developmental and technological expertise. The production plants, ten in total, have been combined into four associations according to their area of business: a Milling Association, a Milling and Assembly Association, a Turning Association and an Ecoline Association.

DMG Vertriebs und Service GmbH, together with its subsidiaries, is responsible for the "Services" segment, and it, too, has been streamlined. By combining our sales and service organisations with Mori Seiki in cooperation markets, we have secured our global position long-term. This segment includes innovative integration solutions for automating machine tools. We have successfully established a new business area with our solar technology, which is offered by a+f with its trend-setting "SunCarrier" solar system. Due to its growing importance, as of the first quarter report for 2010, we plan to provide a separate segmental report for this business unit. The group-wide holding functions are consolidated under "Corporate Services".

GILDEMEISTER is a globally operating enterprise; 72 own domestic and international sales and service locations in 35 countries maintain direct contact with our customers. Some 5,450 employees contribute to the success of our enterprise.

Production

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER; Bielefeld (72)

DMG Germany Stuttgart (7)	DMG Europe Klaus (Austria) (25)		DMG Asia Shanghai, Singapur (11)		DMG America Itasca (Illinois) (8)	Cooperation markets (10)	DMG Services Bielefeld, Pfronten (11)
DMG Stuttgart Vertriebs und Service GmbH	DMG Italia S.r.l. Bergamo, Tortona, Ancona	DMG China	DMG Shanghai Co. Ltd. Shanghai	DMG Norht America	DMG Chicago Inc. Itasca (Illinois)	DMG / MORI SEIKI Turkey Istanbul, Izmir, Ankara	DMG Service Fräsen GmbH Pfronten, Seebach, Geretsried
DMG München Vertriebs und Service GmbH	DMG France S.a.r.l. Les Ulis, Lyon, Scionzier	DMG China	DMG Beijing Sales Office Beijing	DMG Norht America	DMG Charlotte LLC. Charlotte	DMG / MORI SEIKI Taiwan Taichung	DMG Service Drehen GmbH Bielefeld
DMG Hilden Vertriebs und Service GmbH	DMG Austria GmbH Klaus, Wiener Neudorf	DMG China	DMG Guangdong Sales Office Guangdong	DMG Norht America	DMG Houston Inc. Houston	DMG / MORI SEIKI Thailand Ayutthaya, Bangna	DMG Trainings-Akademie GmbH Bielefeld, Pfronten, Stuttgart
DMG Bielefeld Vertriebs und Service GmbH	DMG (Schweiz) AG Dübendorf (Zurich)	DMG China	DMG Chongqing Sales Office Chongqing	DMG Norht America	DMG Los Angeles Inc. Los Angeles	DMG / MORI SEIKI Indonesia Jakarta	DMG Spare Parts GmbH Geretsried
DMG Berlin Vertriebs und Service GmbH	DMG Polska Sp. z o.o. Pleszew	DMG China	DMG Shenyang Sales Office Shenyang	DMG Norht America	DMG Boston LLC. Boston	DMG / MORI SEIKI Nippon Yokohama	DMG Gebraucht-maschinen GmbH Geretsried, Bielefeld, Zlin
DMG Frankfurt Vertriebs und Service GmbH	DMG Russland o.o.o. Moscow	DMG China	DMG Xi'an Sales Office Xi'an	DMG Norht America	DMG Canada Inc. Toronto	DMG / MORI SEIKI Korea Seoul	a+f GmbH Würzburg, Denver*, Milan*, Madrid*
	DMG (UK) Ltd. Luton		DMG India Pvt. Ltd. Bangalore, New Delhi	DMG Latin America	DMG México S.A. de c.v. Queretaro	DMG / MORI SEIKI Australia Melbourne	DMG AUTOMATION GmbH Hüfingen
	DMG Benelux Veenendaal, Zaventem	DMG Asia Pacific	DMG Asia Pacific Pte. Ltd. Singapur	DMG Latin America	DMG Brasil Ltda. São Paulo		DMG MICROSET GmbH Bielefeld
	DMG Czech s.r.o. Brno, Trenčin	DMG Asia Pacific	DMG Malaysia SDN BHD Kuala Lumpur				
	DMG Ibérica S.L. Barcelona, Bilbao	DMG Asia Pacific	DMG Vietnam Sales Office Hanoi				
	DMG Scandinavia Sverige AB Sollentuna						
	DMG Scandinavia Danmark Kvistgård						
	DMG Scandinavia Norge AS Langhus						
	DMG Hungary Kft. Budapest						
	DMG Romania Sales & Services S.R.L. Bukarest						
	DMG South East Europe E.P.E. Thessaloniki						
	DMG Middle East Dubai						

* 3 new group companies 2009.
Simplified organisational structure according to management criteria (status: March 2010).
The legal corporate structure is presented in the Notes to the Consolidated Financial Statements on page 173 et seq.

DMG Germany

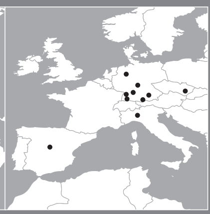
DMG Europe

DMG Asia

DMG America

Cooperation markets

DMG Services*



* without site Denver

Business Report for GILDEMEISTER Aktiengesellschaft

Business Environment

The most difficult recession in the post-war years influenced the global economy. In Asia the driving forces took effect earlier than in other countries. China, in particular, continued to show economic stimulus; Japan only developed a very restrained momentum. The USA reached its lowest point mid-year. Shortly afterwards, signs of a turnaround also appeared in Europe. The German economy reached the turning point.

Overall Economic Development

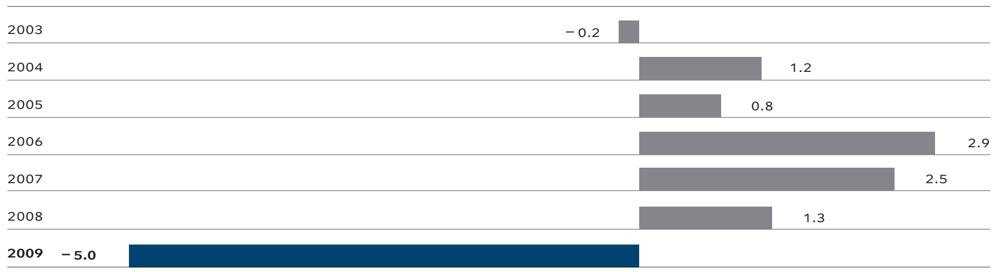
The **global economy** continued its downturn phase at the start of the year but then reached a turning point. China provided the most stimulus; in Japan the economy reached stagnated. The USA only rose painstakingly from its economic slump. This also applied to Europe. Germany, too, only slowly recovered from the severe decline. According to provisional calculations by the Institute for World Economics (IfW) at the University of Kiel, aggregate output fell globally by 1.0% (previous year: +3.1%).

The revival was most noticeable in **Asia**. China was the main driving force of this development. The Japanese economy made slight progress only in the second six months of the year through a recovery in exports. According to the IfW, gross domestic product in China rose by 8.6% (previous year: 9.0%); in Japan it fell by 5.6% (previous year: −0.7%).

In the **USA**, recovery at a low level followed the dramatic collapse. The crucial factors in this were primarily the major political interventions. Private consumer spending and capital investments were stimulated by these. Over the year, however, gross domestic product decreased by 2.5% according to IfW calculations (previous year: +0.4%).

Europe initially still found itself in a deep recession which only ended mid-year. The rate of momentum of the development varied in the individual countries. Despite broad-ranging economic programmes, there were no uniform trends in private consumption and capital investments. In the Eurozone countries, gross domestic product fell according to provisional IfW calculations by 4.0% (previous year: −0.6%).

GROSS DOMESTIC PRODUCT IN GERMANY
Real changes against the previous year in %

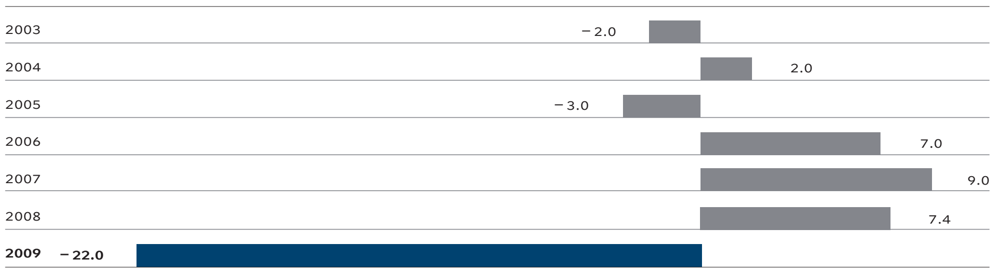


Source: Federal Statistical Office, Wiesbaden

In **Germany** the gross domestic product fell by 5.0% (previous year: +1.3%). Exports declined by 14.7%. The domestic economy was hampered, amongst others, by lower investment in plant and equipment of 20% (previous year: +3.3%). The massive decline in investments in the manufacturing industries had a decisive effect on this development, the following diagram shows this development in a multi-year comparison:

Sources: Federal Statistical Office, Wiesbaden; Institute for World Economics (IfW), Kiel; ifo Institute, Munich

INVESTMENT IN THE GERMAN MANUFACTURING SECTOR
Nominal changes against the previous year in %



Source: ifo Institute, Munich

Extensive short-time working stabilised the job market. On average, 3.4 million people were registered unemployed, some 150,000 more than in 2008. The number of company insolvencies rose sharply to 34,300 (previous year: 29,291). The rate of inflation, according to initial calculations, was 0.4% (previous year: 2.6%). The financial situation in public spending deteriorated significantly. The deficit of 3.2% exceeded the upper limit set by the Maastricht Treaty.

For GILDEMEISTER's international business, the **exchange rates** of the US dollar, the Chinese yuan and the Japanese yen are of particular importance. The average exchange rate in 2009 compared with the average exchange rate in 2008 developed as follows: The US dollar's value against the euro was 0.72 euros (previous year: 0.68 euros). Against the yuan the euro was at 9.53 yuan (previous year: 10.22 yuan). The average value of the euro to the yen of 130.34 yen was above the comparison value of the previous year (152.45 yen). Thus these three currencies all gained in value against the euro taking an annual average in 2009. The US dollar recorded a gain in value of 5.2%, the yuan of 6.8% and the Japanese yen of 14.5%. This means that our products have become more competitive in these currency regions.

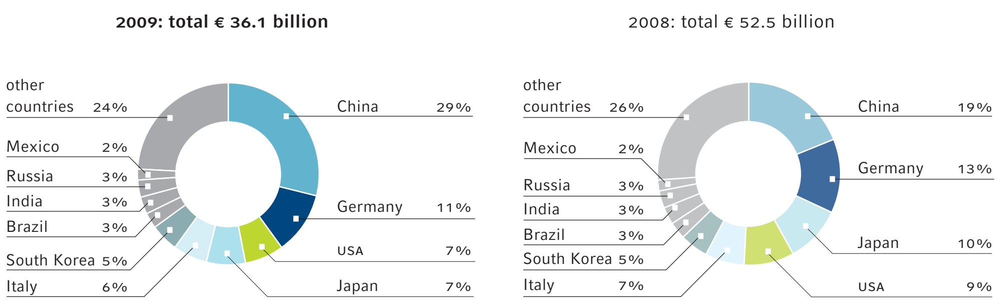
Development of the Machine Tool Industry

International development

The world market for machine tools developed noticeably weaker than in the previous year as a result of declining demand following the international financial and economic crisis. The German Machine Tool Builders' Association (VDW) calculated a decrease of **global consumption** of 31% or € 16.4 billion to € 36.1 billion (previous year: € 52.5 billion). The development of the global consumption in an annual comparison over ten years is outlined in the chapter "Forecast Report" on page 87. In China, by far, the most machine tools were bought. The share of global consumption was 29% (previous year: 19%); thus China at € 10.5 billion again is the biggest sales market worldwide. Far behind is Germany at € 3.9 billion (changes compared to the previous year: −41%) and a share in world consumption of 11%. The USA (consumption: € 2.4 billion; changes compared to the previous year: −49%; share in world consumption: 7%) and Japan followed (€ 2.4 billion; −55%; 7%). Taking places five to ten are Italy (€ 2.0 billion; −45%; 6%), South Korea (€ 1.9 billion; −28%; 5%), Brazil (€ 1.2 billion; −25%; 3%), India (€ 0.9 billion; −37%; 3%), Russia (€ 0.9 billion; −36%; 3%) and Mexico (€ 0.8 billion; −24%; 2%). These top ten countries account for 76% (previous year: 74%) of global machine tool consumption.

In the most important consumer markets, the share developed as follows:

WORLDWIDE CONSUMPTION OF MACHINE TOOLS*



* provisional figures for 2009; revised values 2008

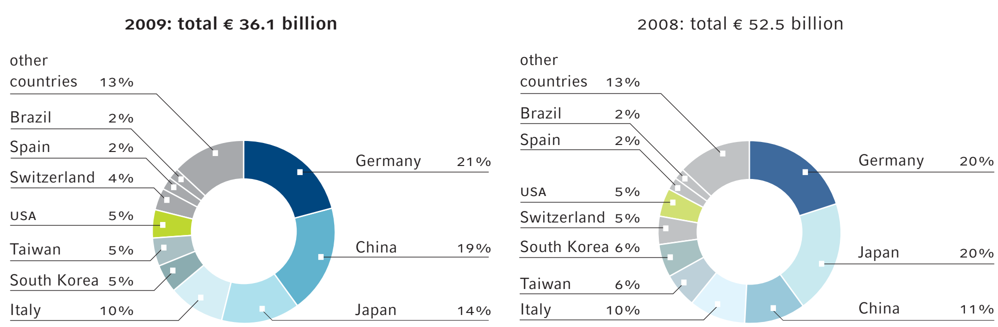
With regard to **imports** China at € 4.1 billion (previous year: € 5.1 billion) takes the first place for the eighth year in a row – despite the decline of imports by 19%. In the year under report the USA imported 51% fewer machine tools in total than in the year 2008. Altogether these two biggest import nations consumed 36% of all machine tools (previous year: 28%). Regarding total consumption, China's import share decreased by

12 percentage points to 39% (previous year: 51%). The USA, on the other hand; covered 67% of its consumption by imports (previous year: 70%). Germany's import quota was 41% (previous year: 44%). Next came South Korea with an import share of 44% (previous year: 35%) and India with 86% (previous year: 89%).

The German Machine Tool Builders Association (VDW) calculates a decline in **global production** of 31% or € 16.4 billion to € 36.1 billion (previous year: € 52.5 billion). At € 7.5 billion (–30%) Germany still ranks first in the world, thus this represented a share in world production of 21% (previous year: 20%). For the first time China proved to be second of the world's largest manufacturers of machine tools. Production output was € 7.0 billion (changes compared to the previous year: +20%); this represents 19% of the global machine tools production. Japan followed with € 5.1 billion (–52%) or 14% of the global production. Taking places four to ten are Italy (€ 3.8 billion; –30%; 10%), South Korea (€ 1.9 billion; –36%; 5%), Taiwan (€ 1.7 billion; –47%; 5%), the USA (€ 1.7 billion; –38%; 5%), Switzerland (€ 1.5 billion; –44%; 4%), Spain (€ 0.8 billion; –28%; 2%) and Brazil (€ 0.7 billion; –25%; 2%). The top ten countries produced a total of 87% of all machine tools (previous year: 87%).

In the most important markets, the production share developed as follows:

WORLDWIDE PRODUCTION OF MACHINE TOOLS*



* provisional figures for 2009; revised values 2008

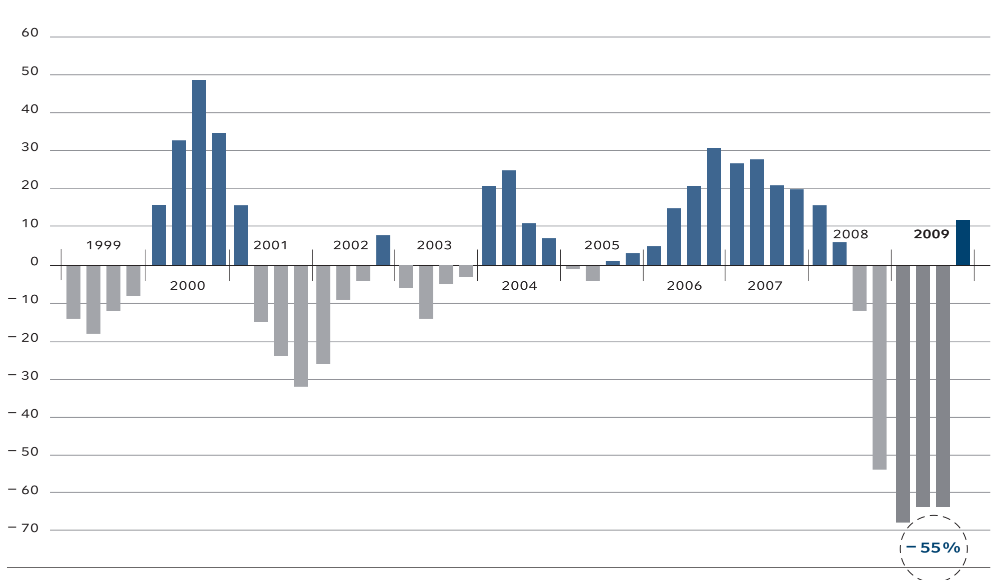
Sources: The basis of the world machine tool statistics is the data published by the VDW (the German Machine Tool Builders' Association) (excluding parts and accessories). This data is requested by the national producers' associations of each individual country and is based on the current actual values or, for the remainder of the year, on careful estimates based on the updated values of the previous year.

In the reporting period 55% of global production was exported (previous year: 58%). With a share of 69% in **exports**, Germany takes first place (previous year: 65%). Japan followed in second place with 59% (previous year: 55%). Together these two countries achieved 41% of world's exports on a value basis (previous year: 42%), followed by Italy (12%), then Taiwan, Switzerland, the USA, South Korea, China, Spain and Austria – each with a share of world exports of less than 10%.

German Machine Tool Industry

The German machine tool industry reached in 2009 at a historically low level and overall recorded a strong decline in order intake, lower production and a fall in exports. **Order intake** slumped to € 6.2 billion or by 55% (previous year: € 13.7 billion). Domestic demand fell by 61% (previous year: −17%). International demand decreased by 50% (previous year: −12%). The ifo **business climate index** for the manufacturing industry was also negative. The main consumer industries (mechanical engineering, automotive manufacturing and electrical engineering) reported significantly lower assessments than in the previous year. Order intake of the German machine tool industry developed over the course of the year as follows:

MACHINE TOOL ORDER INTAKE IN GERMANY*
Real changes against the previous year in %



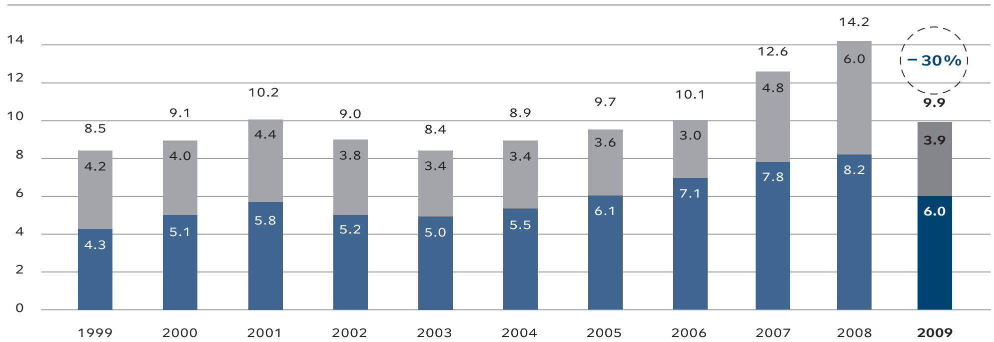
* previous year’s figures partly adjusted

Production fell by 30% to € 9.9 billion and was thus clearly below the previous year’s figure (€ 14.2 billion). **Exports** recorded the export of machines to a value of € 6.0 billion and thus some 27% or € 2.2 billion lower than the previous year; this represents an export share of 61% (previous year: 58%). The most important sales market for German machine tools is China at € 1,300.5 million, which corresponds to 22% of German exports (previous year: 14%). Thus the Chinese market now is nearly three times as big as the USA (2nd place). Machines to a value of € 421.1 million were delivered to the USA (previous year: € 698.8 million). Russia was again the third most important export market, taking delivery of machines to a value of € 367,5 million (previous year: € 524.0 million: export share: 6%). In comparison with the previous year, only exports to China (+13%), Japan (+6%) and South Korea (+3%) increased; the most significant decline was recorded in the Czech Republic (−56%), Italy (−43%) as well as in the USA and in Poland with a decrease of −40% each.

The development and composition of the German machine tool production is shown in the following multi-year comparison:

MACHINE TOOL PRODUCTION IN GERMANY
in € billion

Domestic sales
Export



Domestic consumption reached € 5.3 billion and thus fell by € 3.5 billion or 40% compared to the previous year (€ 8.8 billion). With an import share of 27% nearly every third machine tool came from Switzerland. This was followed by Italy, Japan, the Czech Republic and Spain. In the top 10 group of import countries, imports from Japan fell most heavily at 58%, followed by Switzerland (–50%) and the USA (–48%). Machine tool **imports** decreased by € 1.6 billion or 43% to € 2.1 billion (previous year: € 3.7 billion). German machine tools to a value of € 3.9 billion were sold domestically.

In the course of the reporting year, the German machine tool plants recorded a declining capacity utilisation. Due to the poor order intake situation the **capacity utilisation** of producers of cutting machine tools fell from 92% at the start of the year (previous year: 98%) to 71% (previous year: 98%) against the end of the year.

The extent of the **order backlog** fell continuously during the year and was still an average of 6.2 months (previous year: 8.7 months) because of the high share of special machines and project business. The extent of order backlog is based on calculations and represents an average value for the industry. It can only be viewed as a rough indication of the actual order backlog.

The number of **employees** in German machine tool companies averaged 69,614 (previous year: 70,839).

Reliable statements on the **profitability** of the German machine tool industry are not readily available as only individual companies publish the corresponding figures. Therefore the association has to rely on estimates. However, it has to be stated that the earnings situation of the industry has worsened considerably due to the worldwide economic crisis and many producers suffer losses.

Sources: VDW; VDMA – Trade Association for Machine Tools and Production Systems (Figures include parts and accessories and exclude service and installation; previous year's figures partly revised)

MASTERING CHALLENGES.
SECURING THE FUTURE!

AEROSPACE INDUSTRY – CHALLENGES

- Highest precision
- Strictest safety requirements
- Wide range of materials
- Component sizes from small to xxlarge
- Wide variety of shapes
- Various machining technologies

HIGHEST DEMANDS ON MAN & MATERIAL

Aerospace

________ Our aerospace customers have a successful start. As a leading enterprise in 5-axis technology with innovative high-tech machines for piece machining, GILDEMEISTER provides optimum thrust. Whether compressor discs or structural parts for wing construction – the goal is always clear: highest precision in the shortest machining time. ________

SEGMENT: AEROSPACE	EXPERTISE: GILDEMEISTER
Maximum time-savings	through turning / milling complete machining
Highest precision and productivity	through fewer clampings
Unparalleled performance	through spindles with max. torque of 1,100 Nm

FAN DISK OF TITAN

Highly complex machining of high-tensile materials on a DMC 125 FD duoBLOCK®

Fan Disk

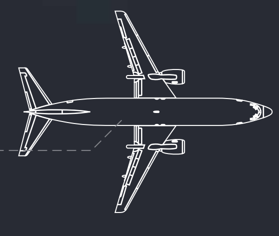
SEGMENT: AEROSPACE

EXPERTISE: GILDEMEISTER

Maximum time-savings	through 5-sided / 5-axis simultaneous machining
Highest precision and productivity	through fewer clampings
Unparalleled performance	through spindles with max. 100 kW and 15,000 rpm

STRUCTURAL PART OF ALUMINIUM

Highest cutting rates in precision aluminium machining on a DMU 100 P duoBLOCK®



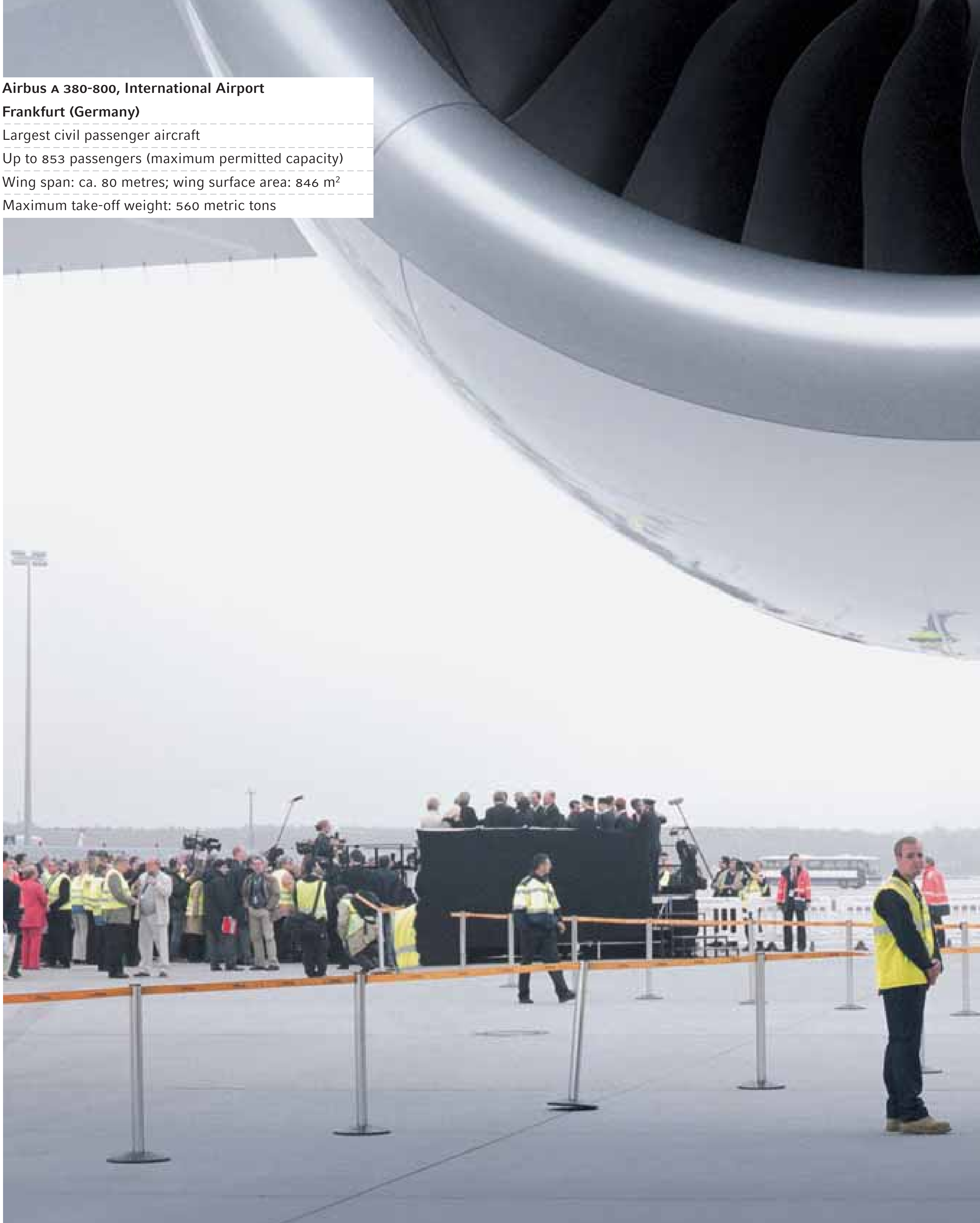
Airbus A 380-800, International Airport Frankfurt (Germany)

Largest civil passenger aircraft

Up to 853 passengers (maximum permitted capacity)

Wing span: ca. 80 metres; wing surface area: 846 m^2

Maximum take-off weight: 560 metric tons



INNOVATIVE TECHNOLOGIES ENSURE

Success

There is scarcely any other industry whose demands are so high with respect to reliability and economy as those of the aerospace industry. For this reason, in our "Center of Excellence – Aerospace" we are developing comprehensive tailor-made solutions for customers – and thus inspiring technology for the global aerospace process chain.

Results of Operations, Financial Position and Net Worth

Due to the economic crisis, 2009 was one of the most difficult years for machine tools and also for GILDEMEISTER in its corporate history. Order intake amounted to € 1,145.9 million (– 39%). Sales revenues amounted to € 1,181.2 million (– 38%). GILDEMEISTER achieved a positive result in 2009. The result (EBIT) amounted to € 31.8 million. EBT was positive at € 7.1 million. The annual profit in the group amounted to € 4.7 million. We have reached our target of achieving a positive result (EBT).

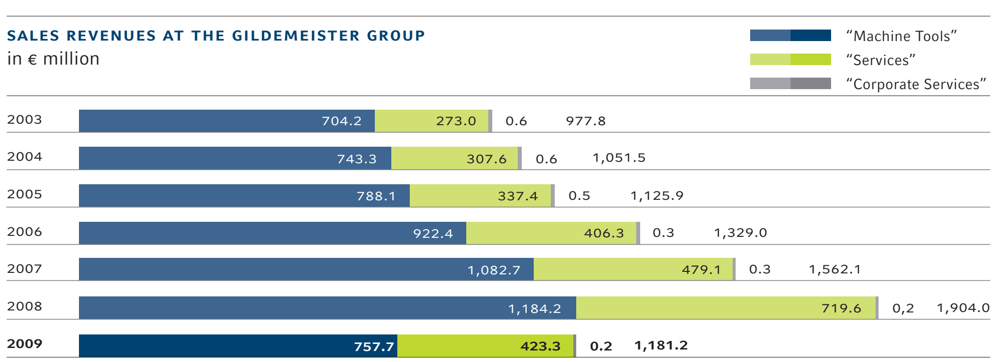
Sales revenues

The sharply declining order intake had an effect in the year under report on sales revenues development. Whilst a more stable development was recorded in the ECOLINE range, sales revenues for universal and technology machines decreased noticeably. It was also not possible to prevent a decline in sales in services and the solar business.

Sales revenues fell by a total of € 722.8 million (–38%) to € 1,181.2 million (previous year: € 1,904.0 million); it was possible to avoid an even greater decline through the good order backlog at the start of the year. In the “Machine Tools” segment, sales revenues for the whole year decreased to € 757.7 million (–36%). The “Services” segment achieved € 423.3 million (–41%), of which the “Solar Technology” division contributed € 88.5 million (previous year: € 199.5 million).

Domestic sales revenues fell to € 496.5 million (–40%); international sales revenues decreased to € 684.7 million (–36%). The export share amounted to 58% (previous year: 56%).

More detailed information on sales revenues in each segment is given on page 38 et seq. In a multiple year comparison, the individual segments shared in group sales revenues as follows:



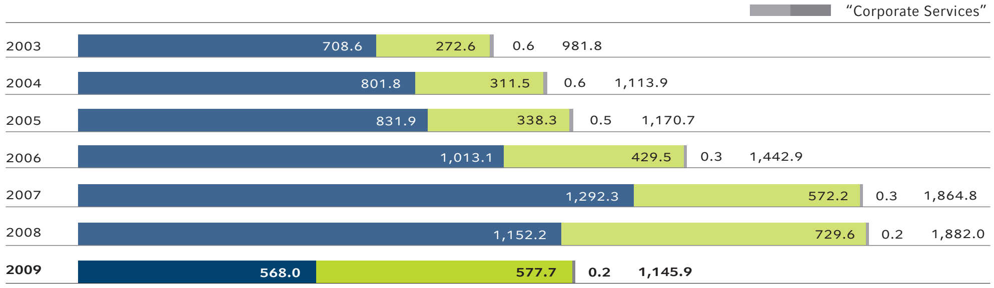
Order intake

Order intake declined by 39% and reached € 1,145.9 million (previous year: € 1,882.0 million). In the first three quarters, order intake developed analogously to the difficult market environment in that it declined sharply. In the fourth quarter, order intake reached € 327.7 million (previous year: € 289.2 million). Over the whole year, the machine tool business decreased by 51% to € 568.0 million. The service business amounted to € 577.7 million (−21%); a proportion of which includes the solar business, which showed a positive development of € 299.8 million (+85%).

Domestic orders decreased by 59% to € 343.9 million (previous year: € 843.4 million). International orders declined by 23% to € 802.0 million (previous year: € 1,038.6 million). The international quota was 70% (previous year: 55%).

More detailed information on order intake for each segment is given on page 38 et seq. In a multiple year comparison, the segments shared in group order intake as follows:

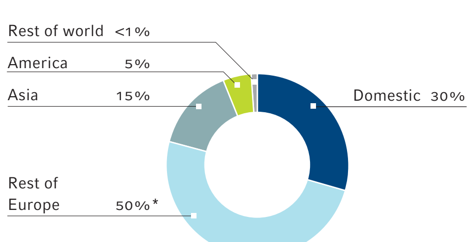
ORDER INTAKE AT THE GILDEMEISTER GROUP
in € million



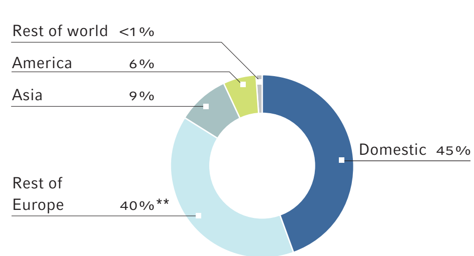
In the individual market regions, order intake developed as follows:

ORDER INTAKE AT THE GILDEMEISTER GROUP BY REGION

2009: total € 1,145.9 million



2008: total € 1,882.0 € million



* SunCarrier 26% share

** SunCarrier 9% share

The **sales volume** of “Machine Tools” declined by 44% compared to the previous year. **Key accounting** again made a significant contribution to order intake.

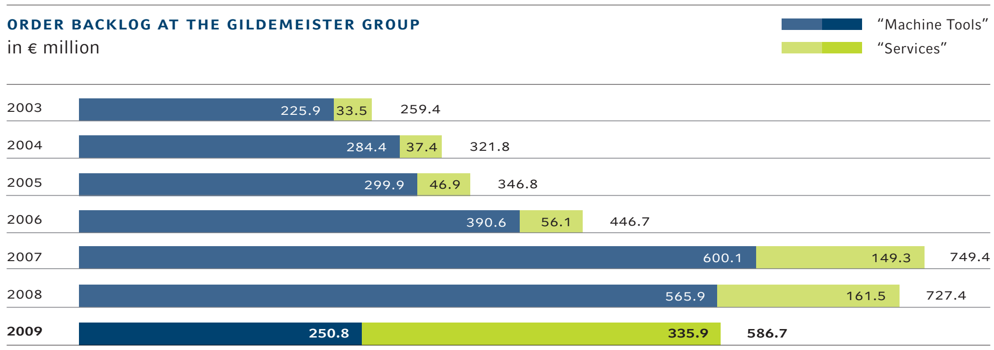
Order backlog

As of 31 December 2009, the order backlog for the group amounted to € 586.7 million; it was thus € 140.7 million or 19% below the previous year’s figure (31 Dec. 2008: € 727.4 million). The “Solar Technology” division of a+f GmbH accounted for € 248.1 million or 42% of this figure.

Of the existing orders, international orders accounted for 89% (corresponding date of the previous year: 68%). The domestic backlog decreased by € 165.4 million or 71% to € 67.3 million (previous year: € 232.7 million). The international backlog grew by € 24.7 million or 5% to € 519.4 million (previous year: € 494.7 million).

The following diagram shows the development of order backlog in a multiple year comparison. More detailed information on order backlog in each segment is given on page 38 et seq.

ORDER BACKLOG AT THE GILDEMEISTER GROUP
in € million



Due to the adjustment of production capacities the order backlog in the “Machine Tools” represents mathematically a utilisation period of an average of some three months still, although the individual production companies report different capacity utilisation.

Results of operations

Positive results of operations in the financial year 2009

GILDEMEISTER achieved a positive result for 2009. As a consequence of the lower sales revenues, the results declined markedly; the fourth quarter was slightly positive as planned. **EBITDA** amounted to € 60.9 million (previous year: € 188.9 million); **EBIT** totalled € 31.8 million (previous year: € 158.2 million). **EBT** was positive at € 7.1 million (previous year: € 126.7 million). **The annual profit** in the group amounted to € 4.7 million (previous year: € 81.1 million). **We reached our target of achieving a positive result (EBT).**

CONSOLIDATED INCOME STATEMENT OF THE GILDEMEISTER GROUP	2009 € million	%	2008 € million	%	Changes against previous year € million	%
Sales revenues	**1,181.2**	**103.3**	**1,904.0**	**97.4**	**–722.8**	**– 38.0**
Changes in finished goods and work in progress	– 44.3	– 3.9	44.2	2.3	– 88.5	– 200.2
Own work capitalised	6.7	0.6	6.7	0.3	0	0
Total work done	**1,143.6**	**100.0**	**1,954.9**	**100.0**	**– 811.3**	**– 41.5**
Cost of materials	– 559.8	– 48.9	– 1,066.3	– 54.5	506.5	– 47.5
Gross profit	**583.8**	**51.1**	**888.6**	**45.5**	**– 304.8**	**– 34.3**
Personnel costs	– 346.1	– 30.3	– 405.5	– 20.7	59.4	– 14.6
Other income and expenses	– 176.8	– 15.4	– 294.2	– 15.1	117.4	– 39.9
EBITDA	**60.9**	**5.4**	**188.9**	**9.7**	**– 128.0**	**– 67.8**
Depreciation of fixed assets	– 29.1	– 2.6	– 30.7	– 1.6	1.6	5.2
EBIT	**31.8**	**2.8**	**158.2**	**8.1**	**– 126.4**	**–79.9**
Financial results	– 24.7	– 2.2	– 31.5	– 1.6	6.8	– 21.6
EBT	**7.1**	**0.6**	**126.7**	**6.5**	**– 119.6**	**94.4**
Taxes on profit	– 2.4	– 0.2	– 45.6	– 2.4	43.2	94.7
Annual profit	**4.7**	**0.4**	**81.1**	**4.1**	**–76.4**	**– 94.2**

The total work done fell in financial year 2009 to € 1,143.6 million; it was thus € 811.3 million or 41.5% below the previous year's figure (€ 1,954.9 million). This decline resulted from reduced sales revenues of € 722.8 million or –38.0% to € 1,181.2 million and a reduction in changes in inventories of € 88.5 million. Further explanations on changes in inventories are given in the chapter "Net Worth". The materials quota fell to 48.9% (previous year: 54.5%); intensive follow-up negotiations on purchasing conditions and the synergies achieved from the cooperation with Mori Seiki had a positive influence on this materials quota. Gross profit of € 583.8 million was € 304.8 million (–34.3%) below the previous year's figure (€ 888.6 million); the gross profit margin improved to 51.1% (previous year: 45.5%).

In the reporting year, results were particularly influenced by non-recurring restructuring costs of around € 40 million, which were mainly taken into account in personnel costs and other operating costs.

Employee expenses fell by € 59.4 million to € 346.1 million (previous year: € 405.5 million). The decline resulted from measures that were immediately introduced to adjust capacity with short-time working and a reduction in employees, as well as from a reduction in variable salary components. The personnel quota was 30.3% (previous year: 20.7%). More information can be found in the chapter "Employees" on page 59. The balance of other expenses and income fell by € 117.4 million to € 176.8 million. Other operating expenses amounted to € 263.3 million (previous year: € 352.6 million).

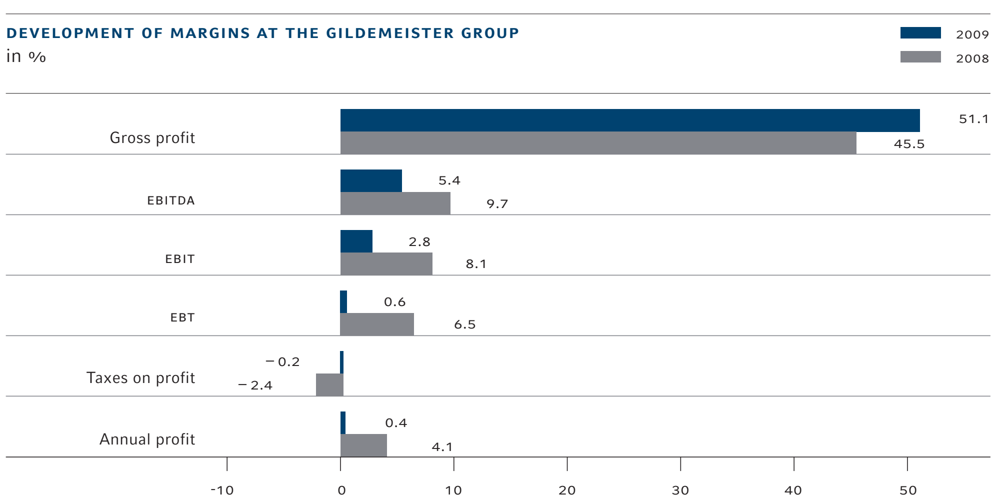
The reduction was achieved as a result of our consistently implemented cost-reduction programme, the decline of sales-related costs, such as outward freight, sales commissions, travel costs and also as a result of the termination of employment agreements with all agency workers. Costs of rents and leases amounted to € 29.1 million (€ −1.1 million). Other operating income increased to € 86.5 million (previous year: € 58.4 million); at € 32.6 million (previous year: € 15.6 million)) they apply to releases of accruals. Further details on the breakdown of other operating expenses and income can be found in the notes to the consolidated financial statements on page 126 et seq. Depreciation fell by € 1.6 million to € 29.1 million (previous year: € 30.7 million). As a result of even lower interest margins, in particular, the financial result improved by € 6.8 million to € −24.7 million (previous year: € −31.5 million).

Financial result improved

The tax ratio at 33.8% could be improved with a clear decline in EBT (previous year: 36.0%). **Total tax expense** was reduced to € 2.4 million (previous year: € 45.6 million).

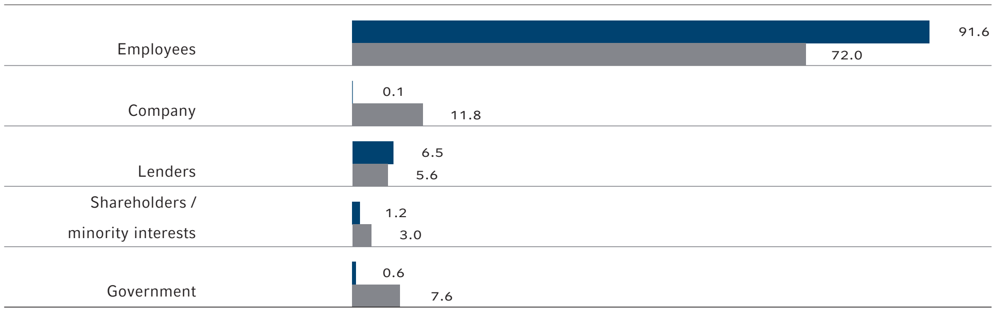
The earnings margins, which are determined on the basis of total work done, have developed as follows: The gross profit margin improved to 51.1% (previous year: 45.5%). The EBITDA margin amounted to 5.4% (previous year: 9.7%); the EBIT margin achieved 2.8% (previous year: 8.1%). The proportional ratios for personnel and depreciation, which rose compared to the previous year, had a negative effect on the profit margin. The reduced share of material expenses had an opposite effect. The EBT margin decreased to 0.6% (previous year: 6.5%). Taking into account tax expenditure, the annual profit margin amounted to 0.4% (previous year: 4.1%).

DEVELOPMENT OF MARGINS AT THE GILDEMEISTER GROUP
in %



In the financial year 2009 the **value added** achieved by the GILDEMEISTER group amounted to € 378.8 million (previous year: € 564.3 million); this corresponds to a decline of 32.9% or € 185.5 million.

DISTRIBUTION OF VALUE ADDED IN THE GILDEMEISTER GROUP
in %



The following table shows the value added statement in detail:

VALUE ADDED STATEMENT OF THE GILDEMEISTER GROUP	2009 € million	2009 %	2008 € million	2008 %	Changes against previous year € million	Changes against previous year %
Source						
Sales revenues	1,181.2	96.1	1,904.0	94.6	–722.8	–38.0
Other revenues	48.9	3.9	109.3	5.4	–60.4	–55.3
Operating performance	**1,230.1**	**100.0**	**2,013.3**	**100.0**	**–782.2**	**–38.9**
Cost of materials	559.8	45.5	1,066.3	53.0	–506.5	–47.5
Depreciation	29.1	2.4	30.7	1.5	–1.6	–5.2
Other expenses	262.4	21.3	352.0	17.5	–89.6	–25.5
Purchased materials and services	**851.3**	**69.2**	**1,449.0**	**72.0**	**–597.7**	**–41.2**
Value added	**378.8**	**30.8**	**564.3**	**28.0**	**–185.5**	**–32.9**
Distribution						
Employees	346.9	91.6	406.1	72.0	–59.2	–14.6
Companies	0.2	0.1	66.6	11.8	–66.4	–99.7
Lenders	24.7	6.5	31.4	5.6	–6.7	–21.3
Shareholders / minority interests	4.6	1.2	17.3	3.0	–12.7	–73.4
Government	2.4	0,6	42.9	7.6	–40.5	–94.4
Value added	**378.8**	**100.0**	**564.3**	**100.0**	**–185.5**	**–32.9**

Financial position

The group's financial position developed in the year under report as follows: the **free cash flow** was negative, as announced, and amounted to € −100.5 million (previous year: € 60.1 million). The reasons for this were:

_ the recognition of sales revenues and delayed sales revenues in the "Solar Technology" division in the second half year 2009 that will result in incoming payments of about € 75 million at the end of the first six months 2010;

_ the significantly increased export share in our machine business that, due to necessary export licenses, resulted in delayed deliveries and payments.

CASH FLOW	2009 € million	2008 € million
Cash flow from operating activity	−75.2	108.6
Cash flow from investment activity	−56.5	−49.4
Cash flow from financing activity	−42.3	104.0
Changes in cash and cash equivalents	−173.5	162.3
Liquid funds at the start of the reporting period	257.9	95.6
Liquid funds at the end of the reporting period	84.4	257.9

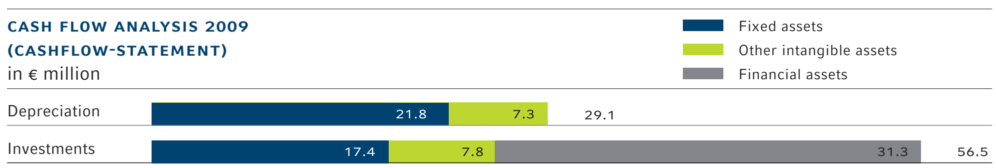
Cash flow from operating activity (outflow of funds) was negative in the reporting year at € −75.2 million (previous year: € 108.6 million). Earnings before tax (EBT) of € 7.1 million (previous year: € 126.7 million) and depreciation of € 29.1 million (previous year: € 30.7 million) contributed to this cash flow. The decline in inventories of € 34.6 million and trade receivables of € 46.5 million had a positive effect on cash flow. The decrease in provisions (€ −69.1 million) and trade payables (€ −57.7 million) reduced cash flow, as did payments made for income tax (€ 6.2 million) and interest (€ 24.5 million).

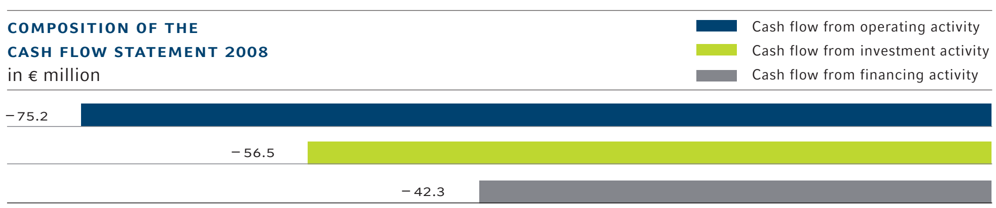
Cash flow from investment activity (outflow of funds) increased by € 7.1 million to € 56.5 million (previous year: € 49.4 million). Investment in property, plant and equipment was € 18.7 million (previous year: € 41.9 million) and in intangible assets was € 7.8 million (previous year: € 8.3 million). Payments for investments in financial assets were made in an amount of € 31.3 million for the purchase of Mori Seiki shares. Further details can be found in the "Investments" chapter on page 37.

The cash flow from financing activities (outflow of funds) was affected by receipts from the capital increase (€ +18.1 million), the repayment of financial liabilities (€ −42.6 million) and the distribution of the dividend for the financial year 2008 (€ −17.3 million).

Within the total financing GILDEMEISTER had sufficient **liquidity** to year-end. Liquid funds amounted to € 84.4 million (previous year: € 257.9 million). Free cash lines were € 89.9 million (previous year: € 48.9 million). We had additional open lines of credit (guaranteed bills outstanding, bills of exchange, factoring) available of € 130.7 million (previous year: € 79.4 million). The portfolio of receivables sold through factoring agreements amounted to € 49.1 million (previous year: € 20.8 million). Significant financial liabilities in foreign currency are explained in the notes to the consolidated financial statements on page 156 et seq.

A detailed cash flow statement is given in the notes to the consolidated financial statements on page 98. The main key figures pertaining to the analysis of the financial position are summarised in the "Multiple Year Overview" on page 180 et seq.





GILDEMEISTER covers its capital requirements with the operating cash flow and by taking up short and long-term financing. The essential components of this are syndicated loans and borrowers' notes, as well as the sale of claims programme within the scope of factoring agreements.

Financing agreements readjusted

Due to the considerable changes in the key figures as a result of the economic crisis, timely negotiations were conducted with our banks, in order to adjust existing financing agreements. In addition, we have to increased the credit margin, in order to make use of opportunities in the project business sector, as well as to secure corporate financing throughout the economic crisis. As a result, we had to accept considerably higher interest margins. Our borrowers' notes amount to a total of € 201.5 million and will mature in May 2013. The KfW (Kreditanstalt für Wiederaufbau – Reconstruction Loan Corporation) has contributed to the existing syndicated loan of € 175 million with a tranche of € 40.5 million. We have also taken on a further syndicated loan amounting to a total of € 211.9 million with two tranches: one Tranche amounting to € 57 million, as well as another tranche amounting to € 154.9 million, each with a term ending in December 2012. The second tranche cannot be drawn upon until June 2011 and serves to refinance the syndicated loan, which will mature in June 2011. It was possible to secure the financing for GILDEMEISTER until the end of 2012 and increase the financing margin by up to € 57 million to € 433.5 million. The appropriate agreements were signed at the beginning of 2010.

Moreover, we replaced our ABS programme of € 100 million, with an original term until 2011, by a factoring agreement in December 2009. As a result, German claims with a volume of up to € 75 million can be sold. There are plans to extend the factoring to cover the sale of European claims. Using this measure, we intend to permanently increase the scope of receivables volume sold and relieve capital commitment.

In addition, there are still some long-term loans and short-term bilateral loan commitments to individual subsidiaries of a total volume of € 41.4 million (previous year: € 50.7 million). With regard to the terms we refer to the explanatory notes on "Financial debts" on page 149 et seq in the notes to the Consolidated Financial Statements.

Our financing includes customary agreements on compliance with certain key indicators (covenants). The financing is supplemented by off balance operating leasing agreements. The main financing instruments and future financial obligations are specified in the notes to the consolidated financial statements under "Financial debts" on page 149 et seq and under "Other financial obligations" on page 155.

In addition to loans, GILDEMEISTER requires lines of guarantee to issue payment guarantees and warranties. After the contract adjustment of financing agreements, guarantees can only be drawn on from the bilateral lines of guarantee. The main goal of our financing mix is to secure sufficient credit lines, which we wish to have available for the necessary liquidity for seasonal fluctuations within the industry, for the requirements of the project business of a+f GmbH and for further corporate growth.

The GILDEMEISTER group financing is carried out centrally. Only when group financing is not advantageous, due to the legal framework, is local financing used in individual cases. Cash pooling is used to utilise liquidity surpluses of subsidiaries cost-effectively within the group. In the "Opportunities and Risk Report" on page 80, and in the Notes to the Consolidated Financial Statements under "derivative financial instruments" on page 156 et seq, we give details of the risks arising out of financing and evaluation. Details are also given of the methods used to hedge interest and currency risks, as well as price change, default and liquidity risks.

Net worth

The assets and capital structure developed as follows: The **balance sheet total** decreased to € 1,152.7 million (previous year: € 1,390.4 million). The change results from reduced funds committed to inventories (€ –34.6 million) and trade receivables (€ –46.5 million) as well as from a decrease in liquid funds (€ –173.5 million). The **equity ratio** improved to 33.0% (previous year: 27.3%).

BALANCE SHEET OF THE GILDEMEISTER GROUP	31. Dec. 2009 € million	%	31. Dec. 2008 € million	%	Changes against previous year € million	%
Assets						
Long-term assets						
Fixed assets	326.0	28.3	301.3	21.6	24.7	8.2
Receivables and other assets	52.5	4.6	46.7	3.4	5.8	12.4
	378.5	32.9	348.0	25.0	30.5	8.8
Short-term assets						
Inventories	391.3	33.9	425.9	30.6	– 34.6	– 8.1
Receivables and other assets	298.5	25.9	358.6	25.8	– 60.1	– 16.8
Liquid funds	84.4	7.3	257.9	18.6	– 173.5	– 67.3
	774.2	67.1	1,042.4	75.0	– 268.2	– 25.7
Balance sheet total	**1,152.7**	**100.0**	**1,390.4**	**100.0**	**– 237.7**	**– 17.1**
Equity and liabilities						
Long-term financing resources						
Equity	380.9	33.0	379.7	27.3	1.2	0.3
Outside capital						
Provisions	60.2	5.3	74.2	5.3	– 14.0	– 18.9
Liabilities	265.0	23.0	268.0	19.3	– 3.0	– 1.1
	325.2	28.3	342.2	24.6	– 17.0	– 5.0
	706.1	61.3	721.9	51.9	– 15.8	– 2.2
Short-term financing resources						
Provisions	127.8	11.1	178.5	12.8	– 50.7	– 28.4
Liabilities	318.8	27.6	490.0	35.3	– 171.2	– 34.9
	446.6	38.7	668.5	48.1	– 221.9	– 33.2
Balance sheet total	**1,152.7**	**100.0**	**1,390.4**	**100.0**	**– 237.7**	**– 17.1**

On the **assets** side, fixed assets rose by € 24.7 million or 8.2% to € 326.0 million (previous year: € 301.3 million). Intangible assets rose by € 0.7 million and property, plant and equipment decreased by € 4.2 million. Financial assets rose with the purchase of the Mori Seiki shares by € 28.2 million to € 28.5 million. A detailed presentation of asset additions is given in the "Investments" chapter on page 37.

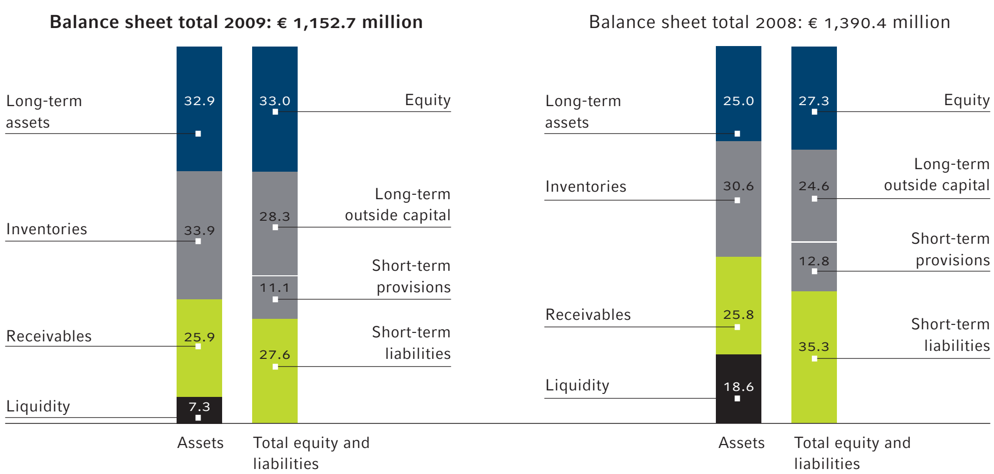
Long-term receivables and other assets increased by € 5.8 million or 12.4% to € 52.5 million (previous year: € 46.7 million). At the same time deferred taxes rose by € 7.5 million. Other assets fell by € 1.8 million. Other assets include discounted customers' bills of € 12.5 million (previous year: € 16.0 million).

Working capital management reduces inventories

Inventories decreased by € 34.6 million to € 391.3 million (previous year: € 425.9 million). The reduction in inventories is as a result of the measures introduced for working capital management. The inventory of raw material and consumables fell by € 6.4 million to € 153.7 million (previous year: € 160.1 million) and of work in progress by € 72.1 million to € 80.5 million (previous year: € 152.6 million). The stock of finished goods and merchandise amounted to € 150.3 million (previous year: € 109.6 million).

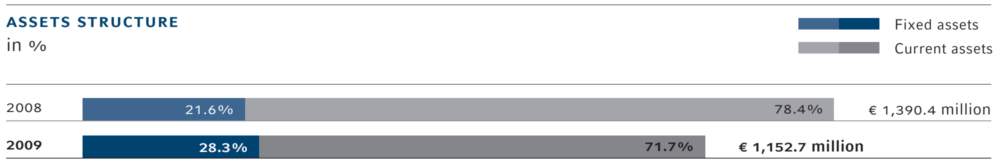
The inventories include stocks for the “SunCarrier”, these amounted to € 29.7 million (previous year: € 32.1 million) for raw materials and consumables, and € 5.6 million (previous year: € 16.5 million) for work in progress and to € 21.8 million for finished goods from projects that have not yet been cleared. Overall, the share of inventories in total assets amounts to 33.9% (previous year: 30.6%). Based on the sales volume, the inventory turnover ratio, excluding solar technology, was 3.3 (previous year: 4.5).

ASSETS AND CAPITAL STRUCTURE OF THE GILDEMEISTER GROUP
in %



Short-term receivables and other assets fell in comparison with the previous year by 16.8% or € 60.1 million to € 298.5 million. Trade receivables decreased by € 46.5 million to € 238.8 million. Trade receivables show revenue recognition from the “Solar Technology” division in an amount of € 55.4 million. The volume of receivables sold from the factoring contracts (previous year the ABS programme and factoring) totalled € 43.7 million (previous year: € 77.7 million). Other assets fell by € 13.5 million to € 59.7 million. Other assets include discounted customer bills of exchange of € 6.1 million (previous year: € 10.1 million). The turnover rate of trade receivables was 4.9 (previous year: 7.1).

At the balance sheet date **liquid funds** amount to € 84.4 million (previous year: € 257.9 million) or 7.3% of total assets (previous year: 18.6%). The high liquid fund balances in the previous year were as a result of almost completely drawing on syndicated lines of credit in the fourth quarter of 2009. In the assets structure the share of non-current assets rose by 7.9 percentage points to 32.9% (previous year: 25.0%).



Under **equity and liabilities**, equity increased by € 1.2 million or 0.3% to € 380.9 million (previous year: € 379.7 million). The equity ratio amounted to 33.0% (previous year: 27.3%). Gearing (proportion of net indebtedness to equity) is 64.3% (previous year: 31.7%).

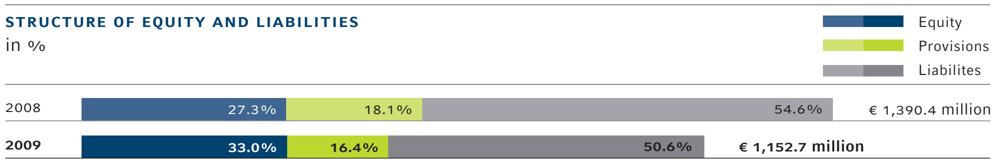
Long-term outside capital decreased by € 17.0 million to € 325.2 million. The share of total equity and liabilities climbed by 3.7 percentage points to 28.3% (previous year: 24.6%). The share of long-term provisions amounts to 5.3% (previous year: 5.3%). This includes pension provisions of € 26.3 million (previous year: € 27.1 million) as well as other provisions for employee obligations in an amount of € 26.3 million (previous year: € 26.5 million). Liabilities of € 2.8 million (previous year: € 3.6 million) relate to deferred tax liabilities.

Long-term financial resources decreased in the year under report by € 15.8 million or 2.2% to € 706.1 million. Long-term assets are financed as to 186.6% (previous year: 207.4%) by long-term available funds.

Short-term financial resources decreased by € 221.9 million or 33.2% to € 446.6 million, whereas provisions decreased by € 50.7 million to € 127.8 million (previous year: € 178.5 million). This includes lower provisions, due to sales, for risks arising from warranties and retrofittings of € 25.0 million (previous year: € 39.8 million) and for obligations arising out of sales of € 32.2 million (previous year: € 36.0 million). Short-term financial debts fell by € 46.0 million to € 92.0 million (previous year: € 138.0 million). Payments received on account for orders placed amounted to € 43.8 million (previous year: € 96.4 million). The deposit ratio was 7.5% (previous year: 13.3%). Trade payables decreased by a decline in total work done by € 57.5 million to € 141.1 million (previous year: € 198.6 million).

The total of fixed assets and inventories of € 717.3 million (previous year: € 727.2 million) is covered as to 98.4% (previous year: 99.3%) by long-term financial resources. Compared to the previous year, the structure of equity and liabilities shows a rise in the equity ratio of 5.7 percentage points. The provisions ratio fell by 1.7 percentage points to 16.4% and the liabilities ratio by 4.0 percentage points to 50.6% (previous year: 54.6%).

In addition to the assets shown in the group balance sheet, the group also uses **off balance assets**. These relate mainly to certain leased or rented goods (operating lease). Details of these are presented in the Notes to the Consolidated Financial Statements on page 155 et seq. Within the framework of off balance financing instruments, the group uses a factoring programme. Details of these can be found in the Notes to the Consolidated Financial Statements on page 135 et seq. Of special importance are our good, long-term relationships of trust with our customers and suppliers; they permit us direct access to the relevant markets and render us independent of short-term market fluctuations.



Annual Financial Statements of GILDEMEISTER Aktiengesellschaft (short version)

The following tables show the annual financial statements of GILDEMEISTER Aktiengesellschaft in abbreviated form. The complete annual financial statements including the management report are set out in a separate document.

BALANCE SHEET OF GILDEMEISTER AKTIENGESELLSCHAFT (HGB)	**2009 € million**	2008 € million
Assets		
Fixed assets		
Shares in affiliated companies	387.7	387.4
Other fixed assets	53.8	22.8
	441.5	**410.2**
Current assets		
Receivables from affiliated companies	311.4	272.3
Other current assets	51.8	203.0
	363.2	**475.3**
Balance sheet total	**804.7**	**885.5**
Equity and liabilities		
Equity	**364.6**	**365.6**
Provisions	**30.8**	**41.1**
Liabilities		
Financial liabilities	280.8	310.9
Liabilities to affiliated companies	120.6	158.0
Other liabilities	7.9	9.9
	409.3	**478.8**
Balance sheet total	**804.7**	**885.5**

The balance sheet total of **GILDEMEISTER Aktiengesellschaft** decreased by € 80.8 million to € 804.7 million (previous year: € 885.5 million). The essential changes are shown in other fixed assets, resulting from the purchase of Mori Seiki shares, and in other current assets resulting from the decline in liquid funds. In the previous year, the syndicated loan was almost completely drawn upon in cash and the funds invested.

INCOME STATEMENT OF GILDEMEISTER AKTIENGESELLSCHAFT (HGB)	2009 € million	2008 € million
Sales	11.4	15.0
Other operating income	9.1	3.5
Other expenses and income	– 36.8	– 60.2
Income from financial assets	16.9	117.2
Financial result	– 0.1	– 5.6
Profit of ordinary activities	0.5	69.9
Income taxes	– 2.2	– 25.9
Annual loss / profit	– 1.7	44.0
Profit brought forward	**8.2**	**3.5**
Transfer to revenue reserves	0	22.0
Net profit	**6.5**	**25.5**

The GILDEMEISTER Aktiengesellschaft earnings were determined primarily by income from financial assets (€ 16.9 million) comprising the transfer of profit from domestic subsidiaries balanced with transfers of losses (€ 16.4 million) as well as participation income of Mori Seiki (€ 0.5 million) (previous year: € 117.2 million). The financial results were € –0.1 million (previous year: € –5.6 million). Tax expenditure of € 2.2 million comprises mainly corporate income tax and trade tax expenditure (previous year: € 25.9 million). Due to the regulation of the German interest rate cap, taxes amounting to € 2.7 million were added.

The financial year 2009 of GILDEMEISTER Aktiengesellschaft closes with an annual result of € –1.7 million (previous year: € 44.0 million). Net profit – taking into account the profit carry forward from the year 2008 (€ 8.2 million) – amounts to € 6.5 million (previous year: € 25.5 million).

The Executive Board and the Supervisory Board will propose to the Annual General Meeting of Shareholders on 14 May 2010 that an dividend of € 0.10 per share be distributed for the financial year 2009 (previous year: € 0.40). This corresponds to an amount of € 4.6 million (previous year: € 17.3 million). Moreover, it will be proposed to the Annual General Meeting of Shareholders to carry forward the remaining balance of GILDEMEISTER Aktiengesellschaft of € 1.9 million to new account (previous year: € 8.2 million). With respect to the difficult financial year 2010 we are not planning a payment of a dividend.

Value Reporting

Value reporting for GILDEMEISTER is an essential component of value-driven corporate management. Due to our transparent, regular and structured reporting, investors are able to establish the enterprise's value in addition to the enterprise valuation carried out by the stock exchange. Detailed half-yearly and quarterly reports over the course of a year and at the end of a financial year, with comprehensive information in the group management report and consolidated financial statements, meet the high requirements of the capital market. At the same time, a sustainable increase in the enterprise's value lies at the core of our corporate management.

Aided by our in-house controlling and monitoring system, we are able to control the group and individual companies in a value-orientated way. **Earnings before tax (EBT)**, sales revenue and order intake are our most important internal target and key performance indicators, as is the **return on capital employed (ROCE)** on a corporate level. Controlling by ROCE and the relative economic value added – the difference between ROCE and cost of capital according to the **WACC method** (weighted average cost of capital) – is based on the assumption that the enterprise value rises when sustainable, positive value added is achieved. Due to the economic development, the ROCE fell to 3.9% in the year under report (previous year: 21.0%). Further key performance indicators are shown in the following table:

ROCE AND ECONOMIC VALUE ADDED

	2009	2008
EBIT (€ million)	31.8	158.2
Capital Employed (€ million)	813.7	752.7
ROCE (in %)	3.9	21.0
WACC (in %)	8.0	9.4
Relative economic value added before taxes (in %)	– 4.1	11.6
Economic value added before taxes (€ million)	– 33.4	87.3

We give further details of relevant key performance indicators for the capital market in the "Results of operations" chapter on page 24 and in "GILDEMEISTER share" on page 48.

Information on planned future net investments can be found in the chapter "Future development of the GILDEMEISTER group" on page 88.

WEIGHTED AVERAGE COST OF CAPITAL (WACC)

	2009	2008
Risk-free interest rate	3.9%	3.7%
Market risk premium	5.0%	5.0%
Beta factor	1.0	1.0
Cost of equity after tax	8.9%	8.7%
Cost of debt capital before tax	5.8%	8.3%
Tax rate (28.8%)	1.7%	2.4%
Cost of debt capital after tax	**4.1%**	**5.9%**
Share of equity	33%	27%
Share of debt capital	67%	73%
Cost of capital after tax	5.7%	6.7%
Tax rate	28.8%	28.8%
Cost of capital before tax (WACC)	**8.0%**	**9.4%**

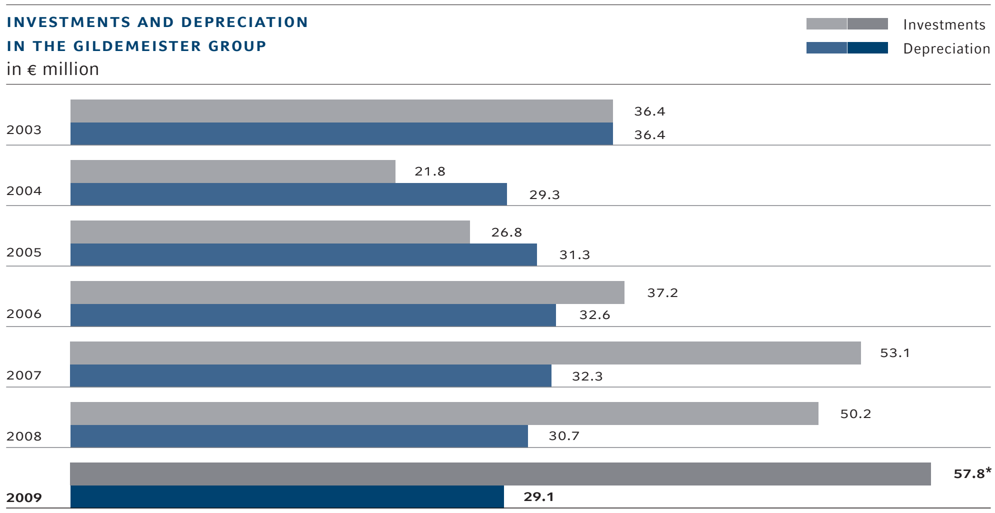
Investments

Investments in property, plant and equipment and intangible assets amounted to € 26.5 million (previous year: € 50.2 million). Against the background of the continuing economic crisis, we remained far below our originally planned figure (€ 45 million). In the reporting year depreciation of property, plant and equipment, taking into account capitalised development costs and finance leases, amounted to € 29.1 million and was thus slightly below the previous year's figure (€ 30.7 million).

Investments in property, plant and equipment and intangible assets were essentially reduced further development of our machine types, as well as replacement procurements to maintain operational readiness. Upon the completion of the construction work for the technology center at the Bielefeld site, we opened the "DMG Experience Center Turn & Mill". In addition, we concluded the modernisation measures that had begun in the previous year at GRAZIANO Tortona. By investing in the further development of our innovative "SunCarrier" products, we will participate in the fast-growing business area of renewable energy.

Additions to financial assets amounted to € 31.3 million due to the shareholding in Mori Seiki Co. Ltd. Investments thus amounted in total to € 57.8 million.

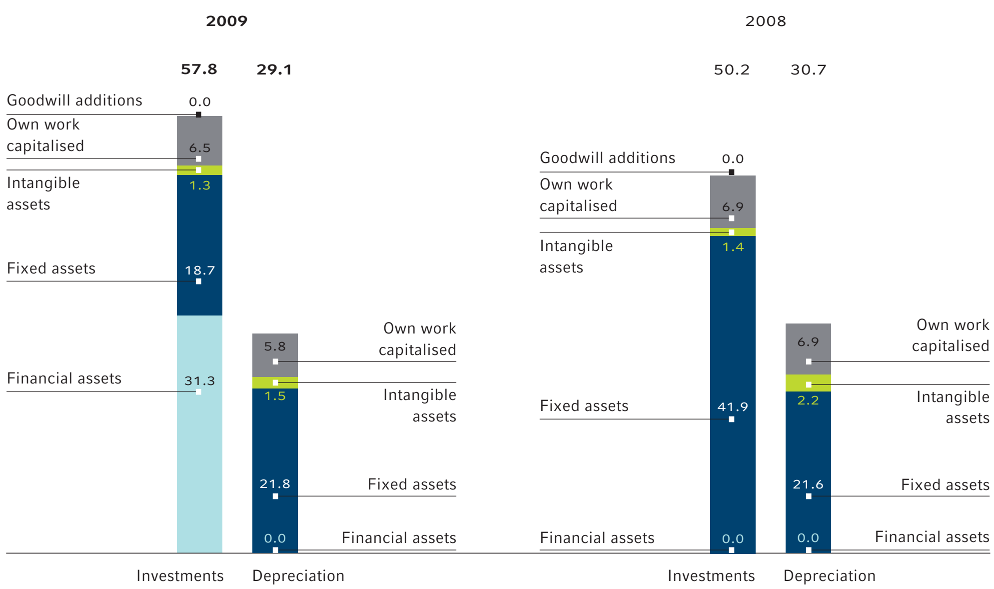
INVESTMENTS AND DEPRECIATION IN THE GILDEMEISTER GROUP
in € million



* of which € 31.3 million capital inflow to financial assets

More information on investments in each segment is included in the "Segmental Reporting" chapter on page 42 et seq.

BREAK DOWN OF INVESTMENTS AND DEPRECIATION IN THE GILDEMEISTER GROUP
in € million



Segmental Reporting

Our business activities include the "Machine Tool" and the "Services" segments. The latter also includes a+f GmbH. This company is participating in the growing solar technology market with the "SunCarrier". "Corporate Services" comprises the group-wide holding functions. The breakdown of sales revenues, order intake and EBIT across the individual segments is presented as follows:

SEGMENT KEY INDICATORS OF THE GILDEMEISTER GROUP

	"Machine Tools"			"Services"			"Corporate Services"		
	2009 € million	2008 € million	Changes 2009 against 2008 %	**2009 € million**	2008 € million	Changes 2009 against 2008 %	**2009 € million**	2008 € million	Changes 2009 against 2008 %
Sales revenues	757.7	1,184.2	– 36	423.3	719.6	– 41	0.2	0.2	0
				of which a+f 112.3	251.8	– 55			
Order intake	568.0	1,152.2	– 51	577.7	729.6	– 21	0.2	0.2	0
				of which a+f 314.9	202.0	56			
EBIT	– 19.3	83.1	– 123	62.6	116.2	– 46	– 11.6	– 41.2	72
				of which a+f 8.8	16.4	– 46			

Further information on segmentation by business area and geographical region is given in the notes to the consolidated financial statements on page 104 et seq.

"Machine Tools" segment

The "Machine Tools" segment includes the group's new machine business with the turning and milling, ultrasonic / lasering, and electronics.

GILDEMEISTER has re-organised its production plants and combined them into associations across all locations in order to strengthen the group's core areas of expertise. This allows us to achieve further synergies, to increase our power of innovation and to improve the efficient production of competitive products.

The newly-created **Milling Association** brings together the core areas of expertise of DECKEL MAHO Pfronten GmbH and SAUER GmbH in "milling", "ultrasonics" and "lasering".

Assocations strengthen core competences

In the **Milling and Assembly Association**, DECKEL MAHO Seebach GmbH and FAMOT Pleszew Sp. z o.o. complement one another in the effective control and utilisation of the group's internal manufacturing capacity. Our range focuses on seven product lines: from universal milling machines to ultrasonic and lasertec machines, vertical machining centres, travelling column milling machines, as well as HSC precision centres to milling machines and machining centres for 5-axis machining.

GILDEMEISTER Drehmaschinen GmbH in Bielefeld, GRAZIANO Tortona S.r.l., and GILDEMEISTER Italiana S.p.A. are grouped together to form the core "turning" expertise in the **Turning Association**. Our full-line turning machine range has seven product lines and goes from universal and vertical lathes to turning centres and turning-milling centres for 5-axis machining.

In the **Ecoline Association**, DMG Ecoline GmbH and DECKEL MAHO GILDEMEISTER Machine Tools Co., Ltd. unite and strengthen our activities in the field of entry level machines.

DMG Electronics GmbH consolidates our expertise in control and software development throughout the group. Organisationally DMG Automation has been integrated in the "Services" segment since 1 July 2009; previous year's figures were adjusted. More detailed information on our products in the "Machine Tools" segment can be found in the "Production, Technology and Logistics" chapter on page 70 et seq.

KEY FIGURES "MACHINE TOOLS" SEGMENT	2009 € million	2008** € million	Changes 2009 against 2008 € million	%
Sales revenues				
Total	757.7	1,184.2	– 426.5	– 36
Domestic	331.0	564.2	– 233.2	– 41
International	426.7	620.0	– 193.3	– 31
% International	56	52		
Order intake				
Total	568.0	1,152.2	– 584.2	– 51
Domestic	186.0	572.9	– 386.9	– 68
International	382.0	579.3	– 197.3	– 34
% International	67	50		
Order backlog*				
Total	250.8	565.9	– 315.1	– 56
Domestic	21.1	188.9	– 167.8	– 89
International	229.6	377.0	– 147.3	– 39
% International	92	67		
Investments	17.5	34.6	– 17.1	– 49
Employees	2,936	3,512	– 576	– 16
plus trainees	250	257	– 7	– 3
Total employees*	3,186	3,769	– 583	– 15
EBITDA	1.3	105.4	– 104.1	– 99
EBIT	– 19.3	83.1	– 102.4	– 123
EBT	– 29.1	71.3	– 100.4	– 141

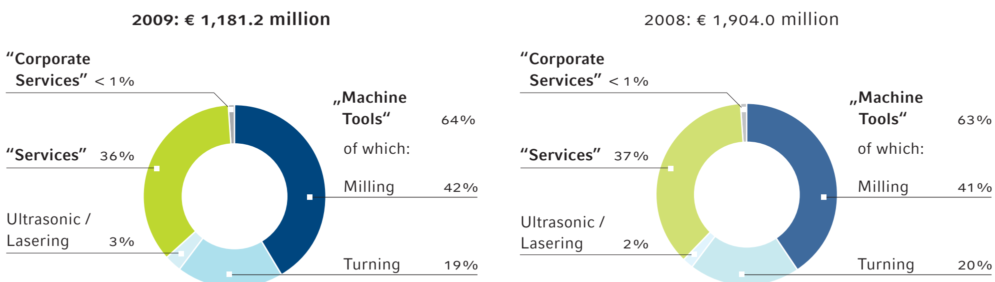
* Reporting date December 31
** Previous year's figures adjusted

The worldwide economic crisis affected the entire financial year 2009 and led to a downward development in the machine tool business; we had to accept heavy losses because of lacking orders. **Sales revenues** fell by 36% or € 426.5 million to € 757.7 million (previous year: € 1,184.2 million); it was possible to avoid a greater decline through the good order backlog at the start of the year. Domestic sales revenues shrank by 41% or € 233.2 million to € 331.0 million (previous year: € 564.2 million). International sales revenues decreased by 31% or € 193.3 million to € 426.7 million (previous year: € 620.0 million). International sales accounted for 56% (previous year: 52%). The "Machine Tools" segment had a 64% share of group sales revenues (previous year: 63%).

The milling technology of DECKEL MAHO contributed 42% (previous year: 41%). The turning technology of GILDEMEISTER totalled 19% (previous year: 20%). Ultrasonics / lasering technologies accounted for 3% (previous year: 2%). The **sales volume** of new machines declined by 44% compared to the previous year.

In relation to the total sales revenues of the group, the “Machine Tools”, “Services” and “Corporate Services” contributed as follows:

SALES REVENUES DISTRIBUTION IN THE GILDEMEISTER GROUP BY SEGMENT / BUSINESS DIVISION



The worldwide economic crisis also had a considerable effect on order intake. The machine tools business suffered severely from the reluctance to invest of our customers. Orders throughout the financial year were at a very low level. **Order intake** in the “Machine Tools” segment decreased by 51% or € 584.2 million to € 568.0 million (previous year: € 1,152.2 million). Both our technology and large-scale machines, as well as the products from the ECO series contributed a stable share. Order intake fell sharply in the first three quarters (–61%). Order intake in the fourth quarter increased slightly and reached € 174.8 million (previous year: € 155.8 million); the industry highlight – the EMO 2009 in Milan – particularly contributed to this. With order intake of € 52.6 million and 254 machines sold our expectations were met.

Expectation for the EMO 2009 in Milan were met

Domestic order intake fell by 68% or € 386.9 million to € 186.0 million (previous year: € 572.9 million). International orders fell by 34% or € 197.3 million to € 382.0 million (previous year: € 579.3 million). The international share therefore amounted to 67% (previous year: 50%). The share of orders for the “Machine Tools” segment amounted to 50% (previous year: 61%).

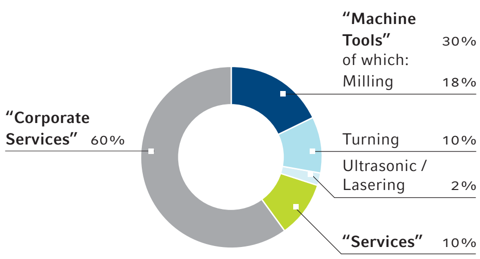
The **order backlog** in the “Machine Tools” segment as of 31 December 2009 of € 250.8 million (–56%) was far lower than the previous year’s figure (31 Dec. 2008: € 565.9 million). Due to the continuing difficult market situation, there was an increase in order cancellations. International orders recorded the major share at 92% (previous year: 67%); in total they fell by € 147.3 million or 39% to € 229.7 million (previous year: € 377.0 million). The volume of domestic orders reached an all-time low of only € 21.1 million (previous year: € 188.9 million).

The earnings margins in the “Machine Tools” segment decreased due to a significant decline in sales volume, as well as a clear deterioration in price quality. **EBITDA** fell by 99% or € 104.1 million to € 1.3 million (previous year: € 105.4 million). **EBIT** amounted to € –19.3 million (previous year: € 83.1 million). **EBT** totalled € –29.1 million (previous year: € 71.3 million).

The following diagrams show the amount and distribution of **investments** in each segment and business unit:

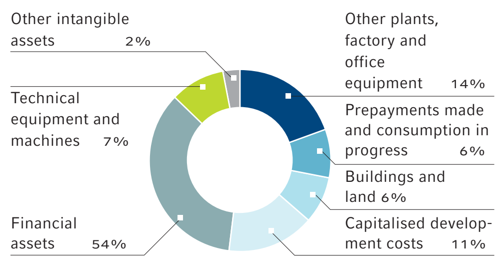
SHARE OF INDIVIDUAL SEGMENTS / DIVISION IN INVESTMENTS
in %

2009: € 57.8 million



DISTRIBUTION OF INVESTMENT VOLUME BY TYPE OF INVESTMENT
in %

2009: € 57.8 million



Investments in the **"Machine Tools"** segment amounted to € 17.5 million (previous year: € 34.6 million) and were primarily concentrated on the further development of our machine types, as well as the provision of tools necessary for production, devices, models and equipment to maintain operational readiness. The majority of the investment funds were accounted for by the **turning** and **milling business units**. On the occasion of the in-house exhibition in Bielefeld on 24 March 2009, we opened the "DMG Experience Center Turn & Mill". The center enables our customers to carry out programming and live demonstrations on their specific workpieces with our specialists. Another „DMG Experience Center Turn & Mill" was opened at the end of the year at our Shanghai site. With a grand opening on 7 July 2009, we concluded the modernisation measures that had begun in the previous year at GRAZIANO in Tortona and thereby optimised assembly processes and improved material flow long-term. Further investment funds were used for purchasing replacement plant and office equipment. Capitalised development costs in the "Machine Tools" segment totalled € 5.6 million.

"DMG Experience Center Turn & Mill" opened

At the end of the year, the "Machine Tools" segment had 3,186 **employees** (previous year: 3,769). This represents 58% of total staff at the GILDEMEISTER group (previous year: 58%). Compared to the previous year, we have reduced the number of employees by 583 or 15%. Due to the economic trend, we had to reduce personnel at all locations. Moreover, we had already terminated all employment agreements with agency workers at the end of the first six months (469 workers). Moreover, we have adjusted our surplus personnel capacity by cutting back on overtime and by using short time working. The personnel quota in the "Machine Tools" segment was 22.1% (previous year: 17.2%); the personnel expenses amounted to € 171.7 million (previous year: € 203.1 million).

"Services" segment

The "Services" segment mainly includes the business activities of DMG Vertriebs und Service GmbH and its subsidiaries, as well as those of a+f GmbH with the two "SunCarrier" and "Components" divisions. The company is active in the growing solar technology market with the **"SunCarrier"**. The business model is focused on the complete execution of turnkey projects and after-sales service. In the area of "Components", a+f GmbH is especially geared towards the marketing of components, particularly for wind energy. **DMG Service Solutions** offers worldwide the right product mix of service support and service products. The service solutions include various services, which, through our highly-qualified service staff and our worldwide sales and service network, ensure direct customer contact and rapid availability. **DMG Service Products** – as DMG Powertools, adjustment devices and tool management from DMG MICROSET – enable the user to significantly increase the productivity of his DMG machine tool. Moreover, DMG SPARE PARTS with its highly modern service centre ensures a reliable and quick supply with DMG spare parts. DMG AUTOMATION supplies integration solutions to automate machine tools and has been organisationally integrated in the "Services" segment since 1 July 2009, previous year's figures were adjusted. Up-to-date service news may be obtained at **www.gildemeister.com**. Detailed information on the "SunCarrier" can be found at **www.suncarrier.com**.

KEY FIGURES "SERVICES" SEGMENT	2009 € million	2008** € million	Changes 2009 against 2008 € million	%
Sales revenues				
Total	423.3	719.6	– 296.3	– 41
Domestic	165.3	265.5	– 100.2	– 38
International	258.0	454.1	– 196.1	– 43
% International	61	63		
Order intake				
Total	577.7	729.6	– 151.9	– 21
Domestic	157.7	270.3	– 112.6	– 42
International	420.0	459.3	– 39.3	– 9
% International	73	63		
Order backlog*				
Total	335.9	161.5	174.4	108
Domestic	46.2	43.8	2.4	5
International	289.7	117.7	172.0	146
% International	86	73		
Investments	5.7	10.6	– 4.9	– 46
Employees	2,176	2,584	– 408	– 16
plus trainees	3	3	0	0
Total employees*	2,179	2,587	– 408	– 16
EBITDA	68.8	122.4	– 53.6	– 44
EBIT	62.6	116.2	– 53.6	– 46
EBT	52.6	107.9	– 55.3	– 51

* Reporting date December 31
** Previous year's figures adjusted

Business development in the "Services" segment was also marked by the economic crisis. The spare parts and used machine business were especially affected by the downwards development trend, as there was virtually no demand.

Sales revenues decreased by 41% or € 296.3 million to € 423.3 million (previous year: € 719.6 million). The "Solar Technology" division contributed € 88.5 million (previous year: € 199.5 million). The original service business recorded a decline of 36% or 185.3 million compared to the previous year. Internationally, sales revenues fell by 43% or € 196.1 million to € 258.0 million; this represents a proportion of 61% (previous year: 63%). Domestically, sales revenues also fell markedly: following € 265.5 million in 2008, sales revenues in the reporting year amounted to € 165.3 million; this represents a decline of 38% or € 100.2 million. The "Services" segment made a 36% contribution to group sales revenues (previous year: 38%).

Solar business develops significantly positively

Order intake of € 577.7 million or 21% was below the previous year's figure (€ 729.6 million). 73% of all orders came from abroad; they fell by 9% or € 39.3 million (previous year: € 459.3 million). a+f GmbH developed successfully: At € 299.8 million (+85%) the solar business proceeded significantly positive at the end of the year. It was possible to achieve a high order intake, particularly in the second and fourth quarters. Internationally, orders amounting to € 292.9 million were placed (previous year: € 157.1 million). Domestic orders in "Services" amounted to € 157.7 million (previous year: € 270.3 million). At € 150.8 million (–43%), the original service business declined considerably. Our customers ordered noticeably fewer spare parts and components, and also made extensive cost-savings on services. Demand for our training offers remained stable. "Services" accounted for 50% of all orders in the group (previous year: 38%).

The **order backlog** on 31 December amounted to € 335.9 million (previous year: € 161.5 million), of which the "Solar Technology" division accounted for € 248.1 million or 74% (previous year: € 36.7 million). In the reporting year, earnings in the "Services" segment developed similarly despite the decline in sales volume as follows: **EBITDA** decreased by 44% or € 53.6 million to € 68.8 million (previous year: € 122.4 million). **EBIT** amounted to € 62.6 million (previous year: € 116.2 million). **EBT** was at € 52.6 million (previous year: € 107.9 million).

GPS-technique increases efficiency of services

Investments in the **"Services"** segment totalled € 5.7 million (previous year: € 10.6 million). Of this, the **"Solar Technology"** division accounted for € 0.8 million. By furnishing our service cars with up-to-date GPS technique we significantly increased our service readiness and sustainably boosted efficiency of our services. Additional focus was placed on updating office equipment at our sales and service companies to make it suitable for requirements. Further investment funds were used for the on-going optimisation of our spare parts logistics at the Geretsried site. Capitalised development costs in the "Services" segment were € 0.9 million.

The number of **employees** fell in comparison with the previous year by 408 to 2,179 (previous year: 2,587). This represents an adjustment in personnel of 16% in comparison with the previous year. The "Services" segment employed 40% of employees (previous year: 40%). The reduction in personnel took place primarily at some companies in Europe, America and Germany. We had already terminated all employment agreements with agency workers at the end of the first six months (80 workers). The personnel quota in this segment was 40.1% (previous year: 25.3%); the personnel expenses amounted to € 161.9 million (previous year: € 182.4 million).

"Corporate Services" segment

The "Corporate Services" segment also comprises, in addition to GILDEMEISTER Aktiengesellschaft with its group wide holding functions, GILDEMEISTER Beteiligungen AG, which has a central importance as the parent company of all the production plants. Central functions have been located at GILDEMEISTER Aktiengesellschaft, such as group strategy, development and purchasing coordination, management of overall projects in the production and logistics areas, funding, corporate controlling and corporate personnel management. The group standard IT has been concentrated in GILDEMEISTER Beteiligungen AG. Expenses and sales revenues result from the cross-company holding functions.

KEY FIGURES "CORPORATE SERVICES" SEGMENT	2009 € million	2008 € million	Changes 2009 against 2008 %
Sales revenues	0.2	0.2	0.0
Order intake	0.2	0.2	0.0
Investments	34.6*	5.0	29.6
Employees**	85	95	−10
EBITDA	−9.3	−39.0	29.7
EBIT	−11.6	−41.2	29.6
EBT	−16.5	−52.6	36.1

* of which € 31.3 million capital inflow to financial assets
** Reporting date December 31

In the "Corporate Services" segment, both **sales revenues** and **order intake**, each of € 0.2 million (previous year: € 0.2 million) consist mainly of rental income. "Corporate Services" again accounted for less than 0.1% of the group sales revenues (previous year: <0,1%). **EBIT** amounted to € −11.6 million (previous year: € −41.2 million). **EBT** was at € −16.5 million (previous year: € −52.6 million). We have thus reached our target to improve EBIT by more than 50% compared to the previous year. This positive development results essentially from savings by reduced personnel expenditure – primarily by reduction of variable salary components. Moreover, due to our efficient cost saving programme we could save consultancy fees and payments for expired lease contracts.

Investments in property, plant and equipment and intangible assets amounted to € 3.3 million (previous year: € 5.0 million). The final construction measures at the new technology center formed a main focus at the Bielefeld site. Further investment funds were used for optimising our business processes and IT-systems. Additions to financial assets amounted to € 31.3 million due to the shareholding in Mori Seiki Co. Ltd. Investments in the "Corporate Services" segment thus amounted in total to € 34.6 million.

On 31 December 2009 this segment had 85 **employees** (previous year: 95 employees).

MASTERING CHALLENGES.

SECURING THE FUTURE!

MEDICAL INDUSTRY – CHALLENGES

- Absolute precision in the µm range
- Highest surface qualities
- Tissue-compatible high-tech materials
- Highly complex shapes
- Individual and series production

TECHNOLOGY FOR LIFE

Medical

Whether high precision end prostheses for knee and hip joints, socket joints, bone screws or medical implants of high-performance ceramics – on GILDEMEISTER machine tools more than 1,000 medical components are today being machined with a precision and cost-effectiveness that would have been considered unachievable just a few years ago.

SEGMENT: MEDICAL	EXPERTISE: GILDEMEISTER
Maximum time-savings	through complete machining with B-axis
Highest flexibility	through fast production of 14 sizes between 44 and 70 mm diameter
Unparalleled productivity	through simultaneous machining on main and counter-spindle

HIP JOINT SOCKET OF TITAN ALLOYS

Shortest piece times at highest precision on a TWIN 42

Hip joint socket

SEGMENT: MEDICAL	EXPERTISE: GILDEMEISTER
Maximum productivity	through 5-axis high-speed cutting
Extreme time-savings	through complete machining in one clamping
Unparalleled surface finish	through spindle revolutions of up to 42,000 min^{-1}

BONE PLATE OF TITAN ALLOYS

Highest quality surface finish of Ra < 0,2 µm on a HSC 20 / 55 *linear*

Latitudinal sport of skiing, Engadin (Switzerland)

Increasing number of active sports people

Growing number of injuries of different types

Complex demands made of medical technology

MEDICAL SOLUTIONS FOR HEALTH AND

Safety

Life expectancy is constantly rising. Just like the demands made of medical technology products. With innovative machining technologies from GILDEMEISTER, producers are always that decisive step ahead. Just like people who, thanks to the stamina and fitness of our specialists, can continue to enjoy mobility and quality of life to an advanced age.

Corporate Situation

GILDEMEISTER has overcome the year of the economic crisis with its innovative range of products for a broad mix of customers and industries, and its global positioning. The cooperation with the Japanese machine tool builder, Mori Seiki, offers important benefits to our international customers and increases GILDEMEISTER's efficiency. We have successfully built up a new business unit of solar technology.

GILDEMEISTER Share

The stock market year 2009

The international capital markets also suffered the effects of the financial and economic crisis in 2009. The **stock markets** were extremely volatile, even though developments on the stock markets showed an overall positive trend from the second quarter of the year. Capital markets were driven by the anticipation of a sustainable recovery in the economy. The key indices developed positively in an annual comparison: The DAX rose by 23.8%, the MDAX by 34.0%. The European EURO STOXX 50 went up 21.1%, the American DOW JONES by 18.8%, and the S&P 500 Index by 23.5%. The British FTSE-100 Index recorded a rise of 22.1%. The Japanese NIKKEI 225 Index grew 19.0%.

Stock market listing, trading volume and shareholder structure

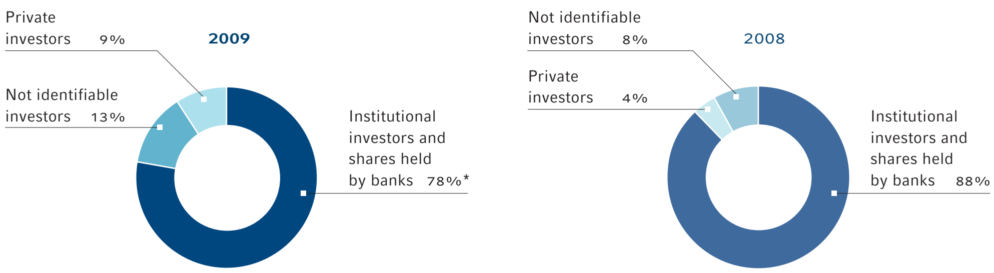
The GILDEMEISTER share is quoted in official trading at the stock exchanges in Frankfurt / Main, Berlin-Bremen and Dusseldorf, as well as on the open market on the stock markets in Hamburg, Munich and Stuttgart. GILDEMEISTER is listed on the **MDAX** and complies with the "Prime Standard" internationally applicable transparency requirements of the German stock market.

The trading volume at year-end was 89.8 million shares (previous year: 150.9 million shares); on the basis of the total share number of 45.6 million shares, this represents an annual turnover of 2.0 (previous year: 3.5). The average **trading volume** decreased to about 345,000 shares per trading day (previous year: 592,000 shares).

The **market capitalisation** in the year under report increased by 52% or € 176.5 million to € 516.4 million. The GILDEMEISTER shares continued to be held in the reporting year in wide portfolio investment **(95% free float)**. The cooperation agreement concluded on 23 March with Mori Seiki contains a cross-holding agreement of 5% each. The Mori Seiki holding in GILDEMEISTER took place by way of a capital increase in authorised capital on 23 April 2009. Through the issue of 2,279,500 new no-par shares the total number of shares increased from 43,302,503 to 45,582,003 shares; the registered capital rose from € 112,586,507.80 to € 118,513,207.80. The issue price of the new shares was € 7.93. Since then, Mori Seiki has been the largest single shareholder with 2.3 million GILDEMEISTER shares.

Due to the high extent of free float, information on the holders of shares can only be approximate, resulting in the following overview of the size and structure of the investors:

SHAREHOLDER STRUCTURE OF THE GILDEMEISTER GROUP / BREAKDOWN BY INVESTOR GROUPS
in %



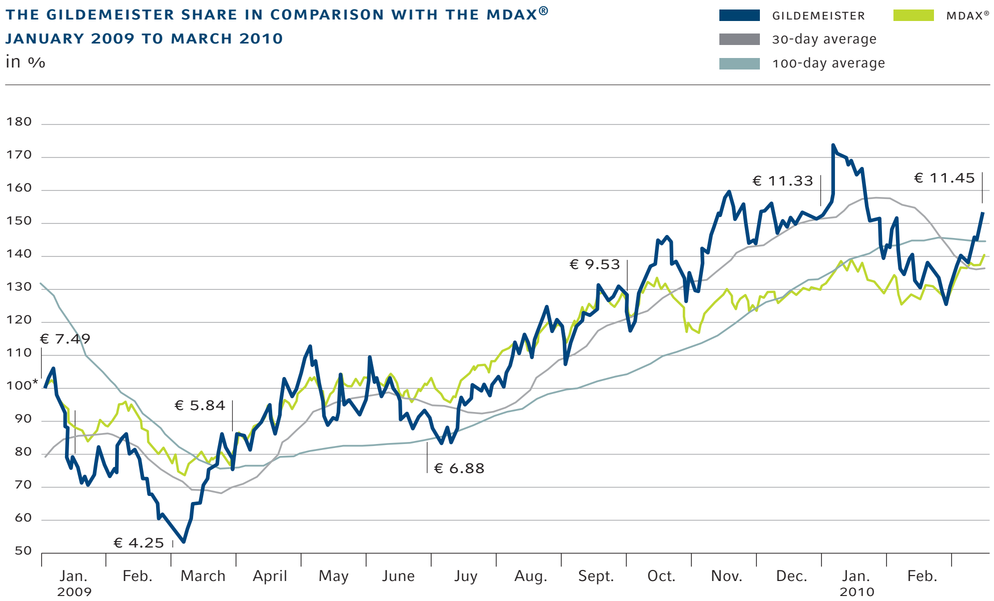
* 5% Mori Seiki share

Performance of the GILDEMEISTER Share

The GILDEMEISTER share gained considerably in value in 2009. The share price gain of 44% (year-on-year) outperformed the MDAX (+34%). The share started the stock market year at a price of € 7.49 (2 Jan. 2009) and reached its highest value of the year of € 11.69 on 16 November 2009. The lowest value of the year was € 4.25 (5 Mar. 2009). The share closed the year on 30 December 2009 at € 11.33. The good performance of the GILDEMEISTER share was driven by the positive development in the "Solar Technology" division and by the cooperation with Mori Seiki. In the first three months of 2010 the paper developed analogously to the trend on the international capital markets; the share is currently quoted at € 11.45 (17 March 2010).

Various banks carry out an analysis of the company. The latest assessments are as follows: "Buy" (DZ Bank, 15 Feb. 2010), "Buy" (Close Brothers Sydler, 12 Feb. 2010), "Buy" (Bankhaus Lampe, 11 Feb. 2010), "Overweight" (HSBC, 8 Feb. 2010), "Buy" (M.M. Warburg, 5 Nov. 2009), "Hold" (Berenberg Bank, 16 Feb. 2010), "Hold" (Commerzbank, 8 Feb. 2010), "Hold" (Deutsche Bank, 2 Feb. 2010), "Hold" (UniCredit, 1 Feb. 2010), "Neutral" (WestLB, 11 Feb. 2010), "Reduce" (BHF Bank, 11 Feb. 2010), "Reduce" (equinet, 11 Feb. 2010), "Sell" (LBBW, 11 Feb. 2010).

THE GILDEMEISTER SHARE IN COMPARISON WITH THE MDAX®
JANUARY 2009 TO MARCH 2010
in %



*2 January 2009 = 100 stock performances indexed, XETRA stock prices
Source: Deutsche Börse Group

The Executive Board and the Supervisory Board of GILDEMEISTER Aktiengesellschaft will propose to the Annual General Meeting of Shareholders, to be held on 14 May 2010, to distribute a **dividend** of € 0.10 per share for the financial year 2009 (previous year: 0.40 €). With regard to the 45.6 million shares entitled to dividend, total distribution amounts to € 4.6 million. Using the annual closing price 2009 as a basis, this results in a dividend yield of 0.9% (previous year: 5.1%). For further details on dividends, please see the section on "Financial statements of GILDEMEISTER Aktiengesellschaft (short version)" on page 34.

KEY FIGURES OF THE GILDEMEISTER SHARE

		2009	2008	2007	2006	2005	2004	2003
Registered capital	€ million	118.5	112.6	112.6	112.6	112.6	112.6	75.1
Number of shares	million shares	45.6	43.3	43.3	43.3	43.3	43.3	28.9
Year-end price 1)	€	11.33	7.85	18.50	9.60	5.89	5.20	8.50
Annual high 1)	€	11.69	23.38	22.80	9.75	6.39	8.98	8.50
Annual low 1)	€	4.25	4.79	9.20	5.86	4.82	4.98	2.96
Market capitalisation	€ million	516.4	339.9	801.1	415.7	255.1	225.2	245.5
Dividend	€	0.10	0.40	0.35	0.20	0.10	–	–
Dividend total	€ million	4.6	17.3	15.2	8.7	4.3	–	–
Dividend yield	%	0.9	5.1	1.9	2.1	1.7	–	–
Earnings per share 2)	€	0.10	1.87	1.16	0.63	0.32	0.15	– 0.13
Price-to-earnings ratio 3)	€	113.3	4.2	15.9	15.2	18.4	34.7	–
Cash flow per share 4)	€	– 1.7	2.5	2.9	2.5	0.63	0.30	0.99
Price-to-cash-flow ratio 5)	€	– 6.66	3.14	6.37	3.84	9.35	17.33	8.59

1) XETRA-based closing price
2) Pursuant to IAS 33
3) Year-end price / cash flow per share
4) Cash flow from operating activity / number of shares
5) Year-end price / earnings per share

Investor and Public Relations

Our **investor relations** work provides a continuous and open exchange of information with all participants in the capital market. It is our aim to increase transparency and understanding of our business model and its value drivers among those involved in the capital market. Through this, we intend to achieve appropriate ratings. Due to the change in the international capital markets following the financial and economic crises, we have communicated with institutional and private investors in an even more targeted manner. At road shows and capital market conferences both nationally and abroad, in individual interviews and in telephone conferences, GILDEMEISTER presented the company's development and strategy. More than 1,400 shareholders attended our 107th Annual General Meeting of Shareholders in May 2009. The Chairman of the Executive Board's speech was presented on our website as a live stream. The Internet has now become a firm part of our financial communications: 27,920 accesses to our annual and quarterly reports – including 7,281 in English – have been registered at our website **www.gildemeister.com**

Public relations work is a further important factor in our communications concept. It contributes to maintaining and strengthening GILDEMEISTER's reputation in public. We place great value on continuous dialogue with the national and international business press, with capital investors and financial experts, as well as with the associations, institutions and decision-makers who are relevant for our business. For this reason we always provide competent, fast, open and reliable information on the group's current position and its companies. Our business reports are among others, evidence of this. They are considered exemplary. Their transparency, quality of language and innovative design repeatedly impress the experts and jurors of renowned rankings. The annual report 2008 was the winner of the MDAX category of the "manager magazin" contest, which is independent and unique worldwide. Expenses in the field of investor and public relations amounted to € 2.5 million (previous year: € 3.3 million).

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Corporate Governance

GILDEMEISTER complies with Corporate Governance Code

Corporate governance at GILDEMEISTER has long meant managing and controlling the enterprise responsibly and transparently. It is a core component of our corporate management and all corporate areas. For years GILDEMEISTER has been complying with the recommendations of the German Corporate Governance Code and, until the entering into force of the new version on 5 August 2009, complied with all the recommendations. GILDEMEISTER conforms to the Code with one exception. The Executive Board and Supervisory Board issued the following **declaration of compliance** in December 2009. Our shareholders can view it on our website at any time:

"1. Since the last declaration of conformity of December 2008, GILDEMEISTER Aktiengesellschaft complied with the Recommendations of the Government Commission's German Corporate Governance Code in the version of 6 June 2008, published in the electronic German Federal Gazette on 8 August 2008, until the entering into force of the latest version on 5 August 2009.
2. GILDEMEISTER Aktiengesellschaft complied with the recommendations of the government commission's German Corporate Governance Code in the version of 18 June 2009 since its publication in the electronic German Federal Gazette on 5 August 2009 and will continue to comply with it in the future with the following exception:
   - Since November 2009 an acting member of the Supervisory Board due to judicial appointment is the president of a foreign manufacturer of machines for metal-cutting. The special expertise of this Supervisory Board member is of particular value for the enterprise and, in particular, for the work of the Supervisory Board. In addition, this Supervisory Board member represents the largest single shareholder in the enterprise known to us.
   - Appropriate measures are taken by the enterprise to counter any conflicts of interest."

The Executive Board and the Supervisory Board acknowledge excellent corporate governance as an integral component of corporate management, which, in keeping with the interests of the shareholders, concentrates on a sustainable increase in the value of the enterprise. Our internal guidelines are aligned with the rules and principles of responsible corporate management and control.

Remuneration of the Supervisory Board and Executive Board

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

Remuneration of the Supervisory Board of GILDEMEISTER Aktiengesellschaft

The remuneration of the Supervisory Board is determined by the Annual General Meeting of shareholders and is regulated under Section 12 of the articles of association of GILDEMEISTER Aktiengesellschaft. The remuneration includes performance-related and non-performance related components. The remuneration components not dependent upon performance include the fixed remuneration that each member of the Supervisory Board receives and remuneration for committee work. The performance-related component comprises a long term incentive (LTI), which supports sustainable value-based management. Following a resolution passed at the 107th Annual General Meeting of 2009, the short-term performance-related remuneration component (STI) has been cancelled.

Performance-related remuneration components

In the financial year 2009, 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 € 335,605 (previous year: € 168,000).

Remuneration for committee work amounted to a total of € 221,211 (previous year: € 109,877) and took into account the work carried out by the Finance and Auditing Committee, the Personnel, Nominations and Remuneration Committee, and the Technology and Development Committee. There was no remuneration for work carried out by the Conciliation and Nominations Committee, which is a sub-committee of the Personnel, Nominations and Remuneration Committee. The individual committee members each received € 12,000. The chairperson of a committee also receives an additional fixed remuneration of a further € 12,000 and the deputy chairperson € 6,000.

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

The LTI takes into account not only the reporting year but also the two preceding years. The key performance indicator is the mean average of the EPS values in the corresponding financial years. The LTI is only paid if the average EPS for the relevant three years amounts to at least € 0.15. The LTI calculated performance-based remuneration for the Supervisory Board totalled € 335,605 (previous year: € 168,000).

In 2009 the Supervisory Board remuneration was made up as follows:

REMUNERATION OF THE SUPERVISORY BOARD OF GILDEMEISTER AKTIENGESELLSCHAFT

	Fixed remuneration in €	Committee remuneration Finance & Auditing (F&A) in €	Committee remuneration Personnel Nomination &-Remuneration (PNR) in €	Committee remuneration Technology & Develop-ment (T&D) in €	LTI in €	**Total in €**
Hans Henning Offen Chairman SB, Chairman PNR	60,000	12,000	24,000	0	60,000	156,000
Prof. Dr.-Ing. Uwe Loos, Chairman T&D	24,000	0	0	24,000	24,000	72,000
Günther Berger, Chairman F&A	24,000	24,000	0	0	24,000	72,000
Dr.-Ing. Jürgen Harnisch Deputy Chairman T&D	24,000	0	0	18,000	24,000	66,000
Dr. jur. Klaus Kessler Member SB until 31 Oct. 2009 Member F&A until 31 Oct. 2009	19,989	9,995	0	0	19,989	49,973
Dr.-Ing. Masahiko Mori Member SB as of 6 Nov. 2009 Member F&A as of 24 Nov. 2009	3,616	1,216	0	0	3,616	8,448
Prof. Dr.-Ing. Walter Kunerth	24,000	0	12,000	0	24,000	60,000
Norbert Zweng	24,000	12,000	0	0	24,000	60,000
Gerhard Dirr Deputy Chairman SB, Deputy Chairman PNR	36,000	12,000	18,000	0	36,000	102,000
Wulf Bantelmann	24,000	0	0	12,000	24,000	60,000
Matthias Pfuhl	24,000	0	0	12,000	24,000	60,000
Harry Domnik, Stellv. Chairman F&A	24,000	18,000	12,000	0	24,000	78,000
Günther Johann Schachner	24,000	0	0	0	24,000	48,000
Total	335,605	89,211	66,000	66,000	335,605	892,421

In the financial year 2009 the total remuneration of the Supervisory Board amounted to € 892,421 (previous year: € 613,877).

Pursuant to Section 15a of the German Securities Act (WpHG), the members of the Supervisory Board, or other persons subject to reporting requirements, must disclose any acquisition or disposal of shares or related rights of purchase or disposal, such as options or rights that are directly dependent on the company's stock exchange price. We did not receive any **director's dealings notifications** in the year under report.

One company, which is monitored by a member of the Supervisory Board, holds a shareholding of 5% of total shares. The remaining members of the Supervisory Board together hold less than 1% of the total number of shares; no member of the Executive Board owns any GILDEMEISTER shares.

Insurance for Supervisory and Executive Board members of the GILDEMEISTER group

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 an appropriate deductible within the context of the Act on the Appropriateness of Management Board Remuneration (VorstAG).

Remuneration of the Executive Board of GILDEMEISTER Aktiengesellschaft

Through the changes in legislation (VorstAG), and thus the associated amendment of the rules of procedure of the Supervisory Board, as of September 2009, the full Supervisory Board is advised on and decides the remuneration of the Executive Board. Even before this amendment entered into force, the chairman of the Supervisory Board had informed the Supervisory Board in detail of consultations held with the Personnel, Nominations and Remuneration Committee; he will also report on this to the Annual General Meeting.

Performance-related Executive Board remuneration

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

Direct remuneration of the members of the Executive Board amounted to € 2,988 K (previous year: € 7,441 K). Of this amount, € 1,673 K were attributed to fixed remuneration (previous year: € 1,328 K), € 400 K to the STI (previous year: € 6,000 K), € 0 K to the LTI, as the EBIT margin fixed for the tranche was not reached in allocation year 2009. € 800 K was acknowledged as a performance remuneration for 2009. Payments in kind accounted for € 115 K (previous year: € 113 K). In 2009 the direct remuneration of the Executive Board breaks down as follows:

EXECUTIVE BOARD DIRECT REMUNERATION	Fixed € K	STI € K	LTI € K	Remu-neration € K	Payment in kind € K	**Total € K**
Dr. Rüdiger Kapitza, Chairman	800	400	0	200	37	1.,437
Michael Welt	345	0	0	200	23	568
Günter Bachmann	252	0	0	200	30	482
Dr. Thorsten Schmidt	276	0	0	200	25	501
Total	1,673	400	0	800	115	2,988

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

The STI is based on index-based target values. In the reporting year the earnings after taxes (EAT) provided the reference value used. The scale of the target values is re-defined annually. In addition, this is capped at € 1,000 K, respectively, for 2009. The cap is also fixed anew each year.

Remuneration components dependent on share price

As a remuneration component with long-term incentive effect, the LTI combines the achievement of fixed targets in relation to the EBIT of the company with the performance of the GILDEMEISTER share. A cap has been set at 2-times the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. Should the EBIT of the allocation year not reach a minimum EBIT figure that is set anew upon every new awarding of a tranche, the LTI payment is not applicable.

The LTI involves a **performance units plan**, which is not associated with any dividend payments or voting rights. In addition, the units may not be traded nor sold to third parties. The performance units awarded at the beginning of each year have a term of three years. The first performance units awarded following this model for the year 2007 will thus be allocated on 31 December 2009. No payment was made from the allocation, as the fixed EBIT margins were not reached. The performance units awarded for the financial year 2008 will be allocated on 31 December 2010 and, following the Annual General Meeting of Shareholders in 2011, will be paid out taking into account the EBIT target achieved in 2010 and the respective share price. The performance units awarded for the financial year 2009 will be allocated on 31 December 2011 and, following the Annual General Meeting of Shareholders in 2012, will be paid out taking into account the EBIT target achieved in 2011 and the respective share price. The following table shows the number of performance units awarded in 2007, 2008 and 2009, and the fair value of the LTI at the time of granting for each member of the board.

TRANCHES OF THE LONG-TERM-INCENTIVES

	2007 tranche term 3 years			2008 tranche term 3 years		2009 tranche term 3 years		2009 tranche term 4 years	
	Number of performance units awarded	Fair Value at granting	Amount of allocation for 2009	Number of performance units awarded	Fair Value at granting	Number of performance units awarded	Fair Value at granting	Number of performance units awarded	Fair Value at granting
	shares	€ K	€ K	shares	€ K	shares	€ K	shares	€ K
Dr. Rüdiger Kapitza, Chairman	14,401	175	0	10,422	159	28,209	207	20,790	141
Michael Welt	11,521	140	0	7,817	119	21,157	155	13,860	94
Günter Bachmann	11,521	140	0	7,817	119	21,157	155	13,860	94
Dr. Thorsten Schmidt	11,521	140	0	7,817	119	21,157	155	13,860	94
Total	**48,964**	**595**	**0**	**33,873**	**516**	**91,680**	**672**	**62,370**	**423**

On the basis of the new legal provisions (VorstAG), the Supervisory Board passed a resolution to prolong the term of the tranches from three to four years. In order not to stop the incentive effect of the LTI, an additional tranche was awarded in 2009 to each Executive Board member. As a result of the new four-year term, the payment of this tranche will take place in 2013, and thus will facilitate the seamless continuation from the tranches awarded until now.

Both the STI and the LTI are variable, which means neither is a secure remuneration. The performance remuneration arises from projects that were concluded particularly successfully, and which is not covered by the other remuneration components.

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

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

INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS

	€ K
Dr. Rüdiger Kapitza, Chairman	108
Michael Welt	143
Günter Bachmann	60
Dr. Thorsten Schmidt	50
Total	**361**

In accordance with the International Accounting Standards (IAS), provision expenses of € 108 K arose for the defined-benefit contribution commitment in 2009 (previous year: € 114 K) as well as one-off past service costs pursuant to IAS of € 204 K for an adjustment of the pension commitments. The payments restricted to the contribution-based pension plan amount in total to € 253 K (previous year: € 253 K). The total provisions expenses without the adjustment amount totalled € 361 K (previous year: € 367 K). Advances and loans to Executive Board members or Supervisory Board members were not granted, nor were any declarations of liability in favour of any of the aforementioned members entered into. There was no share option programme or similar securities based incentive system.

The companies of the GILDEMEISTER group did not pay any remuneration to officers for services personally rendered, in particular consulting and introduction services. Former members of the Executive Board and their surviving dependants received € 604 K (previous year: € 597 K). The amount of the pension commitments (cash value of future pension commitments or defined benefit obligations) for former members of the Executive Board and their surviving dependants amounted to € 7,063 K (previous year: € 6,646 K).

Responsible management of opportunities and risks

The Executive Board is regularly informed of risks and their development with the aid of the opportunities and risk management system. For GILDEMEISTER the responsible handling of risks by the company is part of good corporate governance. GILDEMEISTER identifies and monitors significant opportunities and risks regularly with the aid of the systematic opportunity and risk management system. The early risk warning system, introduced by the Executive Board according to section 91, paragraph 2 AktG, is checked by the annual auditors, is continuously enhanced by GILDEMEISTER and adapted to changing conditions. More information on the opportunities and risk management system can be found in the chapter "Opportunities and risk report" on page 80 et seq.

Cooperation between the Executive Board and Supervisory Board

To achieve the joint goal of increasing enterprise value sustainably, the Executive Board and the Supervisory Board work closely together. The Executive Board informs the Supervisory Board regularly, timely and comprehensively on current development, business strategy, corporate planning, the risk situation, risk management and compliance. The Executive Board passes the quarterly and six months' reports to the Supervisory Board, so that the latter can discuss them before publication. The Articles of Association provide for any transactions of fundamental significance to be subject to the agreement of the Supervisory Board.

Avoidance of conflicts of interest

The Executive Board and Supervisory Board are bound by the enterprise's best interests. Potential conflicts of interest of members of the Executive or Supervisory Board are disclosed to the Supervisory Board immediately and have to be approved by the latter. In making decisions and in connection with their functions, the members of the Executive Board and of the Supervisory Board may not pursue any personal interests or business opportunities that the company is entitled to, nor may they grant any unjustified benefits to any other person. The Supervisory Board reports any conflicts of interest and the handling of these to the Annual General Meeting. In the reporting year there were neither conflicts of interest with respect to the members of the Executive Board nor with respect to members of the Supervisory Board.

Safeguarding the interests of the shareholders

Corporate communication from GILDEMEISTER has the aim of ensuring both the best possible transparency and timely communication to all target groups. Shareholders and potential investors can obtain information in the Internet at any time on the current situation of the company. On our website, www.gildemeister.com, we publish, both in German and English, press releases, business and quarterly reports as well as a detailed financial calendar, which is regularly updated. Through candour and transparency, the Executive Board and Supervisory Board aim to strengthen the confidence of our shareholders and investors, business partners and employees, as well as of the general public, in our company.

Shareholders may either exercise their voting rights themselves at the Annual General Meeting, through an authorised person of their choice or through a proxy bound by their directives. For shareholders who are not able to attend the Annual General Meeting of Shareholders personally, we offer them the possibility of following the events of the Annual General Meeting in real time via Internet.

Reporting and auditing of annual accounts

Pursuant to the regulations of the Corporate Governance Code, we have agreed with the annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the year under report that they shall inform the chairman of the Supervisory Board promptly of any grounds of exclusion or bias that may arise during the audit. It has been further agreed that the auditor shall report promptly on all findings and events arising during the audit that are of significance for the duties of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board of, or include in the auditing report, any facts found during the audit process that are inconsistent with the Declaration of Compliance with the German Corporate Governance Code given by the Executive Board and Supervisory Board.

Employees

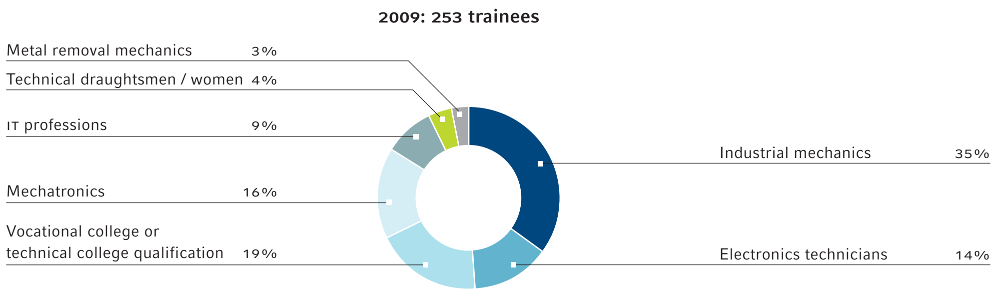
As at 31 December 2009, GILDEMEISTER had 5,450 employees (previous year: 6,451), of whom 253 were trainees. Compared to year-end 2008, the number of employees has decreased by 1,001 employees or 16%. Already at the end of the first six months, all employment agreements with agency workers had been terminated (552 workers). Furthermore, we adjusted our personnel capacity primarily by cutting back on overtime.

Through these measures that were timely introduced, we have saved € 18.7 million in other operating costs and € 59.4 million in employee expenses. These savings were primarily achieved by a reduction in variable salary components (€ 25.7 million), the cutting back on overtime (€ 15.9 million) and the use of short-time working (€ 12.1 million). On average, 30% of employees at the group were affected by short-time working in the reporting year; the extent was approximately 23% of the weekly working hours.

The reduction in personnel took place primarily in the “Machine Tools” segment. We also realised adjustments in the “Services” segment. At year-end, 3,443 employees (63%) worked for our domestic companies and 2,007 employees (37%) for our international companies.

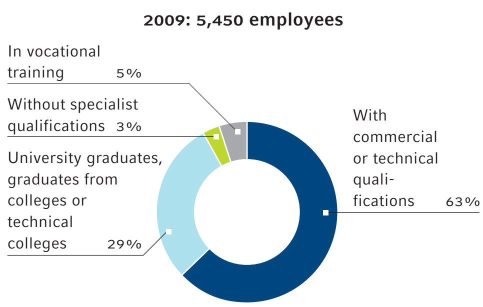
The number of trainees was 253 (previous year: 260). At the start of the new training year, GILDEMEISTER took on 43 trainees (previous year: 66). The vocational training quota in the “Machine Tools” segment at the domestic companies was 10.4% (previous year: 9,4%). Overall, we offer vocational training in nine different trades. In addition, we offer courses of study in association with regional colleges of advanced vocational education and universities of applied sciences. We are continuously expanding and developing these cooperations further.

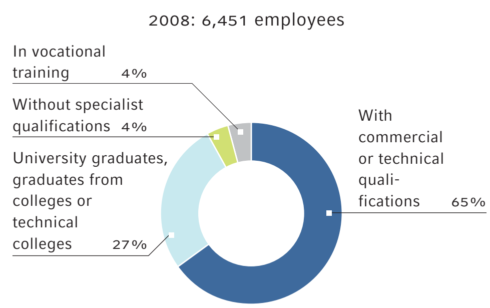
TRAINING IN THE GILDEMEISTER GROUP
Allocation by fields in %



For years we have placed special value on our employees' qualifications in the field of **human capital**. It is a core element of the non-financial sustainable performance indicators or "sustainable development key performance indicators" **(SD-KPIS)**. The following graphic shows that great value is placed on professional training and a qualified workforce at the GILDEMEISTER group.

QUALIFICATIONS STRUCTURE OF EMPLOYEES IN THE GILDEMEISTER GROUP
in %





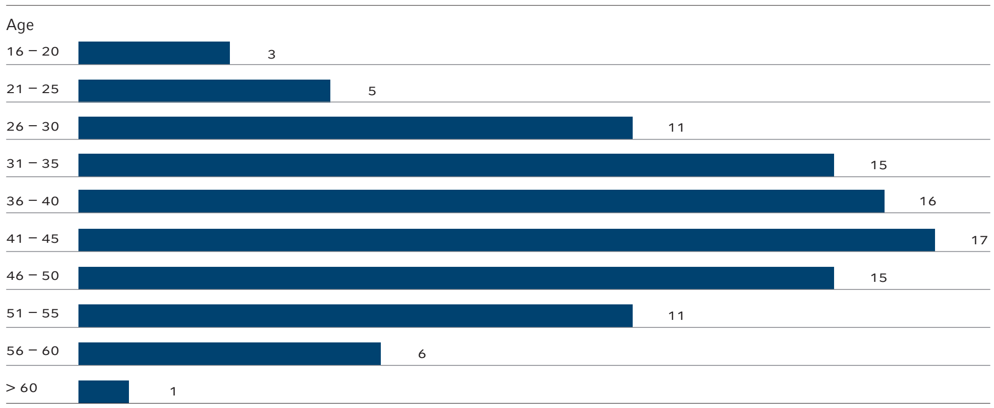
Once again, the qualifications structure was higher than the level of the previous year. 97% of employees held a vocational qualification or were following a course of vocational training (previous year: 96%). The number of employees taking part in further training was again high with 3,537 employees or 65% of the workforce (previous year: 3,995 employees or 62%). The main focus is placed on training our domestic and international sales and service personnel on the new machine developments and further training in the areas of information technology and languages. Overall, further training costs amounted to € 4.9 million (previous year: € 5.2 million).

Variable wage and salary components recognise individual performance in achieving targets and promote **employee motivation**. Further elements are health and safety protection, which are core components of our value added system both in Germany and abroad. Our certified quality management system determines working conditions and, of course, also provides for the newly industrialising countries in which GILDEMEISTER has production plants as well as sales and service companies.

Personnel expenditure fell by € 59.4 million to € 346.1 million (previous year: € 405.5 million). Of these, wages and salaries accounted for € 291.1 million (previous year: € 344.8 million), social insurance contributions for € 50.3 million (previous year: € 56.7 million) and retirement pension expenses € 4.7 million (previous year: € 4.0 million). The personnel quota was 30.3% (previous year: 20.7%).

The part-time retirement plan covered 152 employment agreements (previous year: 130), for which we use the block model. Participation in this model has thus increased by 17% in comparison with the previous year. The entire period of part-time retirement is divided into active and passive phases of equal length. There were 97 employees in the active phase and 55 in the passive phase. The age structure of our employees is well-balanced and has changed as follows: 34% of our employees are 35 years of age and younger (previous year: 39%), 82% are 50 years of age and younger (previous year: 82%).

AGE STRUCTURE OF EMPLOYEES IN THE GILDEMEISTER GROUP 2009
in %



Other non-financial performance indicators have developed as follows: In the reporting year there were 108 traffic and operational accidents (previous year: 120); in relation to the total number of those employed, this represents a slight increase to 2.0% (previous year: 1.9%). The rate of sick leave amounted to 3.1% as in the previous year and was thus once again below the average for the industry of 3.7%.

Fluctuation was affected to a great extent by the reduction in personnel throughout the company and, at 20.4%, was far higher than the previous year's level (7.2%). As current figures for the industry are not available, a comparison with the industry average is not feasible.

We celebrated the 40-years' employment of 34 employees. In addition, 56 employees celebrated 25 years' employment and 231 employees 10 years' employment at the company. We would like to thank all our employees who are celebrating their jubilee for their loyalty to the company and their unceasing commitment. At this point we would also like to thank all our employees for their highly-motivated performance.

Organisation and Legal Corporate Structure

The GILDEMEISTER group is centrally managed by GILDEMEISTER Aktiengesellschaft as the controlling company. All cross-divisional key functions are concentrated here. Further holding functions are exercised by GILDEMEISTER Beteiligungen AG as the parent company of all the production plants and by DMG Vertriebs und Service GmbH as the controlling company of all sales and service companies. More detailed information on the business activities is included in the "Segmental Report" chapter on page 38 et seq.

All GILDEMEISTER group companies are managed as profit centres and adhere to clear guidelines for the best possible performance and results. The management structure is shown in the group structure on page 12 et seq. All operational processes and procedures are standardised by way of a common group IT infrastructure. The IT system therefore acts as an integral link within the group. The organisational expenses of GILDEMEISTER Aktiengesellschaft amounted to € 17.3 million (previous year: € 22.8 million).

Changes in the legal corporate structure of the GILDEMEISTER group in the financial year 2009 resulted primarily from expanding the "Solar Technology" division. Specifically, the following significant changes were made:

- As of 1 January 2009, DMG Service Fräsen Seebach GmbH was merged with DMG Service Fräsen Pfronten GmbH. This means that the entire expertise in the area of services is now concentrated in DMG Service Fräsen GmbH.
- In March 2009, GILDEMEISTER Partecipazioni S.r.l. founded a+f Italia S.r.L. with registered office in Milan, Italy. Within the scope of expanding the "Solar Technology" division, this company will further strengthen sales and service activities in Italy.
- In June 2009 and in November 2009, a+f Italia founded two project companies to process the new solar projects in Italy.
- In August 2009, DMG America Inc. founded a+f USA LLC with registered office in Denver, USA, to strengthen its activities in the growing market in the USA.
- In November 2009, DMG Ibérica S.L. founded AF SunCarrier Ibérica S.L. with registered office in Madrid; this company will take over the service and maintenance of solar projects in Spain.

The GILDEMEISTER structure is organised in such a way that all companies contribute to extending its position as a worldwide market and innovations leader in cutting machine tools. The group is represented as a **matrix organisation** – production plants on one side, DMG sales and service companies on the other side. The production plants specialise in business areas and machine series.

a+f opens new markets

DMG is responsible for direct sales in all significant markets. Alongside this, our key accounting handles all internationally operating major customers. a+f GmbH is active in the business area of renewable energy sources and is constantly opening up new markets and customers. It is not intended to make any fundamental changes to the group structure in the future.

A detailed overview of the shareholding relationships within the GILDEMEISTER group as at 31 December 2009 and further explanations of the changes in the legal corporate structure are set out in the notes to the consolidated financial statements on page 106 et seq. A summary of all current controlling agreements and profit-and-loss transfer agreements is also provided in the notes to the consolidated financial statements on page 173 et seq.

The GILDEMEISTER group has **no major shareholdings**.

Within the framework of a strategic partnership, GILDEMEISTER has a 5% shareholding in the Japanese machine tool builder, Mori Seiki Co. LTD. (Nagoya) during the year under report.

DMG Vertriebs und Service GmbH, Bielefeld, is a 100% subsidiary of GILDEMEISTER Aktiengesellschaft. It operates 72 sales and service locations and sales offices, as well as branch offices abroad that are not legally independent companies. The sales offices of DMG Vertriebs und Service GmbH in Shanghai, Beijing, Guandong, Chongqing, Shenyang and Xi'an are certified to market group products in China. Furthermore, the following companies maintain branch offices that are not legally independent enterprises: DMG Italia S.r.l., Bergamo (Italy), DMG Austria GmbH, Klaus (Austria), DMG Czech s.r.o., Brno (Czech Republic) and DMG Asia Pacific Pte. Ltd. (Singapore).

Takeover Directive Implementation Act (Section 315, paragraph 4 German Commercial Code (HGB))

GILDEMEISTER must provide the following supplementary information:

- The registered capital of GILDEMEISTER Aktiengesellschaft amounts to € 118,513,207.80 and is distributed in 45,582,003 individual shares in the name of the holder. Each share has a notional value of € 2.60 of the subscribed capital.
- Pursuant to Section 84 of the German Companies Act (AktG) the Supervisory Board shall appoint and revoke the appointment of members of the Executive Board. This authority was specified to that effect in Section 7 para. 2 of the Articles of Association of GILDEMEISTER Aktiengesellschaft, by which the Supervisory Board appoints the members of the Executive Board, determines their number and assigns their duties.
- Pursuant to Section 119, para. 1 no. 5 of the German Companies Act (AktG), the Annual General Meetings of Shareholders decides any changes to the Articles of Association. The correspondingly defined rules of procedure are contained in Sections 179, 181 of the German Companies Act (AktG) in connection with Section 15 para. 4 of the Articles of Association of GILDEMEISTER Aktiengesellschaft.

- A resolution of the Annual General Meeting passed on 15 May 2009 authorises the Executive Board, with the approval of the Supervisory Board, to increase the registered capital of the company in the period up to 15 May 2010, through a one time only issue or through several issues of new shares for cash or non-cash contributions to a nominal amount of € 50,073,300,00 million (authorised stock). This authorisation is set out in Section 5 para. 3 of the Articles of Association. Moreover, the company is authorised to purchase its own shares up to a pro rata amount of almost 10% of the registered capital, this corresponds to € 11,851,321.00. 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, to offer as consideration for the purchase of companies or shareholdings in other companies. Furthermore, there has been a contingent increase in the registered capital up to a further € 37.5 million through the issue of up to 14,423,076 individual shares in the name of the holder (contingent capital I). The conditional capital increase is to be effected only insofar as the options or conversion rights relating to warrant or convertible bonds, issued or guaranteed pursuant to the authorisation resolution of the Annual General Meeting of Shareholders of 15 May 2009 and the owners of options or conversion rights exercise their right to convert or any conversation obligation or obligation to exercise an option is fulfilled.
- Ultimately, the Executive Board is authorised to issue shares to a value of € 5.0 million to employees of the company and of companies affiliated with the company (cf. Section 5 para. 3 of the Articles of Association).
- The significant agreements of GILDEMEISTER Aktiengesellschaft are subject to a **change of control** condition (the acquisition of 25% or more of the voting rights) as a result of a takeover offer within the meaning of Section 315 para. 4, no. 8 German Commercial Code (HGB).

Pursuant to Section 315 paragraph 4 German Commercial Code (HGB), the Executive Board provides the following explanatory information:

- As of 31 December, the registered capital of the company amounts to € 118,513,207.80 and is distributed in 45,582,003 individual shares in the name of the holder. Each share has a voting right and is the determining factor for the share of profits.
- The most recent amendment to the Articles of Association took place at the 107th Annual General Meeting of Shareholders on 15 May 2009, when Sections 5 and 12 of the Articles of Association were amended.
- In the reporting year the Executive Board did not exercise the above-referred authorisation with the exception of the authorisation to increase the share capital through the issue of new shares with the approval of the Supervisory Board.
- The conditions for a change of control comply with the customary agreements. They do not lead to an automatic termination of the above-referred agreements but, in the event of a change of control, merely grant our contractual partners the possibility of terminating these.

Research and Development

Our activities in the field of research and development pursue the aim of offering innovative, technologically-advanced products. Based on the needs of our international customers, we are placing our main focus on higher-level, market-orientated areas of development:

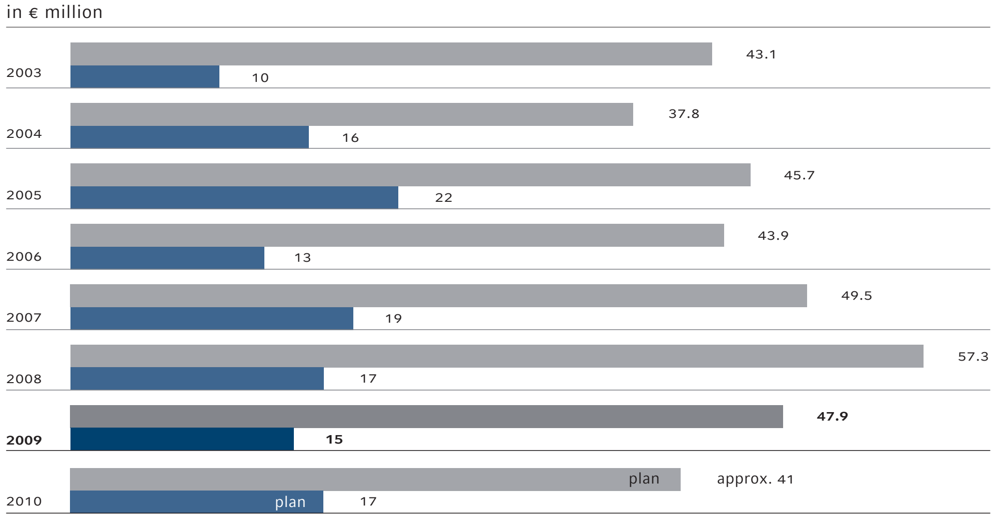
Innovations as the key to success

1. an increase in the performance and flexibility of our machine concepts using innovative software solutions,
2. the further development of our products in the renewable energy sources business,
3. the further improvement of user-friendliness and ergonomics,
4. the further expansion of our market position in the ECOLINE field,
5. taking the requirements of specific future markets into consideration.

Despite the ongoing economic crisis we maintained expenditure on research and development at the high level of € 47.9 million (previous year: € 57.3 million). As a result of constant development and the start of production of modern, innovative products, we are equipped to deal with future challenges. Positive impulses can also be felt from the first joint machine project with Mori Seiki. The proportion of innovations in the "Machine Tools" segment was 6.3% and was thus higher than the previous year's level (4.8%). Investments in new developments are listed in the segment reports as capitalised development costs.

EXPENDITURE ON RESEARCH AND DEVELOPMENT AND NUMBER OF NEW DEVELOPMENTS AT THE GILDEMEISTER GROUP
in € million

Expenditure on R&D in € million
Number of new developments in pieces



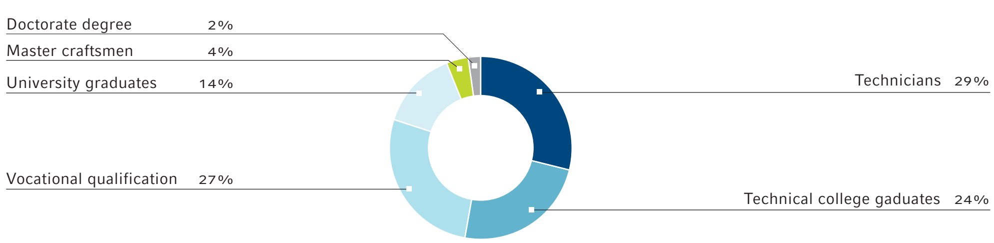
In the reporting year, we presented a total of 15 new developments at 89 national and international trade fairs and exhibitions. At the industry highlight, the EMO 2009 in Milan, we showed 41 exhibits, including 7 world premieres. Our innovative product range offers our customers customised solutions to carry out their complex production work.

In the reporting year we registered 31 patents, utility and design patents, as well as brand and trademarks (previous year: 29 industrial property rights). The value of our property rights fell in total to € 299 million (previous year: € 340 million) due to the sales revenue-dependent evaluation scheme of the market value method.

A total of 435 employees work on developing our products (previous year: 471 employees); this corresponds to a share 15% of the workforce at the plants (previous year: 13%). Research and development activities, which are decentrally organised at the sites, will be synchronised in regular group-wide product development talks. Based on our requirements, our system suppliers make a significant contribution to the constant further development of our products, through close and co-operative teamwork. Moreover, we do not purchase any third party **development know-how**. Services of third parties are mainly drawn upon in the field of industrial design.

GROUPWIDE QUALIFICATION STRUCTURE IN THE AREA OF DEVELOPMENT / CONSTRUCTION
in %

2009: 435 employees



Innovative software increases customer benefits

Through innovative **software**, GILDEMEISTER products clearly stand out from those of the competition. With **"ShopTurn 3G"**, we offer our customers unique control technology, which makes it possible to reduce re-tooling times by up to 30%. The main highlights include a standard user interface for turning and milling machines, multi-channel capability, as well as a choice between time-optimised DIN and convenient "ShopTurn" programming. We have also been able to extend the machining possibilities of our machines even further with innovative software concepts, for example, for the machining of gear wheels on our milling machines. An improved simulation offers essential potentials. The further enhanced "DMG Virtual Machine" offers process safety that is unique throughout the industry through 1:1 simulation of real machines. The complete representation of geometry, kinematics and dynamics together with all the control functions is leading on the market. The advantages for our customers include piece time assessment that is accurate to the second, a reduction in set-up and re-tooling times of up to 80% and safety from collision and work area tests.

GILDEMEISTER sets benchmarks in energy-efficiency

GILDEMEISTER has been setting the benchmark for years as regards effective manufacturing technology and resource-saving design in the area of the **energy efficiency** of our machine tools. Furthermore, we support the "Blue Competence" initiative of VDW. Under the term "DMG ENERGY SAVING" , we have combined measures for the further improvement of energy efficiency. The "DMG AUTO*shutdown*" leads to markedly reduced power consumption in the machine's idling state. Our customers are able to save up to € 3,000 per annum through lower energy costs. Further potential is also maximised during machining: The "DMG GREEN*mode*" reduces the machine's power requirements through optimum control of machining processes. In addition, the intelligent design of the machine leads to noticeable savings in energy costs – for example through the recovery of braking energy, a reduction in friction and a reduction in moving masses. Thus the energy requirement of our machines is reduced by 20% on the average over the whole life cycle.

In the **"Machine Tools" segment** 15 innovative new products expand our product range. Nine new developments extend the **Milling Association** products. With the DMC 210 U, the DMC 80 FD duoBLOCK®and the DMC 60 FD duoBLOCK®, DECKEL MAHO Pfronten GmbH is extending the range of products in the area of CNC universal machining centres with pallet changer. The DMC 80 H duoBLOCK® and the DMC 100 H duoBLOCK® complete the range of horizontal machining centres. With the Lasertec 40 and the Lasertec 50, SAUER GmbH is extending the range for laser precision machining. The Ultrasonic 10 and the Ultrasonic 50-5 complete the range of products for the machining of advanced materials, such as carbide, ceramic, corumdum and glass.

Within the **Milling and Assembly Association**, DECKEL MAHO Seebach GmbH is adding to the range of travelling column machines with the DMF 260 incorporating a larger workspace for the machining of long workpieces.

CTX gamma 2000 TC newly introduced

In the **Turning Association**, four new developments were presented in the reporting year. The CTX gamma 2000 TC extends the successful CTX modules by a version with milling spindle and additional turret. The NEF 600 universal lathe makes possible the cost-effective machining of individual pieces and small series. The CNC multi-spindle GMC 20 offers top productivity for complex workpieces in medium-sized lot sizes. In the area of productivity enhancing components, the DMG S bar loader completes the product range.

Within the **Ecoline Association**, DMG ECOLINE GmbH presented the universal milling machine, DMU 50 *eco*. The machine enables low cost entry into 5-axis machining with proven technology and the highest precision.

In the **"Services" segment** we complement the range of products with customised components and service products. DMG Microset GmbH offers leading technology in the tool management field. DMG Automation GmbH's **automation solutions** lead to shorter tooling and processing times and consequently increase the productivity of our machines.

a+f opens Solar Center of Expertise

In the business area of **renewable energy sources**, a+f GmbH opened the new Solar Center of Expertise in Würzburg in January 2009, thereby laying the foundations for further growth. In the reporting year, the product range was once again made complete by innovative new developments. The **"SunCarrier"** is a single axis tracking system, which constantly aligns the module surface of the solar collectors with the sun via a vertical axis. Depending on the operational area, the products offered vary, especially with regards to the size of the module surface or height. The highlight in the reporting year was the "SunCarrier 160", which is especially suited to installation in countries with height restrictions. Compared to stationary solutions, our products achieve up to 35% more output. To turn on its own axis, a "SunCarrier" only consumes 0.6 kWh electricity per day – which is less than a refrigerator consumes per day. Our **"SkyCarrier"** systems are ideally suited to use in regions close to the equator. The "SkyCarrier 1000" was presented for the first time at the Intersolar 2009 in Munich. Due to the sharp path taken by the sun in these regions, tracking of the "SkyCarrier" systems takes place over a horizontal axis. The especially low maintenance and sturdy construction of our solar systems resists wind loads up to hurricane force and clearly increases profitability for our customers.

Purchasing and Procurement

In the area of **purchasing and procurement**, GILDEMEISTER has consistently pursued a close cooperation and partnership with its suppliers. Expenditure on materials and purchased services decreased as a result of the reduced total work done to € 559.8 million (previous year € 1,066.3 million). Of this, € 463.4 million (previous year: € 864.6 million) was spent on raw materials and consumables (RHB). The **materials quota** fell to 48.9% (previous year: 54.5%), which was due primarily to intense follow-up negotiations on purchasing conditions and the initial synergies achieved from the cooperation with Mori Seiki. Overall, despite the difficult economic situation and the resulting reduced purchasing volume, we were able – as announced in the previous year – to achieve cost reductions of 5%. Our real net output ratio was 32.1% (previous year: 29,6%).

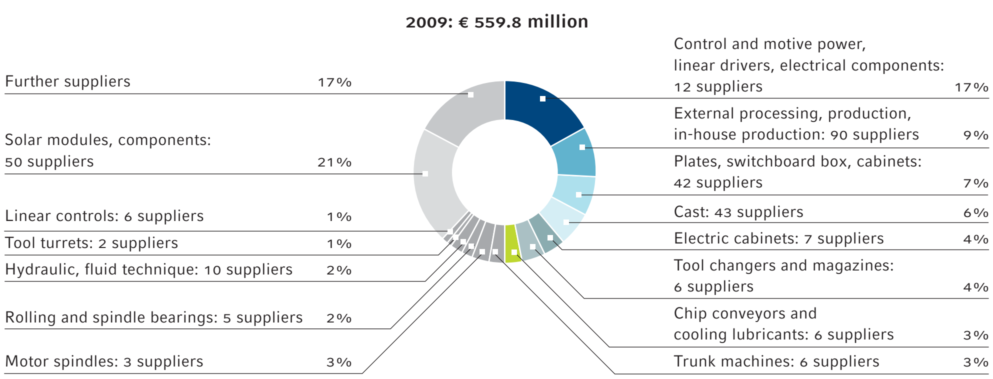
Cost reduction by 5% realised

In the reporting year we responded to the sharp decline in orders by fully utilising our own production capacity through targeting insourcing measures. The share of our TOP 50 suppliers in the purchasing volume shrank to 65% (previous year: 75%). We have consistently pursued our **Supplier Capital** strategy and focused strongly on globally operating suppliers in order to utilise their local advantages with respect to quality, costs and time.

Together with our suppliers, we are continually working on the **security of supply** and an **improvement in the quality** of input parts. The supplier cockpit, as a fundamental part of the group-wide workflow system front office, offers our suppliers advance notice of long-term supply and requirements, which we have implemented in a group-wide procurement project. This close collaboration and timely exchange of information facilitates a high degree of flexibility on both sides. We were able to take advantage of this in the reporting year and respond to customer wishes at short notice in a timely manner. Furthermore, we have further enhanced the *co*Supply© supply management system. Through a direct connection to the ERP system, important information, such as supplier assessments, can be automated and made available promptly on our **www.coSupply.de** communication platform. In this way an optimum basis is created for supplier talks and developing the supplier relationship. As a further component in the front office, quality management makes possible a detailed error analysis and leads to a clear rise in the quality of products and processes.

Materials group management combines the group-wide cooperation of the purchasing and technical departments. This allows us to optimise the specialist cooperation with our supply partners and also, together with them, we drive the standardisation and modernisation of our components and assembly units. In the reporting year we have also saved material costs through standardisation, for example through standard tool turrets, measuring systems and feed drives. The share of the individual materials groups in the purchasing volume can be seen in the following graphic:

SHARE OF MATERIALS GROUP IN PURCHASING VOLUME
in %



The area of non-production materials and services is increasingly becoming the focus of purchasing activities. Through far-reaching structural and process changes, we have laid the foundations for significant cost reduction in the coming years on the one hand and, on the other, have generated important short-term savings. In particular, we have significantly reduced the amount of costs in vehicle fleet and travel management through new concepts and stricter rules.

With the **integrated global sourcing strategy**, GILDEMEISTER has strengthened its presence in the Asian region. The further development of supplier relations in China and India was the focus of purchasing activities. Through a high share of **local content** – for example at our Shanghai location – we are able to reduce restocking times and stock commitments and increase our flexibility. We want to further increase our purchase volumes in the US dollar region and thus reduce the currency risk of customer payments in US dollars **(natural hedge)**.

Savings through bundling the purchasing volume

As a consequence of the cooperation with Mori Seiki, we have begun to identify suppliers for joint purchasing of components in the future. Through bundling the purchasing volume, we expect clear savings. We consider there to be additional potential in joint standardisation activities.

Production, Technology and Logistics

In the area of **production, technology and logistics**, we have optimised our capacity, designed production to be more flexible and consistently pushed measures to increase efficiency.

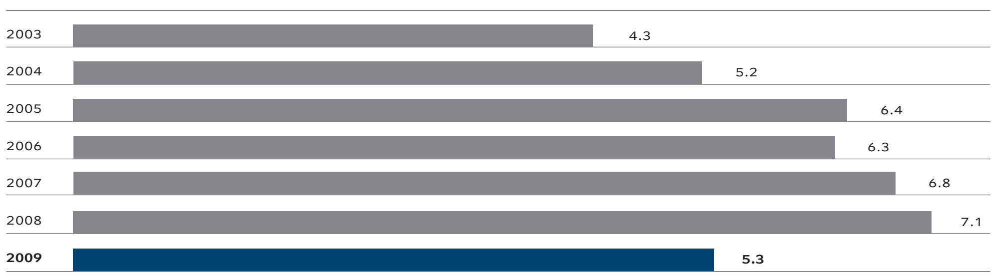
We have continuously reduced the **assembly processing times** of our machines through various activities. A reduction in assembly times, and lower order intake led to shorter delivery times. The extent of the order backlog and thus the average delivery time in the German machine tool industry is numbered to 6.3 months by the German Association of Machine Tool Builders (VDW); GILDEMEISTER was below this level at three months. In production and logistics we concentrated processes throughout the group. Thus we reduced the storage space by some 11,000 square metres and reduced the costs of rented storage space and materials handling by up to 35%.

GILDEMEISTER cooperates with Mori Seiki

In addition to production, the **cooperation** with Mori Seiki comprises also the development of machines. Through working together, we benefit both short- and long-term, in that we standardise selected components throughout. In addition to this improvement in quality, we can offer more options at better prices to our customers. Beyond the standardisation of components, we are working intensively on preparations for the production of the first machine types.

With the **PULLplus** value added system, we have continued to optimise processes in production and logistics. As a methodical part of the PULLplus systematic, ideas management opens up potential for improvement by placing our employees at the centre of the change activities. As our employees were present less time during the year, this led to a reduced number of improvement suggestions in comparison with the record level of the previous year. Thus 19,257 **improvement suggestions** were submitted (previous year: 26,538). With an average 5.3 improvement suggestions per employee, a high level could be maintained (previous year: 7.1). A drop in production performance at the plants contributed to a lower accumulative net benefit – use of suggestions less cost of implementation – of € 2.4 million (previous year: € 4.7 million). Through the high level of willingness of our employees to make an active contribution to the **process capital** of the group, GILDEMEISTER was able to reach once again three of the TOP 5 places in the industry ranking for machine building ranking of the German institute for business administration.

SUGGESTIONS FOR IMPROVEMENT AT PRODUCTION PLANTS
Number per employee



GILDEMEISTER leading in energy efficiency

The subject of **energy efficiency** is at the focus of GILDEMEISTER's activities long-term. As a committed member of the VDW, we support its **"Blue Competence"** campaign. Through close cooperation between the association and its members, a catalogue of measures was developed on the design of production processes that are environmentally friendly and save resources. In this way GILDEMEISTER facilitates environmentally appropriate production for its customers, taking the eco-balance of the entire production process into consideration. Our measures to **reduce CO_2 emissions** range from the energy-efficient design of our products to a sustainable improvement in our own machining and production areas. Automatic lighting systems, for example, reduce power consumption. Moreover, we are continuously working on renovating our building envelopes well-directed in order to achieve better insulation and thus to minimise energy consumption. A showpiece has been created as the Solar Center of Excellence in Würzburg, which has been designed for about 100 employees. The modern building is a reflection of the ecological focus of the enterprise. This is a zero energy building, which is fully supplied without any primary energy such as gas or oil.

Milling assocation newly created

GILDEMEISTER has re-organised its production plants and combined them in associations across all locations. Thus we react to a changed demand for capacity and shifting general frameworks as consequence of the economic crisis. The re-organised structures shall contribute to achieving further synergies, in particular this includes an increase in innovative power and the efficient manufacture of competitive products. The newly-created **Milling Association** brings together the core areas of expertise of DECKEL MAHO Pfronten GmbH and Sauer GmbH of "milling", "ultrasonics" and "lasering". The re-organisation includes the removal and integration of the SAUER GmbH site in Kempten into the existing structures at the plant in Pfronten. Through this re-organisation we are responding to changed demand in production capacity and changing conditions. The restructuring enables optimised assembly and, at the same time through closer cooperation, strengthens the partners' innovative power.

The highlight in the reporting year at DECKEL MAHO Pfronten was the start-up of assembly of the DMC 210 U. On this machine our customers from the aerospace industry cut their production parts again with enlarged traverses whilst retaining highest precision. The new machine is presented in the milling technology centre of expertise, the "Center of Excellence – Aerospace" directly at the production site.

Insourcing strengthens capacity utilisation.

In the **Milling and Assembly Association**, DECKEL MAHO Seebach and FAMOT Pleszew Sp. z o.o. complement one another in the effective control and utilisation of the group's internal manufacturing capacity. Through the targeted insourcing of parts, we were able to increase our own **capacity utilisation** on the one hand and, on the other, to strengthen our vertical integration. In spring the production of the DMC V series will be relocated from the Geretsried site to Seebach and integrated in the assembly line. Thus a total of six difference machine types in a model mix pass along the assembly line. This reduces the production area by about 20% and production becomes both more flexible and distinctly more efficient.

Since 1 July 2009, GILDEMEISTER Drehmaschinen GmbH, GRAZIANO Tortona S.r.l. and GILDEMEISTER Italiana S.p.A. have combined their core expertise of ”turning” in the **Turning Association**. As a result of this re-organisation, we have relocated SACO S.p.A.’s capacity to GILDEMEISTER Italiana S.p.A. and thus integrated it in the Turning Association. Under a central management, synergies will be achieved jointly in all business areas. By extending the production scope of the new CTX **alpha- / beta- / gamma-series**, their intelligent modular system permits us to make greater use of standard parts. Through reducing the complexity of our machines, we are able to make **process improvements** in procurement, logistics and production. In October we started to relocate the new NEF series from Pleszew to Bielefeld, in order to make better use of the assembly capacity available. At the same time, we have continued to modernise our production. At our site in Tortona (Italy), we have put a new assembly and logistics hall into operation. The new layout of the factory improves material flow and makes more efficient production possible.

In the **Ecoline Association**, DMG Ecoline GmbH and DMG Shanghai Machine Tools combine and strengthen our activities in the field of entry level machines. Efficiency, innovative technology and a convincing price are the factors that have helped the ECOLINE machine series to become a worldwide success. The production of the ECOLINE series mainly takes place in Shanghai (China) and partly Pleszew (Poland). Since the second quarter, the third **flow production line** has been in operation at the Shanghai plant. It will be used to assemble, in a flexible model mix, the ECOLINE turning machines CTX 310 *eco* and CTX 510 *eco*, as well as the ECOLINE vertical machining centre DMC 635 V *eco* and DMC 1035 V *eco*. Assembly monitors ensure a high degree of flexibility and thus a more efficient closed quality loop. Modern cross-training in the continuous assembly – from pre-assembly of construction parts to final assembly of the machine – ensures the flexible deployment of our employees.

Flow assembly expanded in Shanghai

In the fast-growing business area of **renewable energy sources**, GILDEMEISTER is setting benchmarks worldwide with the “SunCarrier” and “SkyCarrier” products. The innovative tracking system for crystalline solar modules transforms solar power with photovoltaic aid into electrical power. With four major orders to a total value of € 158.4 milion, GILDEMEISTER has further expanded its position in the Italian solar market. In the future, a+f GmbH intends to share in the growing solar markets in the USA and India. With the opening of the North American branch in Denver and reference plants in the federal states of California and Nebraska, GILDEMEISTER is purposefully following its expansion plans. For support close to the market subsidiaries have also been set up in Italy and Spain with a+f Italia S.r.l. and AF SunCarrier Iberica S.L., respectively. The highlight of the successful trade fair presentation at the Intersolar in Munich was the world premiere of the "SunCarrier 160". The tracking system, which is only four metres high and has been specially designed for countries with height restrictions, completes the "SunCarrier" product range. a+f GmbH already made use of the grand opening of its Solar Center of Excellence in Würzburg in January for the world premiere of the newly-developed "SkyCarrier". With a module surface area of 247 square metres, the "SkyCarrier" revolves on a horizontal axis. The new presentation extends the product range of the solar division and is primarily intended for use in regions close to the equator – in particular in the Middle East.

a+f extends product portfolio

Corporate Communication

During the reporting year, GILDEMEISTER successfully continued its corporate communication. Our concept of a market and value-oriented corporate governance enabled a strong international presence. Our integrated corporate communication comprised many elements that complemented each other. Trade fairs and exhibitions formed a part, as did print information, advertising and our Internet presence, as well as investor and public relations activities. Remaining at the foreground of this were innovations and the rounding off of product lines. Activities in corporate design, sales, pricing and innovations policy were carried out in close coordination with marketing. Overall corporate communication played a role in better exploiting existing market potential within the generally difficult economic conditions. Expenses in the area of corporate communication amounted to € 38.0 million (previous year: € 38.3 million).

Trade fairs and exhibitions are of primary importance for GILDEMEISTER as marketing instruments as they allow our products to be experienced directly. In the reporting year, DMG was present at 89 trade fairs and exhibitions, both at home and abroad. It presented 786 turning, milling and ultrasonic / laser machines in operation. The total exhibition floor space at the trade fairs alone amounted to 12,502 square metres. Our strong presence was effective: in total we registered 57,064 visitors at the trade fairs and exhibitions, who represented 38,854 companies. At the events our customers ordered a total of 1,474 machines, thereby generating direct order intake of € 256.9 million. The trade fair highlight was the EMO in Milan, Italy. There we presented 41 exhibits, including

7 world premieres, over an area of 1,554 square metres. Positive signs also came from the trade fairs in Asia, for example from the CIMT in Beijing, China. The cost of trade fairs and exhibitions in the reporting year totalled € 21.2 million (previous year: € 21.7 million). This corresponds to 56% of total marketing and corporate communication expenses (previous year: 57%).

At GILDEMEISTER, **advertising** is primarily product marketing. Our customer journal is particularly well received. It was published twice in the reporting year, each time in 45 versions and 22 languages. The total circulation was 1.2 million pieces; in addition, the journal was accessed more than 20,000 times at our website. In general, our website is visited frequently. With a total of 2 million visitors, the access figures of the previous year were surpassed by 2.6%. The total number of brochures was 670,000; again, there is a growing trend of downloading the brochures from the Internet. Direct marketing with innovative product and event mailings continued in 2009 to great effect. The total distribution worldwide reached 2.9 million items, spread across 17 campaigns, and with 7,900 mailings daily. There were 22 different language versions for 55 countries. The CTX mailing totalled 330,000 addressees (29 versions in 16 languages), the ECOLINE mailing had 287,900 addressees (29 versions in 19 languages) and the year-end mailing 130,000 addressees (15 versions in eleven languages). A further priority again for GILDEMEISTER was trade press communications. Some 190 advertisements, published in 100 different trade magazines, informed readers in 23 countries about our products. GILDEMEISTER invested a total of € 14.6 million in product marketing (previous year: € 14.6 million). This represents 38% of marketing and corporate communication costs (previous year: 38%).

BUSINESS REPORT
Corporate Situation

DISTRIBUTION OF CORPORATE COMMUNICATION COSTS AT THE GILDEMEISTER GROUP
in %

MASTERING CHALLENGES.

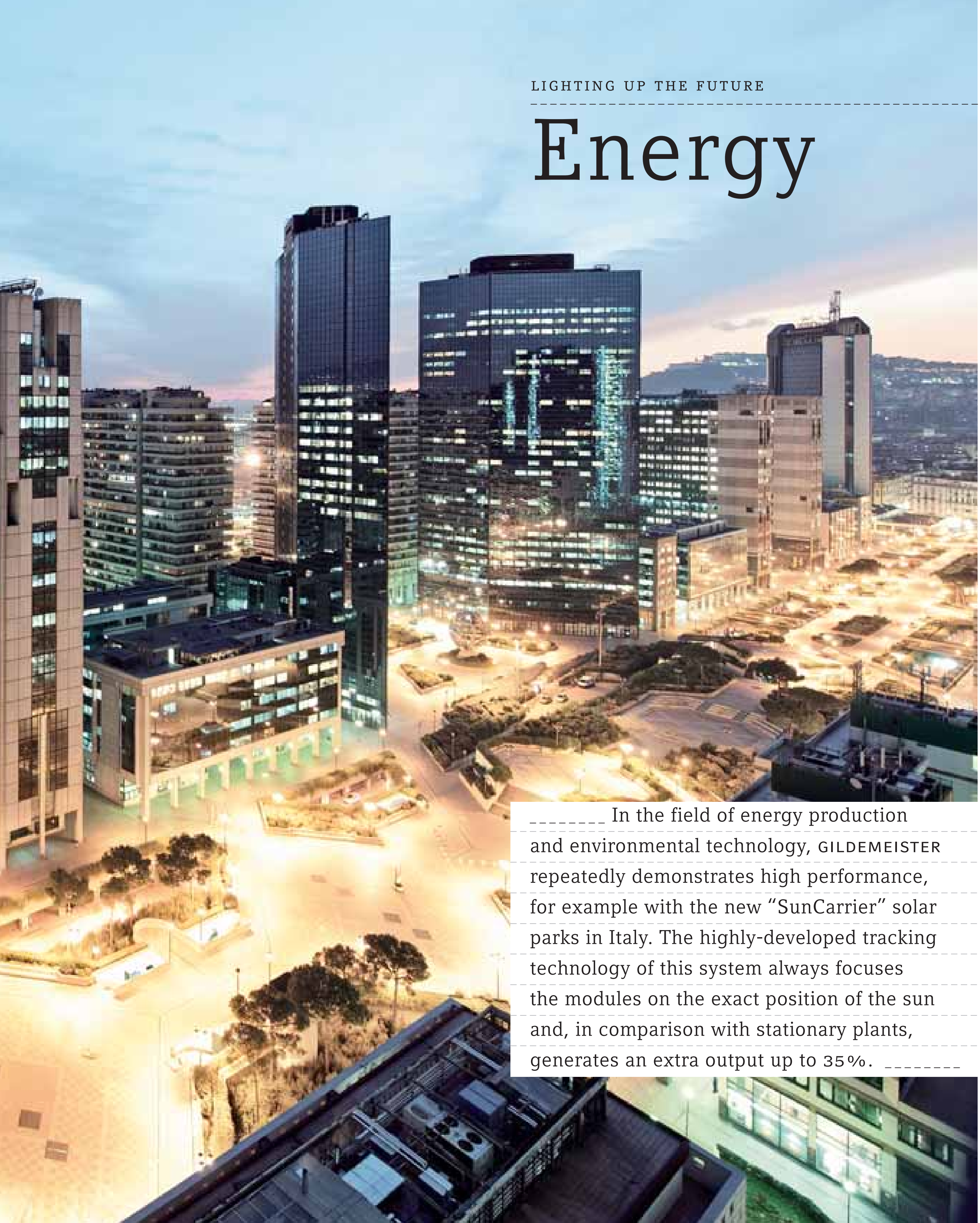
SECURING THE FUTURE!

ENERGY INDUSTRY – CHALLENGES

- Maximum cost-effectiveness
- Highest reliability
- Future-oriented materials
- Extreme physical requirements
- 100% environmentally-friendly
- Effective constant operation

LIGHTING UP THE FUTURE

Energy

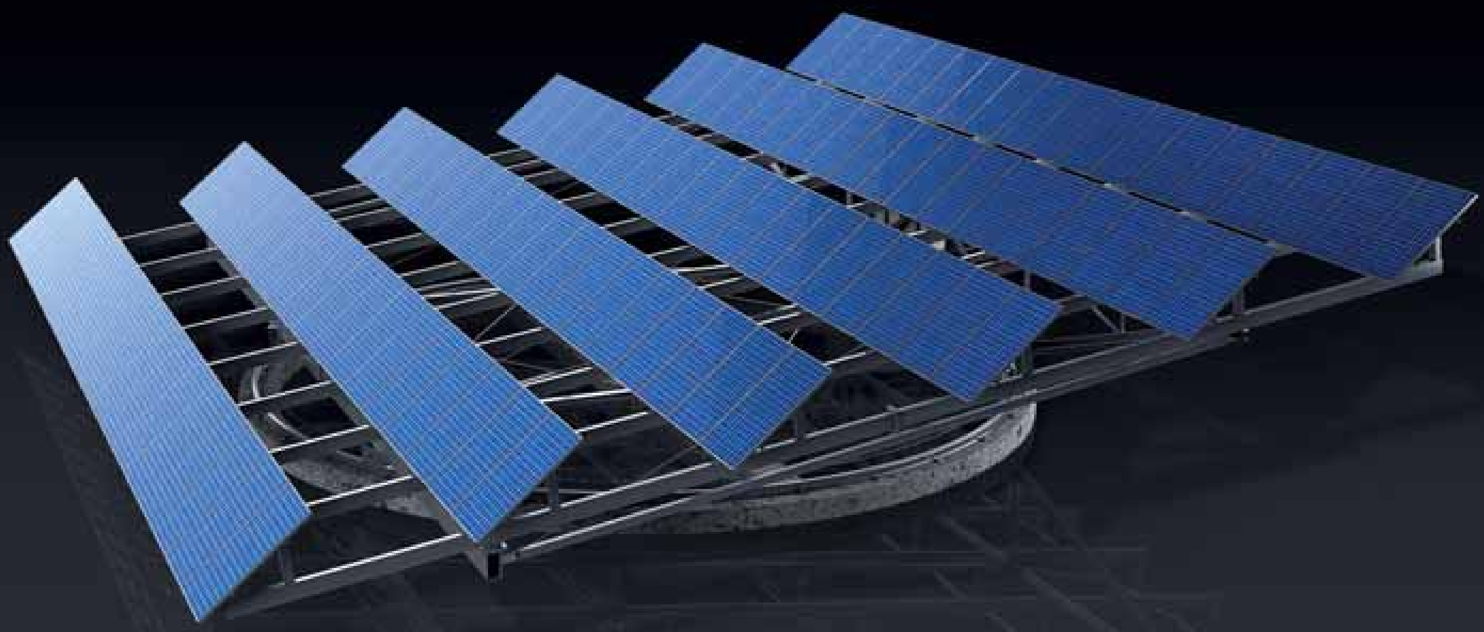


In the field of energy production and environmental technology, GILDEMEISTER repeatedly demonstrates high performance, for example with the new "SunCarrier" solar parks in Italy. The highly-developed tracking technology of this system always focuses the modules on the exact position of the sun and, in comparison with stationary plants, generates an extra output up to 35%.

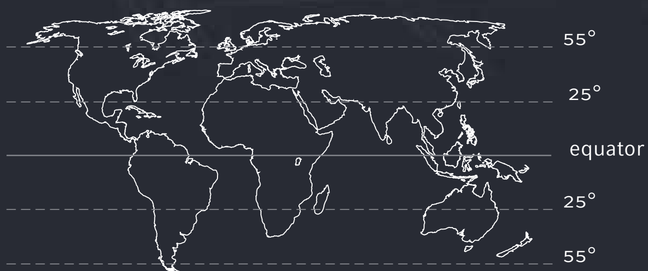
RENEWABLE ENERGY	EXPERTISE: GILDEMEISTER
Module surface area	up to 163.2 m^2
Output	up to 30 kWp
Construction height	ca. 4 metres
Deployment	as an individual installation or in solar parks

SUNCARRIER 160

Low construction height, reduced weight and optimum output through 40° tilt angles



OPTIMUM OPERATIONAL AREAS 25 – 55th line of latitude



RENEWABLE ENERGY	EXPERTISE: GILDEMEISTER
Module surface area	up to 287.5 m^2
Output	up to 53 kWp
Construction height	ca. 7.20 metres
Deployment	as an individual installation or in solar parks

SUNCARRIER 300

Up to 35% more output than standard systems through tracking over the vertical axis

New administrative centre Centro Direzionale, Naples (Italy)

Population of Italy: ca. 60 million

Annual electricity consumption: 320 billion kWh

Southern Italy: 6.8 hours of sunshine per day on an annual average

SUSTAINABLE TECHNOLOGY FOR FUTURE

Growth

Renewable energy sources are the raw materials of future generations. Anyone who knows how to exploit ideally this inexhaustible source of energy, will also have major reserves available to them in the future. With innovative technology, GILDEMEISTER is constantly setting the benchmark here. Because we consistently use our own “natural” resources: know-how, creativity and proximity to our customers.

Supplementary Report

Overall economic development followed a slight upwards trend in the first months of this year. The German machine tool industry showed no significant improvement at the start of the year.

Economic Development 2010

Overall economic development in the initial months of the current year was marked by a slight recovery, however, the consequences of the recession continued to have an effect. The Organisation for Economic Cooperation and Development (OECD) is expecting only slight momentum in the growth trend to develop initially. Positive stimulus continues to be expected from China.

Sources: Institute for the World Economy (IfW), Kiel; Organisation for Economic Cooperation and Development (OECD), Paris

Economic activity of the **German machine tool industry** did not show any significant improvement at the beginning of the year; sales revenues within the industry stagnated. The German machine tool builders' association (VDW) estimates order backlog to be 5.4 months.

Source: VDW (German Machine tool builders' association)

Corporate situation after the end of the reporting year

GILDEMEISTER has started the **financial year 2010** with cautious optimism. As anticipated, **order intake** is proceeding at a restrained level. In the first two months we could note increasing product interest in the machine tools business. The satisfactory order intake resulting from the first trade fairs of the season confirms our planning approach. As expected, **sales revenues** at the start of the year remained below the level of the comparative months of the previous year. The reason for this was the clear decrease in **order backlog** in the "Machine Tools" segment. The recovery in order intake will have a delayed effect over the course of the year on sales revenues. With regard to the result (EBT) losses could not be avoided at the beginning of the year. More information can be found in the "Forecast report" on page 86 ff.

An essential instrument of our marketing campaigns are trade fairs and exhibitions; here we recorded good results at the beginning of the year. In addition to the NORTEC in Hamburg, special highlights were the traditional in-house exhibition in Pfronten and the METAV in Dusseldorf. GILDEMEISTER displayed 12 exhibits at the **NORTEC** to a mainly northern German trade public. At the **traditional in-house exhibition** at DECKEL MAHO in Pfronten, GILDEMEISTER presented 55 exhibits over a surface area of 3,243 square metres.

In total, 3,913 national and international customers gathered information on the **innovations 2010**: the latest machining processes and automation solutions, as well as future-oriented software developments. An extensive programme of seminars on the energy, aerospace, automotive and medical industries met with great interest. Overall, from both industry events, GILDEMEISTER achieved order intake of € 58.5 million and 292 machines sold.

At the **METAV** in Dusseldorf, as the largest exhibitor we presented 21 innovative machines. Some 4,008 trade visitors gathered information on the latest machining processes, future-oriented industry solutions, software developments and on the energy-efficiency of the machines. In addition, we took part in the German Machine Tool Builders' (VDW) special exhibitions "Energy Efficiency", "Medical Technology" and "Young People". With order intake of € 29.3 million and 160 machines sold, GILDEMEISTER took positive stock of this important fair for the industry.

"Supplier-of-the-Year-Award" presented for the tenth time

The GILDEMEISTER **Suppliers' Day** took place on 2 February 2010 during the in-house exhibition in Pfronten. For the tenth time the "Supplier of the Year Award" was presented to the TOP suppliers invited in the categories of quality, supply performance, innovation and overall winner.

We have further intensified our **cooperation** with the Japanese machine tool builder, Mori Seiki. At the Bielefeld site with a turning-milling centre of Mori Seiki the first step was marked in complementing our product portfolios in the area of large machines. Labelled as a CTX delta TC, this machine makes it possible in the future to machine workpieces of up to six metres in length.

In the first two months of the year we did not make any significant **investments**. In the first two months there were no changes in the **legal corporate structure** or in the organisational structure. Neither were any **shareholdings** acquired.

Opportunities and Risk Report

Using a systematic process of opportunities and risk management, GILDEMEISTER records and assesses opportunities and risks timely. This allows us to respond in an optimum manner and to initiate any measures necessary.

GILDEMEISTER is exposed to various opportunities and risks in its global corporate dealings. Our opportunities and risk management assists in recognising and evaluating these timely. The Executive Board and the Supervisory Board are informed regularly about the current risk position of the group and of the individual corporate areas. The opportunities and risk management system 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 from each group company, and who updates the risk management system (including software),
3. area-specific risk schedules, in which individual risks are quantitatively assessed and the risks are ranked, which is carried out by the value-at-risk as a measure of risk,
4. the general internal divisional and cross-divisional reporting structure of the group, which is governed by thresholds and is also supported by ad hoc reports on significant risks,
5. the risk reporting system at the group level and at the individual company level.

Opportunities management system: Opportunities are identified and analysed within the opportunities and risk management system by also simulating positive deviances from planning assumptions. The marketing information system (MIS) identifies significant individual opportunities, by collecting all customer data worldwide and evaluates market and competitor data. On this basis we measure, evaluate and check all sales and service activities, as well as all measures 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.

MIS identifies individual opportunities

Overall economic opportunities arise for GILDEMEISTER, in particular, from the growing legal certainty and stability in the growth markets in Asia and eastern Europe; this increases opportunities to extend market shares in these markets. In this respect, GILDEMEISTER's global presence, especially, is a contributory factor. In the event of the economy rallying again, GILDEMEISTER is well prepared.

Specific industry opportunities: With the "SunCarrier" of a+f GmbH, GILDEMEISTER is sharing in the growing solar market. Increasing demand for power favour constant positive developments in this business area. We expect that global energy policies will continue to support renewable energy sources. We take advantage of market opportunities in global markets through our ECOLINE series. Moreover, we see opportunities in the automation of machine tools.

Strategic corporate opportunities present themselves to GILDEMEISTER through sustained leadership in innovations and technology, as well as by offering the leading product quality in the market. In order to further extend our leadership in innovations, we are constantly developing new products. In this way we create the potential to consistently extend our lead in markets. The MIS data also serves this purpose and provides us with a variety of **operative early indicators**, such as market potential or order intake. As a full-liner, we are consistently building upon our services and expanding our advanced technologies in ultrasonic and lasering technologies. We are increasingly regionalising production and, through this, exploit the opportunities that arise with respect to cost and value creation structures. The cooperation with Mori Seiki is advantageous for our international customers with regard to a more comprehensive product range and increases GILDEMEISTER's efficiency.

Cooperation with Mori Seiki creates important advantages

Performance effective opportunities arise by our actively involving our suppliers in the value added process and thus strengthened their supplier loyalty. Our worldwide direct sales and service network guarantees excellent service for our customers.

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

- Local risks are individual risks that the group companies are exposed to and that can be assessed locally.
- Central risks are risks that, at least in part, can only be assessed centrally. These include, for example, risks arising out of the group's financing.
- Group effects usually arise from consolidation requirements; these include, for example, the dual recording of risks, which has to be corrected accordingly.

Internal control system ensures accounting standards

The Internal Control System: The accounting-related internal control system is part of the overall internal control system (ICS) of the GILDEMEISTER group and is embedded in the risk management system throughout the enterprise. It includes not only the organisation, but also the control and monitoring structures to ensure the recording, preparation and evaluation of business accounting and its ultimate inclusion in the IFRS financial statements. The analyses carried out by risk management contribute to identifying risks that may have an effect on financial reporting and to introducing measures to minimise these risks. The accounting-related internal control system includes basic principles, procedures and measures to ensure that accounting principles are adhered to in group accounting. In this respect, we analyse new legislation, accounting standards and other communiqués with respect to their effect on the consolidated financial statements.

Throughout the group, all relevant regulations are encoded in guidelines, such as the accounting guidelines, for example. Together with the financial statements calendar, which is applicable throughout the group, these guidelines provide the basis for the process of drawing up the financial statements. Local companies are responsible for complying with the relevant regulations and are supported and monitored in this by the corporate accounting department. In addition, local regulations exist, which also have to be harmonised with the corporate accounting. This also includes complying with local accounting standards. The internal audit department checks the effectiveness of the accounting-related internal controls. Consolidation is carried out centrally by the corporate accounting department. If required, GILDEMEISTER uses external service providers, for example for the measurement of pension obligations. The employees who are involved in preparing the financial reports are given regular training. The control system covers both preventive activities and those intended to reveal any inconsistencies; this includes plausibility testing, the separation of functions and dual control. The analyses carried out by risk management complement the elements mentioned above and contribute to identifying risks that may have an effect on financial reporting and to introducing measures to minimise these risks. Assessments of effectiveness take place on the basis of self-assessments of the group companies and areas responsible; these are checked on a random sample basis by the internal audit department, and are evaluated. The results of the effectiveness checks are reported regularly to the Executive Board and Supervisory Board.

Increasing regional production

General economic risks: The economic slump on the world markets, as well as possible financing constraints on customer investment projects, led to a clear decline in order intake in machine tool building. The current crisis will also have a noticeable effect on business development at GILDEMEISTER in the financial year 2010. Due to the economic situation, there has been a strong increase in order cancellations and suspensions. The risk of bad debts has risen. Changes in the price of energy and raw materials, as well as delays in supplier services and supplier insolvencies, present further risks. Exchange rate fluctuations may affect the future competitive position (economic currency risk). We are counteracting this risk through international sourcing as well as a growing regionalisation of our production. Apart from cyclical developments, we consider damages from other economic risks to be unlikely.

Specific industry risks: We counteract risks arising out of economic developments with a technological lead and by focusing on our customers and markets. At the same time, GILDEMEISTER also clearly feels the restrained demand, in particular in the machine tools area. Competitors are operating in the difficult market environment with aggressive pricing policies. The major solar orders are subject to special approval procedures, which are costly and time-consuming abroad. The bureaucratic hurdles can cause time delays in the construction of solar plants and thus to a delay in sales revenues.

Corporate strategy risks: False estimates of future market development and erroneous technological development may be a risk. In research and development there is a risk of budget excesses, erroneous development, increased start-up costs for new products and a delay in introducing innovations onto the market. We counteract these risks through intensive monitoring of the market and competition, regular strategy discussions with customers and suppliers, a comprehensive trade fair presence in all important markets and through our MIS early warning system as well as through the development partnerships with customers, suppliers and universities. We consider the probability of occurrence of losses from corporate strategic risks to be slight.

Early warning system shows risks

We are subject to **procurement and purchasing risks** on the grounds of supplier shortfalls and quality problems. We reduce these risks through the standardisation of structural parts and components and through international sourcing. We have calculated potential losses from purchasing and procurements risks at about € 7 million with a low probability of occurrence.

Production risks are subject to continuous control by GILDEMEISTER through key figures on assembly and manufacturing progress, process time and continuity. In principle, as we avoid incalculable projects, we consider these risks to be manageable and controllable. Moreover, GILDEMEISTER uses numerous other quality and product-related indicators to monitor potential risks. These include, for example, the contribution margin per machine type and the turnover rate of raw materials and consumables, as well as of inventories. We strive to counteract plagiarism with our innovations-focused product strategy, by which we ensure a technological lead through our high speed of development. We have calculated any possible losses arising out of this at about € 13 million with a low probability of occurrence.

Personnel risks arise mainly from the fluctuation of employees in key positions. GILDEMEISTER limits these risks through intensive further training and management trainee programmes to increase employee qualifications and skills, as well as through performance-oriented remuneration with a profit-based incentive system, substitution arrangements, which should cushion any loss of key employees, and early succession planning. We counteract risks of dismissal by preventive forms of contract as well preferably through settlement with those making claims. On the basis of the above-mentioned measures, we consider the probability of occurrence of estimated damages in an amount of about € 5 million as slight.

IT risks exist due to the increasing networking of our systems, some of which are highly complex. IT risks may arise from network failure or from data being falsified or destroyed through user and program errors or through external influences. We counteract these information technology risks through regular investment in our hardware and software, by the use of virus scanning programs, firewall systems, and by controlling access and authorisations. Possible damages arising out of this area amount to about € 1 million and are controllable. We consider the probability of occurrence to be slight.

Regular investments in hard- and software

Risks from operative tasks: As before, our products continue to be subjected to constant price competition in the international markets, which we are counteracting through cost reductions, improved manufacturing and procurement processes, and by optimising product start-ups.

Financial risks: Currency-related risks arise out of our international activities, which we safeguard within the scope of our currency strategy. For this purpose the hedging instruments permitted are specified in a currency guideline. These hedging instruments are used exclusively to safeguard underlying transactions but not for trading or speculative purposes. More detailed information in this respect is given in the Notes to the Consolidated Financial Statements on page 156 et seq. According to our evaluations, currency-related risks are low. The main funding components of GILDEMEISTER are syndicated loans, borrowers' notes and factoring programmes. Details of these can be in bound in the chapter "Financial position" on page 29 et seq. An interest rate change risk from the borrowers' notes does not exist as a fixed rate of interest agreement has been concluded through a hedging instrument (swap). All financing agreements include an agreement to comply with standard covenants (key figures); upon non-compliance with the covenants, the banks have the right to terminate the financing agreements. A counterparty risk exists with respect to the banks, who are partners to the agreement, in the hedging activities in the interest rate and currency area. We have carefully selected our banks. GILDEMEISTER's liquidity is sufficient. A risk could arise from the time occurrence of payments in the project business. The financial framework agreed can cover any possible time delays that are identifiable today. The risks from financing are controllable. Possible damages amount in theory to about € 31 million. The probability of occurrence of damages is slight.

Other risks: Legal risks may arise from the operational business, particularly possible warranty and third party liability claims of our customers with respect to the sale of machine tools and services. GILDEMEISTER strives to monitor these risks through efficient quality management; nevertheless, such claims of our customers cannot always be avoided. To maintain the resulting risks at a manageable and calculable level, GILDEMEISTER follows a policy of limiting the time period of our warranties and liabilities. We dispose of a modern contract management system and, moreover, regularly train our employees in the area of efficient contract agreement and risk minimisation. The value of deferred tax assets allocated to losses carried forward may be adversely impacted by changes in countries' national rates of tax. Overall, we have calculated any possible losses arising from tax risks at about € 7 million with a low probability of occurrence

Consistent liability and warranty regulations

Overall risk: Any possible deviations from the planned result are identified as risks. Factors that have already been taken into account in planning are therefore no longer shown as a risk. A summary addition of the main individual risks is not appropriate in our opinion as a simultaneous occurrence of hypothetical losses is improbable. Reciprocal effects, thus diversification or correlation effects of individual risks, are therefore taken into account through a risk simulation process ("Monte Carlo simulation"). With the overall risk position determined, the equity requirement is calculated, which, with a pre-defined probability (confidence level), can bear any possible losses related to risk. GILDEMEISTER's equity exceeds the defined overall risk position at a probability level of 97.5%. The risks are therefore manageable and from today's perspective the future of the GILDEMEISTER group as a going concern is not at risk. In view of the continuing tense economic situation, however, a new rise in risks cannot be excluded.

SWOT Analysis

The main strengths, weaknesses, opportunities and risks of GILDEMEISTER are summarised and presented following the criteria of a SWOT analysis (strengths, weaknesses, opportunities, threats) as follows:

SWOT ANALYSIS OF THE GILDEMEISTER GROUP

	Strengths	**Weaknesses**
company-specific	_ worldwide direct sales and services network to win market shares, _ comprehensive analysis of market and competition data by the marketing information system (MIS), _ consequent implementation of cost reduction measures, _ shareholding in the financing company MG Finance, _ consistent market and customer focus through highly-integrated multi-channel marketing, _ good starting point for advancing consolidation in the industry, _ large and diverse customer base, _ modern product range focused on customer needs, _ full range of products for turning and milling _ high innovative strength, _ customised range of services covering the entire life cycle of the machine (full-service supplier), _ profitable service business _ modular products / standard parts concept, _ high production flexibility, _ long-term and flexible financing measures	_ Dependency on the volatile machine tool market, _ global presence demands high level of management resources, _ high operational readiness costs through ensuring production capacity, _ low margin products as part of the full-liner range, _ high start-up costs for a large number of new products
	Opportunities	**Threats**
market-specific	_ business area of “renewable energy” with dynamic growth, _ targeted expansion of strategic partnerships and international alliances (Mori Seiki) _ offer of individual financing solutions for customers through MG Finance, _ meeting customer requirements for simple machines with high quality standards (ECO series), _ focusing on growth industries, such as aerospace and medical technology, _ targeted expansion of strategic partnerships and international alliances, _ leveraging market potential, _ global sourcing through tapping into new procurement markets, _ increasing legal stability in the growth markets in Asia and eastern Europe, _ currency-related price advantages, _ price premiums for additional benefits in new developments, _ larger area of application with new controls and software for comprehensive processing support, _ global presence to make fast use of local market opportunities	– complete change in the global economic environment due to international economic crisis and impact on order intake and order backlog, _ pricing pressure from competitors in the difficult market environment, _ shortfall in suppliers for key components due to economic crisis, _ economic instability in crisis regions, _ currency-related price risks, _ logistics and quality problems through global purchasing activities

Forecast Report

According to economic experts, the global economy will only recover slowly in the current financial year. Forecasts of the German Engineering Federation (VDMA) anticipate stagnation in machine production and the German Machine Tool Builders Association (VDW) is expecting a further global decline in production in the machine tool business.

Future business environment

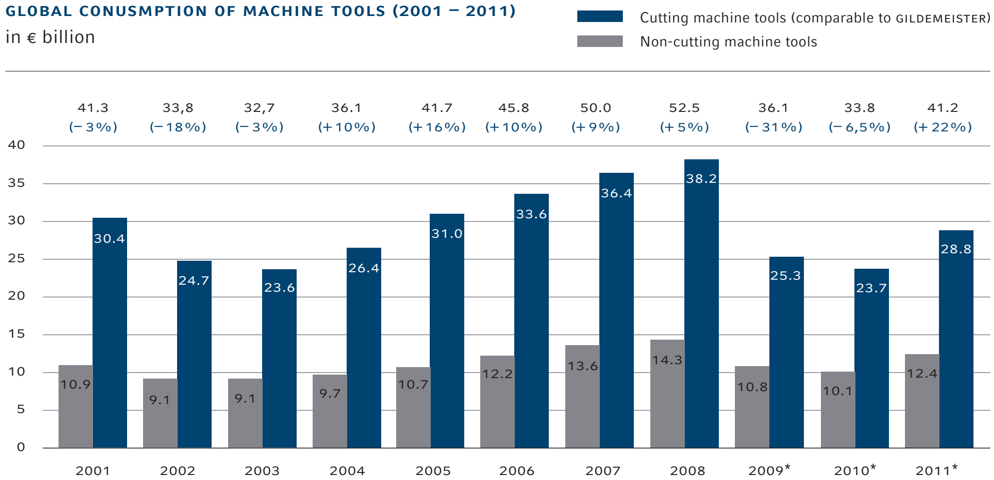
In 2010, **entire economic development** will continue the recovery trend that has started, however, the momentum will remain moderate. The Institute for the World Economy (IfW) predicts an increase in global gross domestic product (GDP) of 3.4%; 3.4% is also expected for 2011. The business world is also making progress in the **USA**. However, restraint can still be observed in private consumption and in corporate investments. According to IfW estimates, gross domestic product in the USA in 2010 will grow by 2.0%. The clearest progress is expected in **Asia**. **China** will continue its role as the motor of the world economy. A rise in gross domestic product is forecast there of 10.4% (2010) and 9.5% (2011). **Japan**, on the other hand, will only advance painstakingly. The forecast for the current year is 1.7% and, for 2011, 1.1%. This applies, similarly, to **Europe**. In the eurozone countries, economic researchers are expecting gross domestic product to grow in 2010 by 0.8%. In 2011, acceleration to 1.6% is conceivable.

In **Germany**, growth is likewise assumed. The ifo Institute is expecting an increase in gross domestic product of 1.7% in the current year and 1.2% next year. In their autumn survey 2009 / 2010, the German Council of Economic Experts on the Assessment of Economic Trends held growth of 1.6% for 2010 to be likely. A marked deterioration in the unemployment situation is expected this year. This also applies to national debt; the fixed deficit ratio of 3.0 will be exceeded considerably according to all forecasts.

Sources: Institute for the World Economy (IfW), Kiel, ifo Institute, Munich; German Council of Economic Experts on the Assessment of Economic Trends, Berlin; Federal Economic Ministry, Berlin; Organisation for Economic Cooperation and Development (OECD), Paris

The **worldwide market for machine tools** in 2010 will again be declining. Current forecasts of the German machine tool builders' association (VDW) and the British economic research institute, Oxford Economics, expect an increase in **production output** and **market volume** of 6.5%. We are therefore expecting a decline in **sales revenues in the industry** of 6.5%. These estimates are based on the ongoing marked reluctance to invest worldwide and on continuing uncertainty as to whether and when the economic revival will commence. In 2011 the VDW expects worldwide growth in consumption of 22%. (Status: October 2009). At present no current statements on the **market potential** for machine tools are available. Nor are there any available on the development of the **industry's profitability**, or on **price and wage** trends.

GLOBAL CONUSMPTION OF MACHINE TOOLS (2001 – 2011)
in € billion



Source: World machine tools statistics of the VDW (without parts and accessories)
* estimate of the VDW and Oxford Economics

The **German machine tool industry** is starting the year 2010 with subdued expectations of the **industry's economy**: the VDW and the economic research institute, Oxford Economics, are expecting a decline of 10% in production and 25% in consumption. On a medium-term basis, forecasts for the years 2010 to 2012 anticipate average growth in consumption of about 3.6% annually. The risk factors in this assumption are formed by continuing uncertainty as to economic development, the development of prices for raw materials and energy, changes in exchange rates and the prevailing political conditions.

Source: "Global Machine Tool Outlook", Oxford Economics

The **consolidation process** (mergers and acquisitions) in the machine tool industry will continue in 2010. The market entry of significant competitors and the introduction of fundamentally new **replacement products and services** are not expected.

Future Development of the GILDEMEISTER group

GILDEMEISTER will overcome the coming challenges with its innovative product portfolio, which has been tailored to meet the requirements of its customers. The extent of the crisis, where even machine tool producers especially been pulled into its wake, is still ongoing. In the weak machine tool market worldwide, we intend to expand our customer base and to do better than the industry. We will further strengthen our competitive position with highly-innovative machines and services. Through our balanced industry mix, we are in a good position to be resistant. Many branches of industry rely on high-performance turning, milling, ultrasonic and laser machines from GILDEMEISTER. Over the course of the year we will gain momentum through market orientation and a product offensive. Solar technology has matured into a noteworthy business unit and thus to a firm part of our corporate strategy.

Growth potential in the BRIC countries

We consider the **future consumer markets** with growth potential to be primarily those of the BRIC countries. In Brazil, Russia, India and China we will further strengthen sales and cement our competitive position. We will concentrate our strengths and focus on growing sales sectors, such as aerospace, medical technology and renewable energy sources. In the financial year 2010, we plan to extend the cooperation with Mori Seiki in the field of sales and services to additional Asian markets, as well as to India and the USA. Together we want to achieve efficiency advantages for our customers.

With the aim of offering optimum financing solutions to our customers, we will develop tailor-made and country-specific financing together with Mori Seiki and the Japanese commercial enterprise, Mitsui & Co. Ltd through **MG Finance GmbH** from April 2010. In a first step, German and British customers can benefit from the financing on offers. In future we intend to extend this offer. In this way, the enterprises are responding to the financing needs of their customers.

The development of **order intake** is also marked at the start of the year by a generally subdued trend in demand. For the first quarter 2010, we are expecting growth in order intake in comparison with the previous year's quarter (€ 236.8 million). The satisfactory outcome of the NORTEC (Hamburg), our traditional in-house exhibition in Pfronten and the METAV (Dusseldorf) reflects growing investment interest in our machine tools. We are planning additional impetus from other scheduled worldwide industry highlights: The AMB in Germany, the BIMU in Italy, as well as the IMTS in America and the JIMTOF in Japan, will be trend-setting. In the machine tools business we are assuming that we will increase order intake percentually in double figures. The service business should likewise increase in double figures. Due to our full order books and limited sales capacity, we are planning order intake for the solar business below the previous year's figure. From today's perspective, we plan to achieve order intake for the whole year of about € 1.2 billion.

Industry highlights will be trend-setting

Sales revenues in the first six months of 2010 will be significantly below the previous year's level. The reason for this is the heavily reduced order backlog in "Machine Tools" segment. Here we are expecting a sustainable revival in the second half of the year at the earliest. Over the whole year, sales revenues in "Machine Tools" will be less than in the previous year. In "Services", we are expecting a rise in sales revenues. On the basis of the high order backlog, we expect to be able to double sales revenues in the solar business. Overall, for the financial year 2010, we are planning sales revenues of more than € 1.2 billion. More detailed statements for the current financial year are not possible at present.

In the first quarter, the **order backlog** will be lower than the previous year's figure of € 636.5 million; it will not increase significantly throughout financial year 2010.

For the first and the second quarter we are therefore expecting negative **results** (EBT). More exhaustive statements for the current financial year are not yet possible. Despite the continuing unfavourable global economic conditions, we are working on maintaining the enterprise's profitability. Essential influence factors on the profitability are the development of order intake and their price quality as well as the sales volume. We are working on the positive effects of the operative and structural measures initiated. With regard to the current difficult financial year 2010 we are not planning payment of a dividend.

We assume there will be a positive **free cash flow**. Our measures are focused on maintaining the **financing structures** in the financial year 2010 and keeping gearing at a stable level. A reduction in working capital also continues to be a priority.

For the existing financing, **capital costs** will rise compared to the previous year. The new sound financing framework makes it possible for us, according to today's estimates, to provide the necessary **liquidity** for business development in 2010, as well as having suitable leeway in the credit lines.

Our **value reporting** will also be an essential part of our value oriented business management in 2010. Given the business development actually claimed we expect a decline in ROCE. Capital costs (WACC) will increase.

In the financial year 2010, GILDEMEISTER will continue to follow a strategy of **investments**, in keeping with the economic development. First of all, we plan to further reduce investments in group companies in property, plant and equipment and intangible assets further to about € 25 million. The investment volume planned will be lower than the level of planned depreciation. The main focus of our investment activities – as in previous years – will be on continuous innovation of our products.

In the **"Machine Tools"** segment investments of about € 13.7 million are planned. In this area we will primarily invest in the development of new machine types, as well as in the provision of equipment necessary for production, models and operations. For the presentation of our high-precision traditional HSC (high-speed cutting) series, a new

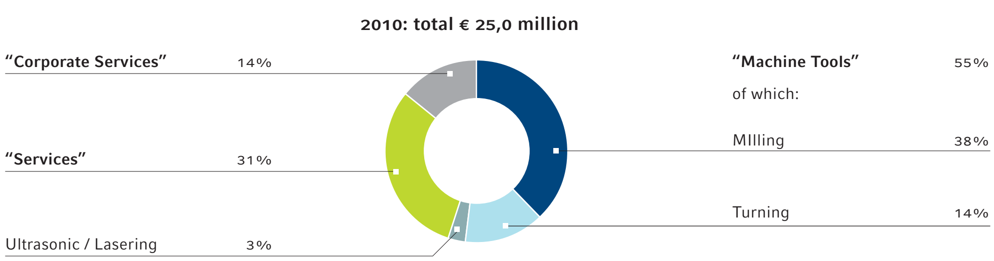
"Center of Excellence – HSC" – will be set up at the Geretsried site. We have allowed for investments of about € 7.8 million in the **"Services"** segment. With our cooperation partner Mori Seiki we will invest jointly in the building of a new technology centre in India. By this, we wish to extend our presence in this strong growing market. To ensure our quality of service, we will also equip our service employees with the most up-to-date equipment in financial year 2010. Through further enhancement of our DMG Spare Parts GmbH at the Geretsried site, an even better supply of spare parts and components should be ensured for our customers. In the **"Solar Technology"** division, investments of about € 1.3 million are planned to drive the further development of our solar products. Further investments are planned for equipping the subsidiary companies of a+f GmbH founded in 2009 in Italy, Spain and the USA.

Further optimisation of DMG Spare Parts

We are planning to make investments of about € 3.5 million in the **"Corporate Services"** segment. The focus is being placed on the optimisation of business processes and IT-systems. Moreover reinvestments at the Bielefeld site are planned.

The **investment structure** remains well-balanced. Both the production plants and the sales and services companies will be taken into account in investments. There are no identifiable risks arising out of planned investments according to current estimates.

SHARE OF THE INDIVIDUAL SEGMENTS IN PLANNED INVESTMENTS IN TANGIBLE FIXED ASSETS AND IN INTANGIBLE ASSETS
in %



The number of **employees** in financial year 2010 will be further reduced in direct dependency on the further business development. As of year-end, we actually plan to have employee numbers of about 5,200, of whom about 230 will be trainees. Through the use of short-time working, any surplus in personnel capacity will be eliminated. In particular, in the "Machine Tools" segment at the companies, short-time working was applied for early for financial year 2010; the use of qualification measures at the individual business units is constantly being reviewed and implemented according to need. Further measures will be agreed timely, depending on business development at the individual companies.

In the area of **research and development** we will continue to pursue our strategic targets and focal points in the financial year 2010. We will strengthen and expand our successful product lines through consistent further development. The expense volume for research and development is expected to be about € 41 million. In total, some 15% of the staff of the plants will be working in research and development to further extend our technological lead. Through the cooperation with the Japanese machine tool builder, Mori Seiki, further synergy effects will be generated in the area of research and development. In doing so, we will make use of reciprocal know-how and extend the existing product portfolio. The joint development of selected machine projects places us in a position to respond quickly to market trends and to offer our customers an extended innovative range of products. In addition to joint machine projects, we expect to achieve cost advantages from the group-wide standardisation of modules and from combining our purchasing volume.

Cooperation facilitates further synergy effects

We intend to further drive the alignment of our products with the requirements of specific future-oriented industries, such as medical technology, aerospace and energy technology. In the field of software, we will increase our efficiency and improve the ergonomics and user-friendliness of our machines. Focus is being placed on the development of future oriented user interfaces to further increase customer's benefit.

The **"Machine Tools" segment** will be strengthened by 17 innovations. The Turning Association will enlarge the range of products of the universal turning machines and open a new dimension in large piece machining within the successful CTX series. Within the Milling Association, DECKEL MAHO Pfronten is working on further expanding universal milling machines to large machining centres. DECKEL MAHO Seebach will complement the range of travelling column and universal milling machines. The Ecoline Association will optimise and extend the existing product range.

New dimension in large piece machining

In the **"Services" segment**, we will direct our activities towards the consistent development of the solutions on offer. This includes, among others, further enhancement of our central spare parts supply through DMG Spare Parts, the constant expansion of automation solutions at DMG Automation, and the further development of the tool management from DMG Microset.

In the growing business area of **renewable energies** we will further extend our market position. On the product side, the further development, cost optimisation and standardisation of our successful "SunCarrier" series lie at the core. Customer benefits should be increased through the introduction of a monitoring web portal for large solar plants.

In the area of **production, technology and logistics**, the improvement of and greater flexibility in production and logistics processes will be consistency pursued in the current financial year. Projects within the **cooperation** with Mori Seiki experience special attention. The close cooperation is reflected in the development and production in partnership of joint machine types. In this way we are responding to the growing requirements of the market. We are pursuing the goal of being able to offer a wide range of products with ideal pricing and a variety of options. The core components of the cooperation are combined production and the related standardised components. Activities in the production area are focused for GILDEMEISTER on the manufacture of joint entry level machines at the Shanghai plant in China.

Joint machines with Mori Seiki

Through the newly-created **production associations**, we have achieved further synergies in the financial year 2010. The **Milling Association** is concentrating on the final integration of the Kempten site in the existing structures in Pfronten. Through the extended cooperation, we are benefitting from the increased power of innovation and the rise in the competitive capability of our products. The consistent integration of business processes causes adaptation requirements in the spatial structures. The enlarged display area offers improved conditions for customer demonstrations and integrated applications technology.

In the **Milling and Assembly Association**, the group-wide assembly process will be made more flexible long-term and consolidated through integrative measures. In addition to extending the cooperation with FAMOT, special attention was paid to series start-up of the further developed DMF series at DECKEL MAHO.

Opening up of further saving potentials

An important goal of the **Turning Association** is opening up further savings potential, by optimising, standardising and integrating existing business processes. At GILDEMEISTER Drehmaschinen GmbH in Bielefeld, additionally the use of assembly monitors for digital provision and the interactive exchange of information are constantly being pushed. Extending the flow principle to the pre-assembly of the CTX gamma series ensures lower inventories, faster process times and more flexible production.

In the **"Services"** segment, the opening of the "Center of Excellence" for our HSC machines in Geretsried will be the highlight of 2010. It offers our customers – among others from the future-oriented industry of medical technology – extensive advice on the use of high-speed cutting precision centres (HSC). Moreover, work will be done in Geretsried on expanding the spare parts centre and thus on the constant improvement of logistics processes. The main focus of activities in the business unit of **renewable energies** is, on the one hand, extending the product range and, on the other, the continuous development of our service business. This year, a+f GmbH will erect further "SunCarrier" solar parks in Apulia, Italy. Based on the successful markets of Italy and Spain, we intend to also grow in other regions. Further important steps are the expansion of our market position in the USA, the Czech Republic and India. The product portfolio will be complemented with the further development of the "SunCarrier 160" – a design with environmentally-friendly bolted foundations for locations with environmental regulations on dismantling capability.

a+f GmbH opens new markets

In **procurement**, we will place a high priority on driving the expansion of our global sourcing activities. In this respect, we will extend our purchasing capacity in China and India, and will set up global sourcing teams at sites, which will comprise an employee from each of purchasing, quality management and construction. The teams will play a decisive role in decision-making within the scope of global sourcing. The primary aim of these measures is to make even greater use of the local advantages of our globally-operating suppliers with respect to quality, costs and performance.

The cooperation with Mori Seiki and the associated joint working together in the area of purchasing, makes it possible for us to tap into the Japanese market in a targeted and precise manner. By combining the purchasing volume from joint suppliers, we will achieve savings. We anticipate additional potential through the use of exchange rate advantages (natural hedge) from greater purchasing in the dollar region. At the same time, due to the shortage of production at raw materials suppliers, we are calculating a price increase of some 1% in the material groups heavily dependent on raw materials. Overall for the current year we are expecting savings of 3% related to the entire purchasing volume.

Close communication with our TOP suppliers

Further focus will be placed on close communication with our TOP suppliers. Through the fall in order backlog, the lead time for material disposition will be considerably shorter; only if our supply partners are extremely flexible we will be able to fulfil customer requirements that are given at short notice in good time. In addition, possible insolvencies in the supply chain require timely adjustment of capacity at our TOP suppliers.

In the logistics area we will realign procurement transport. In doing so, we will not only take account of changes in our supplier structure but also involve our suppliers actively in our procurement processes within the framework of workshops in the continuous improvement process (CIP), for example in optimising packaging. We will contract out outward transport constantly and for short periods, in order to take account of fast-changing conditions in the transport market.

For non-production materials, together with external partners, we will introduce an up-to-date trend-setting energy concept, which will ensure long-term low, stable energy prices for us. Furthermore, we will organise our fleet and travel management concept with more restrictions and adapt it to the growing structures in the enterprise. The IT-supported purchasing management will be further extended and we will focus on supplier and process development.

In financial year 2010, the **legal corporate structure (future group structure)** is not expected to change significantly.

General statement on future business development 2010 and 2011

The **financial year 2010** will put GILDEMEISTER to the test once again; we are facing another difficult year. We have reacted quickly and the adjustment measures carried out create a good starting position for the future. On the basis of the market forecasts relevant for us, in financial year 2010 we will aim to achieve a rise in order intake and sales revenues.

In "Machine Tools" we are expecting a difficult international market environment. Due to the decreased order backlog sales revenues will be declining once again. In "Services", we are assuming a recovery in the market. For the solar business we expect a positive development. Due to the increasing importance we are planning a separate segmental reporting for this business unit as of first quarterly report 2010.

In the **financial year 2011**, conditions will remain challenging; however, the machine tool industry is expecting a significant improvement in trends. Due to our strong global presence and the cooperation with Mori Seiki, we will share in the expected sustained revival in the global market. In the medium term, we want to return to our former targets. We have implemented new structures, we will drive their realisation and lever further potential. In financial year 2011, we see a clear rise in order intake and sales revenues. With regard to results we likewise assume a recovery and a clear improvement. We will return to growth step by step. The basis of our success in the past has always been our employees. On good days and not so good days, we could always rely unreservedly on the dedicated commitment of our workforce. Developing and challenging performance is part of our corporate culture. In this way we can safeguard long-term profitable growth and the future of GILDEMEISTER.

Consolidated Income Statement
for the period 1 January to 31 December 2009
of GILDEMEISTER Aktiengesellschaft

	Notes	2009 € K	2008 € K
Sales revenues	6	1,181,222	1,903,964
Changes in finished goods and work in progress		– 44,281	44,188
Own work capitalised	7	6,704	6,704
Total work done		**1,143,645**	**1,954,856**
Other operating revenues	8	86,465	58,437
		1,230,110	2,013,293
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		463,400	864,604
Cost of purchased services		96,383	201,692
		559,783	1,066,296
Personnel costs	10		
Wages and salaries		291,019	344,750
Social security contributions, pensions and other benefits		55,006	60,747
		346,025	405,497
Depreciation	11	29,119	30,663
Other operating expenses	12	263,341	352,648
Operating result		31,842	158,189
Financial income	13		
Interest receivable		3,013	2,157
Other income		689	514
		3,702	2,671
Financial expenses	14		
Interest payable		23,621	29,913
Interest expense from pension provisions		1,766	1,692
Other financial expenses		3,048	2,510
		28,435	34,115
Financial result		– 24,733	– 31,444
Earnings before taxes		7,109	126,745
Income taxes	15	2,403	45,626
Annual profit		4,706	81,119
Profit share attributed to minority interests	16	48	67
Profit share of shareholders of GILDEMEISTER Aktiengesellschaft		4,658	81,052
Earnings per share pursuant to IAS 33 in €	17		
Undiluted		0,10	1,87
Diluted		0,10	1,87

Reconciliation to Comprehensive Income for the reporting period of the GILDEMEISTER group

	2009	2008
	€ K	€ K
Annual profit	4,706	81,119
Remaining result		
Differences from currency translation	664	– 4,740
Changes in market value of derivative financial instruments	– 2,176	– 15,883
Changes in the fair value of available-for-sale assets	– 3,095	0
Income tax expense on other comprehensive income	627	4,837
Remaining result for the period after taxes	– 3,980	– 15,786
Total comprehensive income for the period	726	65,333
Profit share of shareholders of GILDEMEISTER Aktiengesellschaft	681	65,265
Profit share attributed to minority interests	45	68

Consolidated Balance Sheet as at 31 December 2009 of GILDEMEISTER Aktiengesellschaft

ASSETS	Notes	31 Dec. 2009 € K	31 Dec. 2008 € K
Long-term assets			
Goodwill	18	75,740	75,723
Other intangible assets	18	24,409	23,645
Tangible assets	19	197,354	201,606
Financial assets	20	28,521	356
Trade debtors	21	679	603
Other long-term assets	21	16,460	18,170
Deferred taxes	25	35,428	27,857
		378,591	**347,960**
Short-term assets			
Inventories	22	391,235	425,858
Trade debtors	23	238,838	285,381
Other short-term assets	23	59,550	73,237
Cash and cash equivalents	24	84,440	257,922
		774,063	**1,042,398**
		1,152,654	**1,390,358**

EQUITY AND LIABILITIES	Notes	31 Dec. 2009 € K	31 Dec. 2008 € K
Equity			
Subscribed capital	26	118,513	112,587
Capital provision		80,113	68,319
Revenue provisions		182,427	199,067
Total equity of shareholders of GILDEMEISTER Aktiengesellschaft		**381,053**	**379,973**
Minority interests' share of equity		– 238	– 283
Total equity		**380,815**	**379,690**
Long-term liabilities			
Long-term financial debts	29	237,260	240,249
Pension provisions	27	26,331	27,125
Other long-term provisions	28	33,934	47,108
Trade creditors	30	166	442
Other long-term liabilities	30	24,639	23,645
Deferred taxes	25	2,781	3,586
		325,111	**342,155**
Short-term liabilities			
Short-term financial debts	29	92,034	138,023
Tax provisions	28	12,105	19,043
Other short-term provisions	28	115,681	159,400
Payments received on account		43,811	96,437
Trade creditors	31	141,120	198,554
Other short-term liabilities	31	41,977	57,056
		446,728	**668,513**
		1,152,654	**1,390,358**

Consolidated Cash Flow Statement of GILDEMEISTER Aktiengesellschaft

CASH FLOW FROM OPERATING ACTIVITIES	2009 € K	2008 € K
Earnings before taxes (EBT)	7,109	126,745
Depreciation	29,119	30,663
Financial result	24,733	31,444
Change in long-term provisions	– 13,824	14,864
Other expense / income not affecting payments	1,517	771
Change in short-term provisions	– 55,260	17,138
Income from the disposal of fixed assets	55	191
Income tax refunds	323	3,399
Income taxes paid	– 6,171	– 37,696
Interest received	2,440	2,118
Interest paid	– 24,576	– 34,695
Dividends received	485	0
Changes in asset and liabilities items		
Inventories	34,623	– 65,194
Trade debtors	46,467	6,024
Other assets not from investments or financing activity	4,232	– 2,362
Trade creditors	– 57,710	55,343
Other liabilities not from investments or financing activity	– 68,797	– 40,177
	– 75,235	**108,576**
CASH FLOW FROM INVESTMENT ACTIVITY		
Amounts received from the disposal of tangible assets and intangible assets	1,324	1,783
Amounts paid out for investments in tangible assets	– 18,717	– 41,892
Amounts paid out for investments in intangible assets	– 7,846	– 8,323
Amounts received from the disposal of financial assets	– 31,260	– 971
	– 56,499	**– 49,403**
CASH FLOW FROM FINANCING ACTIVITY		
Dividends paid	– 17,321	– 15,156
Payments made / received for repaying / drawing financial debts	– 42,535	104,221
Proceeds from capital increase	18,076	0
Payments for the costs of the capital increase	– 500	0
Payment received from the issue of the borrowers' notes	0	200,000
Payment made for costs of borrowers' notes	0	– 1,525
Payment made for the redemption of the bond	0	– 183,531
	– 42,280	**104,009**
Changes affecting payments	– 174,014	163,182
Effects of exchange rate changes on financial securities	532	– 812
Cash and cash equivalents as at January 1	257,922	95,552
Cash and cash equivalents as at December 31	**84,440**	**257,922**

See explanatory notes included to the Consolidated Financial Statements

Development of Group Equity of GILDEMEISTER Aktiengesellschaft for the period 1 January 2009 to 31 December 2009

	Subscribed capital € K	Capital provison € K	Revenue provisions: Revenue provisions € K	Revenue provisions: Difference from currency translation € K	Revenue provisions: Market valuation of financial derivates € K	Shareholders equity of GILDEMEISTER Aktiengesellschaft € K	Minority interest share of equity € K	**Total € K**
As at 01 Jan. 2008	112,587	68,319	151,726	– 2,436	– 332	329,864	– 351	329,513
Total comprehensive income			81,052	– 4,741	– 11,046	65,265	68	65,333
Dividend			– 15,156			– 15,156		– 15,156
As at 31 Dec. 2008	**112,587**	**68,319**	**217,622**	**– 7,177**	**– 11,378**	**379,973**	**– 283**	**379,690**

	Subscribed capital € K	Capital provison € K	Revenue provisions: Revenue provisions € K	Revenue provisions: Difference from currency translation € K	Revenue provisions: Changes in the value of available-for-sale-assets € K	Revenue provisions: Market valuation of financial derivates € K	Shareholders equity of GILDEMEISTER Aktiengesellschaft € K	Minority interest share of equity € K	**Total € K**
As at 01 Jan. 2009	112,587	68,319	217,622	– 7,177	0	– 11,378	379,973	– 283	379,690
Total comprehensive income			4,661	664	– 3,095	– 1,549	681	45	726
Capital increase	5,926	12,150					18,076		18,076
Reduction of the proceeds of the issue considered in the capital provision		– 356					– 356		– 356
Dividend			– 17,321				– 17,321		– 17,321
As at 31 Dec. 2009	**118,513**	**80,113**	**204,962**	**-6,513**	**– 3,095**	**– 12,927**	**381,053**	**– 238**	**380,815**

See explanatory notes included in the Consolidated Financial Statements page 140 et seq.

Fixed Asset Movement Schedule
as at 31 December 2009 of GILDEMEISTER Aktiengesellschaft
(Part of the notes)

ACQUISITION AND PRODUCTION COSTS

Intangible assets
Goodwill
Assets arising from development
Industrial property and similar rights
Payments on account
Tangible assets
Land and buildings
Technical equipment and machinery
Other equipment, factory and office equipment
Payments on account and construction in progress
Financial assets
Shares in affiliated companies
Securities
Total fixed assets

DEPRECIATION

	As at 01 Jan. 2009 € K	Other changes € K
Intangible assets		
Goodwill	0	0
Assets arising from development	44,068	2
Industrial property and similar rights	48,325	–123
Payments on account	608	0
	93,001	**–121**
Tangible assets		
Land and buildings	70,466	3
Technical equipment and machinery	50,090	198
Other equipment, factory and office equipment	89,717	71
Payments on account and construction in progress	48	–1
	210,321	**271**
Financial assets		
Shares in affiliated companies	118	3,095
Securities	0	0
	118	**3,095**
Total fixed assets	**303,440**	**3,245**

	As at 01 Jan. 2009 € K	Other changes € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2009 € K
	75,723	15	2	0	0	75,740
	64,910	11	6,537	– 880	492	71,070
	50,846	109	1,265	– 1,119	329	51,430
	890	0	42	– 35	– 672	225
	192,369	**135**	**7,846**	**– 2,034**	**149**	**198,465**
	208,250	19	3,401	– 107	9,233	220,796
	64,362	248	3,743	– 5,289	716	63,780
	126,134	232	7,666	– 3,584	1,389	131,837
	13,181	– 20	3,907	– 403	– 11,487	5,178
	411,927	**479**	**18,717**	**– 9,383**	**– 149**	**421,591**
	473	0	31,260	0	0	31,733
	1	0	0	0	0	1
	474	**0**	**31,260**	**0**	**0**	**31,734**
	604,770	**614**	**57,823**	**– 11,417**	**0**	**651,790**

	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2009 € K	NET BOOK VALUE As at 31 Dec. 2009 € K	As at 31 Dec. 2008 € K
	0	0	0	0	75,740	75,723
	5,816	– 790	498	49,594	21,476	20,842
	1,520	– 1,113	3	48,612	2,818	2,521
	0	0	– 498	110	115	282
	7,336	**– 1,903**	**3**	**98,316**	**100,149**	**99,368**
	6,924	– 30	0	77,363	143,433	137,784
	2,983	– 4,934	2	48,339	15,441	14,272
	11,876	– 3,128	– 5	98,531	33,306	36,417
	0	– 43	0	4	5,174	13,133
	21,783	**– 8,135**	**– 3**	**224,237**	**197,354**	**201,606**
	0	0	0	3,213	28,520	355
	0	0	0	0	1	1
	0	**0**	**0**	**3,213**	**28,521**	**356**
	29,119	**– 10,038**	**0**	**325,766**	**326,024**	**301,330**

Fixed Asset Movement Schedule
as at 31 December 2008 of GILDEMEISTER Aktiengesellschaft
(Part of the notes)

ACQUISITION AND PRODUCTION COSTS

Intangible assets	
Goodwill	
Assets arising from development	
Industrial property and similar rights	
Payments on account	
Tangible assets	
Land and buildings	
Technical equipment and machinery	
Other equipment, factory and office equipment	
Payments on account and construction in progress	
Financial assets	
Shares in affiliated companies	
Securities	
Total fixed assets	

DEPRECIATION

	As at 01 Jan. 2008 € K	Other changes € K
Intangible assets		
Goodwill	0	0
Assets arising from development	38,929	– 16
Industrial property and similar rights	46,226	– 108
Payments on account	608	0
	85,763	**– 124**
Tangible assets		
Land and buildings	64,283	– 148
Technical equipment and machinery	49,236	– 1,402
Other equipment, factory and office equipment	82,143	– 328
Payments on account and construction in progress	52	– 8
	195,714	**– 1,886**
Financial assets		
Shares in affiliated companies	118	0
Securities	0	0
	118	**0**
Total fixed assets	**281,595**	**– 2,010**

As at 01 Jan. 2008 € K	Other changes € K	Additions € K	Disposals € K	Book transfers € K	**As at 31 Dec. 2008 € K**
75,759	– 36	0	0	0	75,723
59,572	– 16	6,857	– 1,700	197	64,910
49,576	– 78	1,293	– 43	98	50,846
913	1	173	0	– 197	890
185,820	**– 129**	**8,323**	**– 1,743**	**98**	**192,369**
200,946	– 908	7,006	– 995	2,201	208,250
62,033	– 1,815	5,037	– 1,790	897	64,362
113,102	– 545	17,017	– 4,049	609	126,134
4,481	– 92	12,800	– 204	– 3,804	13,181
380,562	**– 3,360**	**41,860**	**– 7,038**	**– 97**	**411,927**
473	0	0	0	0	473
2	0	0	0	– 1	1
475	**0**	**0**	**0**	**– 1**	**474**
566,857	**– 3,489**	**50,183**	**– 8,781**	**0**	**604,770**

				NET BOOK VALUE	
Additions € K	Disposals € K	Book transfers € K	**As at 31 Dec. 2008 € K**	**As at 31 Dec. 2008 € K**	As at 31 Dec. 2007 € K
0	0	0	0	75,723	75,759
6,855	– 1,700	0	44,068	20,842	20,643
2,249	– 42	0	48,325	2,521	3,350
0	0	0	608	282	305
9,104	**– 1,742**	**0**	**93,001**	**99,368**	**100,057**
6,578	– 282	35	70,466	137,784	136,663
3,533	– 1,154	– 122	50,090	14,272	12,797
11,444	– 3,629	87	89,717	36,417	30,959
4	0	0	48	13,133	4,429
21,559	**– 5,065**	**0**	**210,321**	**201,606**	**184,848**
0	0	0	118	355	355
0	0	0	0	1	2
0	**0**	**0**	**118**	**356**	**357**
30,663	**– 6,807**	**0**	**303,440**	**301,330**	**285,262**

Segmental Reporting in the Consolidated Financial Statements as at 31 December 2009 for GILDEMEISTER Aktiengesellschaft

(Part of the notes)

SEGMENTATION BY BUSINESS SEGMENTS	"Machine Tools" 2009 € K	2008 € K	Changes against previous year € K	%	"Services" 2009 € K	2008 € K
Sales revenues with other segments	409,548	663,388	– 253,840	– 38.3	89,527	85,188
Sales revenues with third parties	757,721	1,184.131	– 426,410	– 36.4	423,311	719,625
EBIT	– 19,318	83,090	– 102,408	– 123.2	62,660	116,216
Financial result	– 9,755	– 11,724	1,969	– 16.8	– 10,087	– 8,288
thereof interest receivable	2,478	3,278	– 800	– 24.4	5,177	8,230
thereof interest payable	– 12,171	– 15,783	3,612	– 22.9	– 15,278	– 15,925
EBT	– 29,073	71,366	– 100,439	– 140.7	52,573	107,928
Segment assets	572,692	720,389	– 147,697	– 20.5	669,950	712,887
Investments	17,540	34,306	– 16,766	– 48.9	5,733	10,859
Scheduled depreciation	20,623	22,249	– 1,626	– 7.3	6,149	6,172
Employees	3,186	3,769	– 583	– 15.5	2,179	2,587

INFORMATIONS ON GEOGRAPHICAL AREAS	Germany 2009 € K	2008 € K	Changes against previous year € K	%	Rest of Europe 2009 € K	2008 € K	Changes against previous year € K	%	North America 2009 € K	2008 € K	Changes against previous year € K	%
Sales revenues with third parties	656,475	1,191,143	– 534,668	– 44.9	340,083	519,510	– 179,427	– 34.5	62,269	80,187	– 17,918	– 22.3
Long-term assets	176,776	179,148	– 2,372	– 1.3	88,850	89,357	-507	– 0.6	8,386	8,221	165	2.0

Changes against previous year		"Corporate Services"		Changes against previous year		Transition		Group		Changes against previous year	
		2009	2008			2009	2008	2009	2008		
€ K	%	€ K	€ K	€ K	%	€ K	€ K	€ K	€ K	€ K	%
4,339	5.1	31,910	33,686	– 1,776	– 5.3	– 530,985	– 782,262	0	0	0	0.0
– 296,314	– 41.2	190	208	– 18	– 8.7	0	0	1,181,222	1,903,964	– 722,742	– 38.0
– 53,556	– 46.1	– 11,567	– 41,210	29,643	– 71.9	67	93	31,842	158,189	– 126,347	– 79.9
– 1,799	21.7	– 4,891	– 11,432	6,541	– 57.2	0	0	– 24,733	– 31,444	6,711	– 21.3
– 3,053	– 37.1	23,755	24,354	– 599	– 2.5	– 28,397	– 33,705	3,013	2,157	856	39.7
647	– 4.1	– 26,272	– 33,785	7,513	– 22.2	28,334	33,888	– 25,387	– 31,605	6,218	– 19.7
– 55,355	– 51.3	– 16,458	– 52,642	36,184	– 68.7	67	93	7,109	126,745	– 119,636	– 94.4
– 42,937	– 6.0	828,696	947,674	– 118,978	– 12.6	– 964,077	– 1,028,053	1,107,261	1,352,897	– 245,636	– 18.2
– 5,126	– 47.2	34,550	5,018	29,532	588.5	0	0	57,823	50,183	7,640	15.2
– 23	– 0.4	2,347	2,242	105	4.7	0	0	29,119	30,663	– 1,544	– 5.0
– 408	– 15.8	85	95	– 10	– 10.5	0	0	5,450	6,451	– 1,001	– 15.5

Asia		Changes against previous year		Other		Changes against previous year		Transition		Group		Changes against previous year	
2009	2008			2009	2008			2009	2008	2009	2008		
€ K	€ K	€ K	%	€ K	€ K	€ K	%	€ K	€ K	€ K	€ K	€ K	%
111,055	95,015	16,040	16.9	11,340	18,109	– 6,769	– 37.4	0	0	1,181,222	1,903,964	– 722,742	– 38.0
19,329	20,209	– 880	– 4.4	488	486	2	0.4	3,674	3,553	297,503	300,974	– 3,471	– 1.2

Notes to the Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft

Bases of the Consolidated Financial Statements

1 APPLICATION OF REGULATIONS

The Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft for the financial year from 1 January to 31 December 2009 were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union and their interpretation by the International Accounting Standards Board (IASB), London, Great Britain, applicable on the reporting date. The Notes to the Consolidated Financial Statements include further explanations pursuant to Section 315a of the German Commercial Code (HGB).

The following notes include statements and comments that, pursuant to IFRS, must be included as Notes to the Consolidated Financial Statements along with the Income Statement, Reconciliation to Comprehensive Income for the reporting period, the Balance Sheet, the Development of Group Equity and the Cash Flow Statement.

For a better and clearer presentation we have combined individual items in the balance sheet and income statement, these are shown separately in the notes to the financial statements with further details.

The consolidated financial statements have been drawn up on the basis of the historic cost of acquisition or production cost, exceptions are formed by specific financial instruments and provisions, which are measured at fair value. The consolidated financial statements are drawn up in euros. The reporting currency is the euro. Unless otherwise specified, all amounts are shown in thousand euro (€ K).

GILDEMEISTER Aktiengesellschaft, with its registered place of business in Bielefeld, Gildemeisterstrasse 60, is the parent company of the GILDEMEISTER group and is a listed company under German law. As a manufacturer of cutting machine tools GILDEMEISTER is a worldwide leader and offers innovative machine technologies, expert services and needs-based software products. The Consolidated Financial Statements and the Group Management Report of GILDEMEISTER Aktiengesellschaft for the end of the reporting period as at 31 December 2009, will be available through the electronic Federal Gazette (Bundesanzeiger) and the Commercial Register, and are also available from our website www.gildemeister.com.

The Executive Board of GILDEMEISTER Aktiengesellschaft released the Consolidated Financial Statements and the Group Management Report on 9 March 2010 for submission to the Supervisory Board. The Supervisory Board is responsible for inspecting the Consolidated Financial Statements and for stating its approval of the Consolidated Financial Statements.

2 CONSOLIDATED GROUP

NUMBER OF FULLY CONSOLIDATED COMPANIES

	31 Dec. 2009	31 Dec. 2008
National	27	27
International	49	48
Total	**76**	**75**

At the end of the reporting period the GILDEMEISTER group comprised 79 companies (previous year: 75) including GILDEMEISTER Aktiengesellschaft, 76 of which (previous year: 75) were included in the Consolidated Financial Statements as part of the full consolidation process. GILDEMEISTER Aktiengesellschaft has the direct or indirect majority of voting rights in, or has a dominant influence over, the fully consolidated companies. This includes two lease object companies ("Special Purpose Entities"). Due to the first-time inclusion of the following companies, the circle of affiliated companies has changed compared to financial year 2008:

_a+f Italia S.r.l., Milan,
_SOLEINTENSO S.r.l., Spinazzola,
_MITIS Grundstücks-Vermietungsgesellschaft mbH, Dusseldorf,
_AF Ibérica SL, Madrid,
_a+f USA LLC., Denver,
_MASSERIA MARAMONTI S.r.l., Milan.

The following companies were fully consolidated as of the date of their formation or acquisition:

On 7 March 2009, GILDEMEISTER Partecipazioni S.r.l. founded a+f Italia S.r.l. with registered office in Milan, Italy. With the expansion of the "Solar Technology" division, this company is intended to further expand sales and service activities in Italy. The share capital amounts to € 30 K and is fully paid up.

Effective as of 25 July 2009, a+f Italia S.r.l. founded SOLEINTENSO S.r.l. with registered office in Spinazzola, Italy. The share capital amounts to € 10 K and is fully paid up. Soleintenso is a project company connected to the "Solar Technology" division, through which the new solar projects in Italy are to be realised.

On 24 June 2009, GILDEMEISTER Aktiengesellschaft acquired 100% of the shares in MITIS Grundstücks-Vermietungsgesellschaft mbH, Dusseldorf.

The companies listed in the following will first be fully consolidated in financial year 2010.

On 20 August 2009, DMG America Inc. founded a+f USA LLC. with registered office in Denver, USA, to strengthen its activities in the growing US American market. The share capital amounts to USD 500 K (€ 347 K) and has not yet been fully paid up.

On 13 November 2009, a+f Italia S.r.l. founded MASSERIA MARAMONTI S.r.l. as a project company, through which the new solar projects in Italy are to be realised. The share capital amounts to € 10 K and is fully paid up.

On 25 November 2009, DECKEL MAHO GILDEMEISTER Iberica S.L. founded AF Ibérica SL with registered office in Madrid; this company will take over the service and maintenance of solar projects in Spain. The share capital amounts to € 3 K and is fully paid up.

Moreover, as of 1 January 2009, DMG Service Fräsen Seebach GmbH has been merged with DMG Service Fräsen Pfronten GmbH and renamed. This means that the entire expertise in the area of services for turning is now concentrated in DMG Service Fräsen GmbH.

The consolidated group has not changed significantly since the previous year so that comparison with the Consolidated Financial Statements of the previous year with respect to net worth, the financial position and profit situation is not affected.

There were no disposals or close-downs of enterprises or operating units in the financial year just ended. No pro rata consolidation or inclusion under the equity method was required in the financial year 2009 nor in the previous year.

An overview of all affiliated companies is included on page 173 et seq.

3 CONSOLIDATION PRINCIPLES

Consolidation of investments is carried out in accordance with the acquisition method pursuant to IFRS 3 "Business Combinations". With this method the investment book value of the parent company is set off against the group share in the fully revalued equity of the subsidiary. In the course of the revaluation process all acquired assets and liabilities, contingent liabilities and identifiable intangible assets that must be recognised as assets, are measured at their fair value. Any positive balance remaining after the allocation of the purchase price will be recognised as goodwill.

IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets" provide for amortisation of goodwill only if a valuation adjustment requirement was determined instead of scheduled amortisation. Any goodwill arising from business combinations is therefore no longer amortised over the period of anticipated use, but will be reviewed annually in terms of impairment and amortised if required. Any shares in the equity of the subsidiaries that the parent company is not entitled to are shown as shares of non-controlling interests within equity.

Any reciprocal receivables and payables between the companies included in the Consolidated Financial Statements are set off against each other. Intercompany profits from intragroup supplies are eliminated; deferred tax debits and deferred tax credits from consolidation transactions recognised in the income statement included. Intragroup sales revenues are, as in any intragroup income, set off against the related expenses without being recognised in the income statement.

The consolidation methods applied remain unchanged in comparison with the previous year.

4 ACCOUNTING AND VALUATION PRINCIPLES

All annual financial statements of the companies that were included in the Consolidated Financial Statements were prepared at the end of the reporting period of the Consolidated Financial Statements and in accordance with group uniform accounting and valuation principles. For this purpose those accounts that were prepared in accordance with local regulations were adjusted to the group standardised accounting and valuation principles of GILDEMEISTER Aktiengesellschaft to the extent that they do not comply with IFRS and the deviations in the valuation are major. The accounting and measurement principles applied correspond to those principles applied in the previous year.

Changes in accounting and valuation methods due to new standards

In the financial year 2009, the following new and revised standards, as well as IASB / IFRIC interpretations, had to be applied for the first time, however they had no major impact on the Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft:

IAS 1	Presentation of Financial Statements (revised)
IAS 23	Amendment to IAS 32: Borrowing costs
IAS 32 / IAS 1	Amendment to IAS 32 Financial Instruments: Presentation
IAS 39 / IFRS 7	Improving Disclosures about Financial Instruments
IFRS 1/ IAS 27	Acquisition costs of investments in subsidiaries, jointly controlled entities and associates
IFRS 2	Amendment to IFRS 2: Definition of vesting conditions and cancellation regulations
IFRS 7	Amendment to IFRS 7: Disclosures on the determination of fair value and the liquidity risk
IFRS 8	Operating Segments
IFRIC 9 / IAS 39	Embedded Derivatives
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limits on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Miscellaneous	Improvements to IFRS (May 2008)

The revision of IAS 1 “Presentation of Financial Statements” aims to improve the possibility for analyses and the comparability of financial statements for the user. IAS 1 prescribes the basis of the presentation of the structure of the financial statements. Additionally, it sets out the minimum requirements for the content of financial statements. Through the first time application of IAS 1 “Reconciliation to comprehensive income for the period of the GILDEMEISTER group” is presented as a separate component of the consolidated financial statements.

The first time application of IFRS 8 changes the segment reporting from the so-called “risk and reward approach” of IAS 14 to the “management approach” with respect to reporting on the financial performance of operating segments. The information required in this respect is the information that is regularly available to the so-called chief operating decision maker for making management decisions. The first-time application of IFRS 8 by GILDEMEISTER Aktiengesellschaft has not led to any significant changes to segmental reporting.

It was not necessary to make any changes to the accounting and measurement methods used by GILDEMEISTER on the basis of the newly applicable standards.

New accounting principles

The following standards and interpretations, which have been issued and adopted by the European Union as of 31 December 2009 but have not yet entered into force, have not been observed in these financial statements and will probably not have any effect on the consolidated financial statements of GILDEMEISTER Aktiengesellschaft:

IFRS 3	Business Combinations (revised 2008)
IAS 27	Consolidated and Separate Financial Statements to IFRS (amended 2008)
IAS 39	Amendment to IAS 39 – Eligible Hedged Items

Furthermore, the following standards and interpretations have been issued by the IASB and have not yet been adopted by the EU:

IFRS 1	Additional Exemptions for First-time Adopters of IFRS
IFRS 2	Internal Group Share-based Payment with Cash Settlement
IFRS 9	Financial Instruments: Classification and Measurement
IAS 24	Related Party Disclosures
IAS 32	Classification of Right Issues
IFRIC 12	Service Concession Arrangements
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-Cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Miscellaneous	Amendments to IFRS (April 2009)

In the following, the described effects on the Consolidated Financial Statements arising from the first-time application of the abovementioned standards and interpretations are set out in detail:

IFRS 1 – Additional Exemptions to First-Time Adoptions of IFRS

The changes affect the retroactive application of IFRS in specific situations and are intended to ensure that entities do not suffer any disproportionately high costs in the transition to IFRS. The amendments are first applicable for annual periods that start on or following 1 January 2010 and do not have any effect on the Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRS 2 – Internal Group Share-based Payment with Cash Settlement

The IASB has issued amendments to IFRS 2 by which the accounting of share-based payments with cash settlement in the group is clarified.

The IASB was requested to clarify how an individual subsidiary in a group is to account for share-based payment arrangements in its own financial statements. Within the scope of these arrangements, the subsidiary receives goods or services from employees or suppliers but the parent company or another entity in the group must pay the employees or suppliers.

The amendments published clarify the scope of application of IFRS 2 and the interaction between IFRS 2 and other standards. The amendments to IFRS 2 also incorporate guidelines previously included in IFRIC 8 “Scope of IFRS 2” and IFRIC 11 “Group and Treasury Share Transactions according to IFRS 2”. As a result, the IASB has withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for annual periods beginning on or after 1 January 2010. It is not expected that the amendments to IFRS 2 will have a significant effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IAS 24 – Related Party Disclosures

Up to now, entities that are controlled or significantly influenced by a government have been required to disclose information on all business transactions with entities that are controlled or significantly influenced by the same government. Through the amendment to IAS 24, detailed disclosure is only required to be made for significant transactions. Furthermore, quantitative or qualitative indications must be given of the effects of transactions that are collectively, but not individually, significant. Moreover, the amendment to IAS 24 clarifies the definition of a related party. The amendments are effective for annual periods beginning on or after 1 January 2011. It is not expected that the amendments to IAS 24 will have any effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IAS 32 – Financial Instruments: Classification of Rights Issues

The amendments prescribe accounting for issuers of rights issues, options and warrants for the acquisition of a fixed amount of equity instruments in a currency other than the functional currency of the issuer. Up to now, such transactions were accounted for as derivative liabilities. Such rights, which are issued pro rata to all existing owners of an entity for a fixed amount of currency are to be classified in future as equity, regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. It is not expected that the amendments to IAS 32 will have any effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRIC 12 – Service Concession Arrangements

IFRIC 12 addresses the question of how private operators who contract to provide services to government or public bodies, such as the construction of roads, airports, prisons or power supply infrastructure, are to account for the rights and duties arising out of the contractual agreements. IFRIC 12 is to be applied to annual periods that start on or after 29 March 2009. It is not expected that IFRIC 12 will have any effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 15 deals with accounting practices for real estate developers who construct apartments or houses on plots of land and sell these units before construction is completed. IFRIC 15 defines the criteria by which the accounting should take place either according to IAS 11 "Construction Contracts" or according to IAS 18 "Revenue". IFRIC 15 is effective for annual periods that start on or after 1 January 2010. Earlier application is recommended. It is not expected that IFRIC 15 will have any effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 16 deals with currency hedge accounting of net investments in a foreign operation.

The interpretation clarifies that the accounting of hedging relationships are only possible between the functional currency of the foreign operation and the functional currency of the parent entity. The amount of the net investment of the foreign operation may be hedged which is included in the consolidated financial statements. The hedging instrument may be held by any entity within the group (other than the foreign operation that is itself being hedged). In the event of disposal of the foreign operation from the consolidated group, the exchange differences arising on the hedging instrument recognised in equity and the cumulative gains or losses of the exchange rate of the foreign operation recognised in currency provisions should be reclassified to profit or loss. The amount of the cumulative exchange rate gains or losses of the foreign operation attributable to the foreign operation that is disposed of can be determined according to the direct or step-by-step method of consolidation. IFRIC 16 is to be applied to annual periods that start on or after 30 June 2009. Earlier application is recommended. IFRIC 16 is not expected to have an effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRIC 17 – Distributions of Non-Cash Assets to Owners

IFRIC 17 addresses the issues of how an entity should measure assets other than cash payments, which it distributes to owners other than a dividend payment. A dividend obligation is recognised if the dividend is authorised by the competent bodies and is no longer at the discretion of the entity. This dividend obligation is measured at the fair value of the assets to be distributed. Any differences between the dividend obligation and the carrying amount of the assets to be distributed are recognised in profit or loss. IFRIC 17 is to be applied to annual periods that start on or after 1 July 2009. IFRIC 17 is not expected to have an effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRIC 18 – Transfers of Assets from Customers

IFRIC 18 in the opinion of the IASB, is particularly relevant for the energy sector but is not restricted to this. It clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. Likewise it deals with the event that an entity receives cash from a customer that must be used to acquire or construct the aforementioned property, plant and equipment.

IFRIC 18 is to be applied to annual periods that start on or after 1 November 2009. IFRIC 18 is not expected to have an effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" explains the requirements of the International Financial Reporting Standards (IFRS) if an entity issues shares or other equity instruments to extinguish financial liabilities in part or completely.

IFRIC 19 is applicable to financial years that commence on or after 1 July 2010. IFRIC 19 is not expected to have any effect on future Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft.

IFRS 9 – Financial Instruments: Classification and Measurement

The International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard (IFRS) for the classification and measurement of financial instruments on 12 November 2009. The publication presented the conclusion of the first part of a three-phase project on the replacement of IAS 39 "Financial Instruments: Recognition and Measurement" by a new standard. IFRS 9 introduced new requirements for the classification and measurement of financial assets. The requirements must be applied as of 1 January 2013, earlier adoption is permitted. The IASB intends to expand IFRS 9 in 2010 in order to add new requirements for the classification and measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting. GILDEMEISTER is currently examining the possible effects of the changes on the Consolidated Financial Statements.

Use of estimates and assumptions

Preparing the Consolidated Financial Statements in accordance with IFRS requires that assumptions are made and estimates are used that have an effect on the amount and the statement of the assets and liabilities, the disclosure of contingent liabilities at the end of the reporting period and income and expenses during the reporting period.

When using accounting and valuation methods, the Executive Board made the following estimates and assumptions, which significantly influence the amounts in the financial statement:

Impairment of goodwill

The group reviews goodwill at least once a year for impairment. This requires an estimate of the allocation of goodwill to the cash-generating units and the value in use of the cash-generating units to which the goodwill is allocated. To assess the value in use, the company management must assess the foreseeable future cash flow of the cash generating unit and, moreover, select an appropriate discount rate in order to determine the cash value of this cash flow. As at 31 December 2009, the carrying amount of goodwill amounted to € 75,740 K (previous year: € 75,723 K). Further information is given on page 132 et seq.

Pension provisions

Expenses from benefit-oriented pension plans are determined on the basis of actuarial calculations. The actuarial calculations take place on the basis of assumptions with respect to discount rates, expected returns on plan assets, future wage and salary increases, the mortality rate and future pension increases. Corresponding to the long-term focus of these plans, such assessments are subject to significant uncertainties. On 31 December 2009 provisions for pension obligations amounted to € 26,331 K (previous year: € 27,125 K). Further information is given on page 144 et seq.

Intangible assets arising from development

Intangible assets arising from development are capitalised according to the accounting and valuation method presented on page 115 et seq. To determine the amounts to be capitalised, the company management must make assumptions as to the amount of expected future cash flow from intangible assets, the interest rates to be applied and the period of accrual of expected future cash flow that the intangible assets generate. On 31 December 2009, intangible assets arising from development had a carrying amount according to the best possible assessment of € 21,476 K (previous year: € 20,842 K).

Assumptions and estimates are additionally required for value adjustments for doubtful debts as well as for contingent liabilities and other provisions; moreover, they are required for determining the fair value of long-lasting fixed assets and intangible assets, determining the net disposal value of inventories, as well as for the assessment of deferred taxes on tax losses carried forward (see page 139 et seq.).

The main assumptions on which the respective estimates are based are commented upon for the individual items in the Income Statement and Statement of Financial Position.

In individual cases the actual values may differ from the assumptions and estimates made, requiring a significant adjustment in the carrying amount of the assets or liabilities concerned. Pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, changes will be taken into account at the time of their discovery and recognised in the income statement. The previous year’s amounts need not be adjusted and can be compared.

The application of specific IFRS is included in the explanatory notes on individual statement of financial position items. In principle the following accounting and valuation methods have been applied:

Intangible and tangible assets

USEFUL ECONOMIC LIFE OF ASSETS

Software and other intangible assets	1 to 5 years
Intangible assets arising from development	3 to 10 years
Office and factory buildings	10 to 50 years
Technical equipment and machines	2 to 30 years
Factory and office equipment	1 to 23 years

Acquired and internally generated intangible assets were capitalised pursuant to IAS 38 “Intangible Assets”, if it is probable that the use of the asset will result in an economic benefit and the costs of the asset can be reliably determined. They were reported at their acquisition or production costs, reduced by scheduled straight-line depreciation in accordance with their useful economic life.

Intangible assets arising from development for machine tool projects, service products and specific software solutions were capitalised at their production costs, insofar as the definite charging to expense requirement pursuant to IAS 38 “Intangible Assets” was possible, the technical feasibility and marketing established, and the anticipated generation of future economic benefit demonstrated. Production costs include those that can be directly and indirectly ascribed to the development process and necessary parts of development-related overheads. Capitalised development costs are written down by scheduled straight-line depreciation from the start of production over the expected product life cycle. Research costs are shown as expense in the period when they were incurred.

Pursuant to IFRS 3 “Business Combinations”, scheduled depreciation is not applied to goodwill with an indefinite useful economic life, rather it is tested for impairment annually. If a value adjustment requirement is determined, goodwill is amortised. Tangible assets were assessed at their acquisition or production costs, reduced by regular depreciation through use. Depreciation was normally carried out by the straight-line method in accordance with the useful life. A revaluation of tangible assets pursuant to IAS 16 “Property, Plant and Equipment” was not carried out. There was no property held as financial investment pursuant to IAS 40 “Investment Property”.

The production costs of internally generated assets include those that can be directly attributed to the manufacturing process and necessary parts of product-related overheads. This includes production-related depreciation, prorated administration costs and prorated costs of social contributions. Borrowing costs are not assessed as part of the acquisition or manufacturing costs. Costs of repair are immediately charged to expenses.

Leases, including sale-and-lease-back arrangements, were recognised as finance leases if all the risks and rewards incidental to ownership are substantially transferred to the lessee. Should the significant risks and opportunities remain with the lessor, the leasing agreements and sale-and-lease-back transactions are accounted for as operating lease agreements. Fixed assets whose lease agreements meet the criteria of a finance lease pursuant to IAS 17 “Leases” are capitalised at their acquisition costs or at the lower cash value of the minimum lease payments. Depreciation is carried out by straight-line method over the shorter of the useful economic life of the asset or of the lease term. The related financial obligations arising from future lease payments were carried as liability under other liabilities.

Leases, for which the group is the lessor and all significant opportunities and risks associated with the property are transferred to the lessee, are accounted for by the lessor as sale and financing transactions. A receivable is recognised at an amount equal to the net investment in the lease and the interest income in the income statement. All other lease transactions for which the group is the lessor are recognised as operating leases. In this case, the leased object remains in the consolidated statement of financial position and is written down. The lease payments are recognised as earnings on a straight-line basis over the term of the leases.

Impairment

Pursuant to IAS 36 “Impairment of Assets”, the assets of the GILDEMEISTER group, with the exception of inventories and deferred tax assets, are tested for signs of impairment at the end of every reporting period. If such signs exist, the fair value of the assets will be estimated and, if required, adjusted accordingly. This adjustment will be recognised in the Income Statement. An impairment test for individual assets is only possible if recoverable amounts can be allocated to the individual asset. If this is not possible, the recoverable amount of the cash-generating unit pertaining to the asset must be determined (asset’s cash-generating unit).

Pursuant to IAS 36 “Impairment of Assets”, goodwill has to be tested for impairment at least once a year. GILDEMEISTER Aktiengesellschaft carried out an impairment test on 30 September 2009. In the impairment test the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount of the cash-generating unit is the higher of the asset’s fair value less costs to sell and its value in use.

In the GILDEMEISTER group the recoverable amount equals the value in use and was determined as the present value of future cash flows. The future cash flows were derived from the planning of the GILDEMEISTER group. The calculation of cash values for estimated future cash flow is based primarily on assumptions as to future sales prices or volume and costs, taking into account the development of the economic environment. Planning is based on a detailed planning period extending up to the financial year 2012. A growth rate of 1% was assumed for the period following the detailed planning period, which is in line with general expectations of future business development.

For purposes of impairment testing, the cash-generating unit, "Machine Tools" was allocated goodwill in an amount of € 39,072 K (previous year: € 44.311 K), the cash-generating unit "DMG Services" was allocated goodwill in an amount of € 32,411 K (previous year: € 31,412 K) and the cash-generating unit "a+f" was allocated goodwill in an amount of € 4,240 K (previous year: € 0 K). As of 1 July 2009, DMG AUTOMATION has been managed organisationally in the "Services" segment. In comparison with the previous year, this has caused a change in allocation of the goodwill of € 5,239 K that arose upon the purchase of the company.

The cash flows determined were discounted at a pre-tax weighted average cost of capital rate of 11.1% to 14.1% (previous year: 9.4% to 9.6%). If the recoverable amount of a cash-generating unit is lower than its book value, the value of goodwill allocated to the cash-generating unit will, initially, be reduced at an amount equal to the remaining balance. In financial year 2009 there was no need for write-downs.

Financial assets

The financial assets show investments in enterprises, over which GILDEMEISTER does not exercise any significant influence.

Financial investments for which a listed market price is available are classified as "available for sale" and measured at this value. Financial investments for which there is no active market are classified as "available for sale" and are evaluated at their amortised cost. There is no active market for these enterprises, therefore it is assumed that the carrying amount corresponds to the fair market value. A reliable evaluation of the fair market value would only be possible within the scope of specific purchase negotiations. At the present time there are no prospects of disposal.

Inventories

Valuation of inventories was carried out at the acquisition or production costs or the lower net selling price. Pursuant to IAS 2 "Inventories" elements of the production costs include, along with production material and manufacturing labour, prorated materials and production overheads. Expenses for administration and expenses arising in the social contribution area are included insofar as these are allocated to production. The proportion of overheads is evaluated on the basis of ordinary employment. Borrowing costs are not assessed as part of the acquisition or manufacturing costs. When determining the net realisable value, inventory risks arising from the period of storage and reduced usability were recognised through appropriate reductions in values. If the causes that led to a reduction in value no longer exist, the original value will be reinstated.

Lower values at the end of the reporting period, arising from a reduction in sales revenues, were recognised. Raw materials and consumables as well as merchandise were primarily assessed by the average cost method.

There were no orders at the end of the reporting period that would have required accounting in accordance with IAS 11 (Construction Contracts).

Receivables and other assets

Receivables and other assets were shown in the statement of financial position at their amortised acquisition cost minus value adjustments. Long-term non-interest bearing or low-interest bearing receivables have been discounted. Impairments in the form of individual value adjustments make adequate allowance for the expected risk of default. Specific cases of default lead to derecognition of the respective receivables. Within the scope of individual impairments, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, impaired. The calculation of impairment for doubtful receivables is based to a large extent on estimates and assessments of individual receivables, which, in addition to credit worthiness and late payment of the respective customer, also take into account the current cyclical trend and previous cases of deficit. Impairments of trade receivables are recognised in some cases using value adjustment accounts. The decision to account for deficit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. Reclassification among the individual categories of financial assets was not carried out either in the financial year 2009 nor in the previous year.

Within the scope of factoring agreements, selected trade receivables are sold on a revolving basis to a bank. A total volume of € 111.4 million as at 31 December 2009 has been agreed for factoring. Trade receivables sold under these arrangements are excluded from accounts receivable at the time of sale insofar as all risks and rewards have been substantially transferred to the acquirer and the transmission of the cash flows related to those receivables is assured.

Cash and cash equivalents

Cash and cash equivalents include, in addition to liquid funds in the narrowest sense, cheques, cash in hand and money on account at banks, as well as short-term financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortised cost.

Deferred taxes

Pursuant to IAS 12 “Income Taxes” deferred taxes are assessed in accordance with the balance sheet oriented liability method. For this purpose, deferred tax assets and liabilities were basically recognised for all temporary accounting and valuation differences between the IFRS statement of financial position valuations for group purposes and the tax valuations (temporary differences), and with respect to consolidation processes recognised in the income statement. Deferred tax assets for future financial benefits arising from tax losses carried forward were also reported in the balance sheet. However, deferred tax assets for all deductible temporary differences and for tax losses carried forward were only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or unused tax losses can be utilised. The deferred taxes were calculated on the basis of income tax rates that, pursuant to IAS 12 “Income Taxes”, apply on the evaluation date or have been enacted in the individual countries in accordance with the legal status on that date. Deferred tax assets and liabilities were balanced out only to the extent that an offset is legally permissible. Deferred tax assets and liabilities were not discounted in accordance with the regulations contained in IAS 12 “Income Taxes”.

Provisions and liabilities

Company pension provisions are calculated on the basis of the “Projected Unit Credit Method“ pursuant to IAS 19 “Employee Benefits”. Under this method, not only those pensions and pension rights known or accrued at the end of the reporting period are recognised, but also expected future increases in pension payments and salaries by estimating the relevant factors impacting such payments. Calculation is based on actuarial reports taking into account biometric calculation principles. The amounts not yet shown in the balance sheet emanate from actuarial gains and losses from inventory changes and deviations between assumptions made and actual development. Actuarial gains and losses are only recognised as income or expense if they exceed a 10% margin of the defined benefit obligation. Distribution is carried out over the participating employees’ expected average remaining period of service. The option pursuant to IAS 19.93a to fully recognise actuarial gains and losses and to set these off against revenue reserves was not used. The service cost is reported under personnel expenses and the interest component in appropriation to pension provisions is reported in the financial result.

Pursuant to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, other provisions were only recognised in the case of an existing present obligation to third parties, the use of which is probable and if the anticipated amount of the required provision can be reliably estimated. In this case the probability of occurrence must exceed 50%. In each case the most probable amount of performance was recognised. The calculation is made at production-related full cost taking into account possible increases in price and cost. The calculation is carried out using the best estimate of the amount required to settle the obligation at the end of the reporting period. Provisions with a remaining term of more than one year were discounted at the market conditions.

The measurement of provisions for the long-term incentive (LTI) as a variable remuneration component for Executive Board members initially took place at fair value at the time of its award and then subsequent measurement, in each case at the end of the reporting period. The resulting expenses / income are recognised distributed over the respective term of the programme as employee expenses and is entered under provisions.

Financial debts are recognised at amortised costs applying the effective interest rate method. Transaction costs are also taken into account in determining initial costs.

Liabilities were recognised at amortised costs. Liabilities arising from finance leases are shown in other liabilities at the present value of the future lease payments. Customer prepayments were charged to liabilities.

Financial instruments

A financial instrument is an agreement that at the same time constitutes a financial asset for one company and a financial liability or equity instrument for another company. Financial assets include in particular cash and cash equivalents, trade receivables and other originated loans and receivables as well as derivative and non-derivative financial instruments held for trading. Financial liabilities generally substantiate claims for repayment in cash or other financial liabilities. Included in this, in particular, are borrowers‘ notes and other securitised liabilities, liabilities to banks, trade payables, liabilities from financial leasing arrangements and other original financial instruments.

The accounting of financial instruments takes place pursuant to IAS 39 (“Financial Instruments: Recognition and Measurement”). Financial instrument are assessed in principle as soon as GILDEMEISTER becomes a contractual partner in the financial instrument arrangement. Within the group, all dealings for cash are accounted for at the settlement date irrespective of their classification. The settlement date is the date on which an asset is delivered to or through the enterprise. The trading day, on the other hand, is the date on which the enterprise has already entered into the obligation to purchase or sell an asset. Derivative financial instruments are accounted for at the trading date. Financial instruments entered as financial assets and financial liabilities are, as a rule, reported as unbalanced, they are only balanced insofar as a set-off claim exists and it is intended to bring about settlement on a net basis.

Financial assets are measured at fair value on initial recognition. At the same time the directly attributable transaction costs must be taken into account for financial assets, which, as a result of measurement at fair value, do not affect net income. The fair values recognised in the balance sheet generally correspond to the market prices of the financial assets. If these are not directly available through recourse to an active market, they are calculated by applying recognised valuation models and on the basis of standard market interest rates. In financial year 2009 and in the previous year, financial asset conditions were not renegotiated.

In accounting, IAS 39 differentiates between financial assets in the classifications "loans and receivables", "available for sale", "held to maturity", and "at fair value through profit and loss". The latter, pursuant to the Standard, is once again assigned to the subcategories "held for trading" and "for initial recognition to be measured at fair value in the statement of the financial position" (the so-called "fair value option"). Use has not been made of this option neither for financial assets nor for financial liabilities.

Assigned to the category "held to maturity" are non-derivative financial assets with a fixed or defined payment and a fixed term, which GILDEMEISTER intends to and may hold until maturity. GILDEMEISTER allocated the federal treasury warrants to this category; in the previous year they were included in other financial assets.

The "available for sale" category represents for GILDEMEISTER the residual amount of original financial assets, which fall under the application of IAS 39 and have not been assigned to any other category. Essentially, this comprises equity securities such as shares in affiliated companies and shares in other investments. Measurement takes place in principle at fair value. The profit or loss resulting from the measurement at fair value is recognised in equity. This does not apply if it involves a permanent or significant impairment, which is recognised in profit or loss. Only upon the divestiture of the financial assets are the accumulated profits and losses in equity recognised from the measurement at fair value in the income statement. The fair value of non-listed equity instruments is assessed in principle according to the discounted cash flow method. If the fair value cannot be sufficiently and reliably measured, the shares are measured at purchase price (if necessary, less impairment). In the financial year 2009, changes in the value of financial assets available for sale in an amount of € –3,095 K (previous year: € 0 K), were recognised directly in equity and no changes in value arose that were recognised in the income statement.

The “loans and receivables” category at the GILDEMEISTER group contains trade receivables, other original financial assets, and cash and cash equivalents. In principle, assets in this category are measured applying the effective interest method. Non-interest bearing loans and non-interest bearing receivables are discounted unaccrued interest on their present value.

Assets “held for trading” are measured at fair value. This includes, in addition to securities in current assets for which there is an active market, derivative financial instruments, which are not included in an effective hedging arrangement according to IAS 39 (Financial instruments: Recognition and Measurement) and thus have to be compulsorily classified as “held for trading”. Any profit or loss resulting from subsequent measurement is recognised in the income statement.

Conversion of financial instruments to other measurement categories did not occur either in the financial year 2009 or in the previous year.

Financial liabilities are measured at fair value on initial recognition. For all financial assets not subsequently measured at fair value, the transaction costs directly attributable to the acquisition are also assessed and amortised over the term. Within the scope of subsequent measurement, IAS 39 differentiates between the category “financial liabilities at amortised cost” and the category “held for trading”.

Derivative financial instruments

The hedging of risk items from currency and interest rate fluctuations is carried out through the use of derivative financial instruments such as foreign exchange future contracts, options and interest rate swaps. The hedging covers financial risks from underlying transactions entered in the books, for interest rate swaps risks out of future interest rate changes and, in the case of currency risks, also risks from pending supply and service transactions.

Pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, all derivative financial instruments are recognised at fair value at their initial measurement. Fair value is also relevant for subsequent measurements. Fair value of traded derivative financial instruments corresponds to market value. This value may be positive or negative. If no market values are available, the fair value must be calculated using an accepted economic method. The fair value of derivatives corresponds to the cash value of estimated future cash flows. The fair value of foreign exchange future contracts is calculated on the basis of the foreign exchange reference rate applicable at the end of the reporting period, taking into account the forward discounts and mark-ups for the respective residual term of the contract compared to the contracted forward exchange rate. Interest swaps are measured at fair value through the discounting of future expected cash flows. In doing so, the market interest rates applicable for the remaining term of the contract are taken as a basis. Recognised models for determining option prices are applied to currency options. In addition to the residual term of an option, the fair value of an option is additionally influenced by other determining factors, such as, for example, the current amount and volatility of the respective underlying exchange rate or underlying basic interest rate.

Value adjustments of financial instruments that are not classified as hedging instruments within hedge accounting are immediately recognised in the income statement. Insofar as a hedging instrument fulfils the pre-conditions for hedge accounting, depending on the respective type of the hedge accounting relationship, it is measured as follows:

Fair Value Hedge

Changes in the fair value of hedging instruments that hedge risk arising from changes in the fair value of recognised assets or liabilities are recognised together with the change in fair value of the hedged underlying transaction in the income statement.

Cashflow Hedge

Changes in fair value of hedging instruments that have been concluded to hedge cash flow fluctuations are recognised directly in equity for the effective portion of the hedging instrument, taking into account deferred tax effects. The ineffective portion of the change in fair value is recognised in the income statement. Amounts reported in equity are booked to the income statement as soon as the hedged underlying transaction affects profit and loss.

The risk of rising expenditure on interest for refinancing is limited by concluding interest rate swaps. In this way GILDEMEISTER receives a variable interest rate and pays a fixed interest rate (payer interest rate swap). The residual term of these interest rate swaps is up to five and a half years. In the preceding year GILDEMEISTER concluded interest rate swaps in order to limit the impact of future interest rate changes on financing costs of the variable interest rate borrowers' notes.

Foreign exchange future contracts and currency options are used to hedge future cash flows from expected incoming payments on the basis of present order intake. Payment is expected within in a period from one to over five years. Derivative financial instruments are neither held nor issued for speculative or trading purposes. However, derivatives are measured as for held for trading if the pre-conditions for a cash flow hedge are not fulfilled.

Public grants

Investment grants and subsidies are recognised under other liabilities. The retransfer takes place in accordance with the assumed useful life of the asset involved in favour of other operating income.

Borrowing costs

There were no borrowing costs that could be allocated to the acquisition, the construction or the production of a qualifying asset. Borrowing costs were therefore recognised directly as an expense during the period.

Sales revenues

Pursuant to the criteria laid down in IAS 18 “Revenue”, sales revenues arising from the sale of goods are recognised at the time of transfer of the relevant risks and rewards if a price has been agreed or can be determined and it can be assumed that such price will be paid. In the sale of goods this is regularly the time when the delivery takes place and the risk has been transferred to the customer. Moreover, GILDEMEISTER must reliably determine the amount of the sales revenues and be able to assume the collectability of the receivable. Sales revenues arising from services are recognised after the services are rendered. Interest income is recognised after expiration of the period taking into account the effective interest rate.

Consideration receivable for deliveries and services charged to the customer and reduced by any sales deductions, contract penalties and cash discounts are shown in the sales revenues.

5 FOREIGN CURRENCY TRANSLATION

The currency translation of all Annual Financial Statements of the international group companies that were prepared in foreign currencies was carried out in accordance with the functional currency principle pursuant to IAS 21 “The Effects of Change in Foreign Exchange Rates”. Since all subsidiaries operate their business independently in financial, economic and organisational respects, their respective currencies represent the respective local currency. Assets and liabilities of foreign subsidiaries were translated at the average rate of exchange of the euro as of the end of the reporting period, and all revenues and expenses were translated at the average annual rate of exchange of the euro pursuant to IAS 21.40. The translation differences arising from items being translated at different rates in the statement of financial position and income statement were recognised directly in equity. In the individual financial statements monetary items (cash, receivables and liabilities) in a foreign currency were valued at the exchange rate at the reporting date. Non-monetary items in foreign currencies were assessed at historical values. The differences arising from the currency translation of monetary items were shown in the income statement. Goodwill resulting from the acquisition of international companies was translated at the exchange rates at the time of the transactions. Accounting in accordance with the regulations contained in IAS 29 "Financial Reporting in Hyperinflationary Economies" was not required, as the GILDEMEISTER group has no significant subsidiaries with registered offices in a hyper-inflationary economy.

The exchange rates of the major currencies developed as follows:

CURRENCIES

		Exchange rate on reporting date = 1 €		Average exchange rate = 1 €	
	ISO-Code	**31 Dec. 2009**	31 Dec. 2008	**2009**	2008
British pound	GBP	0.88810	0.96000	0.89454	0.79851
Swiss franc	CHF	1.48360	1.48600	1.50587	1.58453
Polish zloty	PLN	4.10450	4.18230	4.33347	3.54247
Czech crowns	CZK	26.47300	26.58500	26.52539	25.10577
US dollar	USD	1.44060	1.39770	1.39530	1.47387
Canadian dollar	CAD	1.51280	1.71600	1.59099	1.55615
Mexican pesos	MXN	18.92230	19.35000	18.91564	16.39846
Brazilian real	BRL	2.51130	3.28430	2.80113	2.68288
Japanese yen	JPY	133.16000	126.40000	130.09462	152.52231
Singapore dollar	SGD	2.01940	2.01760	2.02169	2.07777
Malaysian ringgit	MYR	4.93260	4.87000	4.90091	4.90642
Indian rupee	INR	67.10387	68.43000	67.34209	63.88315
Chinese Renminbi	CNY	9.83500	9.60900	9.52937	10.26931
Taiwan dollar	TWD	46.41697	46.24200	46.10813	46.52646
Korean Won	KRW	1,666.97000	1,775.00000	1,775.8807	1,602.69231
Australian dollar	AUD	1.60080	2.02570	1.78562	1.74365

Source: Deutsche Bank AG, Frankfurt / Main

Notes to Individual Items in the Income Statement

6 SALES REVENUES

Broken down according to area of sales, that is, according to the customer's place of business, the following distribution of sales revenues occurs:

	2009 € K	2008 € K
Germany	496,475	829,874
EU (excluding Germany)	387,087	684,886
USA	52,006	82,982
Asia	136,291	163,097
Other countries	109,363	143,125
	1,181,222	**1,903,964**

A breakdown and explanations to the sales revenues from the sale of goods and the provision of services are given in the "Segment Reporting" chapter of the Group Management Report on page 38 et seq.

7 OWN WORK CAPITALISED

Own work capitalised primarily arise from the capitalisation of development costs of intangible assets for machine tool projects pursuant to IAS 38 "Intangible Assets".

8 OTHER OPERATING INCOME

INCOME UNRELATING TO ACCOUNTING PERIOD	2009 € K	2008 € K
Retransfer of provisions	32,564	15,569
Retransfer of value adjustments	5,243	3,905
Profit on asset disposals	460	142
Receipt of payment for written off delinquent accounts	121	28
Other income unrelated to accounting period	3,885	2,498
	42,273	22,142
OTHER OPERATING INCOME		
Changes in exchange rates	19,377	24,296
Refund of expenses and on-debiting	4,491	5,144
Compensation for damages	1,708	1,683
Letting and leasing	404	756
Bonuses and allowances	579	146
Earnings from granting licenses	10,000	0
Other	7,633	4,270
	44,192	36,295
Total	**86,465**	**58,437**

The release of provisions and value adjustments involves a number of provisions and value adjustments which were set up in previous years and have not been fully used.

In the reporting period, a total of € 13,489 K accrued liabilities as of December 2008 for the "Solar Technology" division guarantees were liquidated to net income, as new findings for the risk evaluations have been obtained with respect to the foreseeable occurrence of guarantee cases. A breakdown of the dissolution of provisions can be found on page 148 of the notes to the consolidated financial statements.

Income from changes in exchange rates can be seen in relation to exchange rate and currency losses in other operating expenses and is offset against these.

Income from the refund of expenses and on-debiting mainly include income from the cost transfer of marketing costs to third parties of € 1,969 K (previous year: € 2,279 K) and refunds of charges from the Unemployment Office for part-time retirement agreements of € 532 K (previous year: € 458 K). Earnings from granting licences result from the granting of licences to specific rights of use.

Other income includes € 648 K (previous year: € 1,357 K) of accrued earnings from sale-and-lease back transactions that are classified as financial lease arrangements where GILDEMEISTER is the lessee and € 301 K (previous year: € 378 K) income from subletting arrangements where GILDEMEISTER is the lessor.

9 COST OF MATERIALS

Payments received pertain primarily to expenses for external production.

10 PERSONNEL COSTS

In the financial year 2009, direct remuneration of the members of the Executive Board amounted to € 2,988 K (previous year: € 7,441 K). Of this amount, € 1,673 K were attributed to fixed remuneration (previous year: € 1,328 K), € 400 K to the STI (previous year: € 6,000 K), € 0 K to the LTI, as the EBIT margins fixed for the tranche were not achieved in the allocation year 2009. € 800 K was awarded as payment for 2009. Benefits in kind accounted for € 115 K (previous year: € 113 K). In addition, an amount of € 565 K (previous year: € 367 K) was spent on pension commitments. Former members of the Executive Board and their surviving dependants received € 604 K (previous year: € 597 K). Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 7,063 K (previous year: € 6,646 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained in the Management Report on page 52 et seq. An individual and detailed presentation of the Executive Board remuneration in the financial year is set out in the Corporate Governance Report page 55 et seq.

Advances and loans to officers were not granted nor was any liability assumed in favour of officers. Nor did the companies of the GILDEMEISTER group pay any remuneration to officers for services personally rendered, in particular consulting and introduction services.

The previous year includes expenses unrelated to the reporting period under employee expenses in an amount of € 4,680 K.

In the financial year 2009 pension plan expenses in the group, including employer's contributions to the statutory pension insurance, amounted to € 23,847 K (previous year: € 23.436 K). This includes the employers' contributions to the statutory pension insurance amounting to € 19,129 K (previous year: € 19.442 K).

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

	Average number of persons employed		At the balance sheet date	
	2009	2008	**31 Dec. 2009**	31 Dec. 2008
Wage earners	1,814	1,906	1,560	1,932
Salary earners	3,949	4,145	3,637	4,259
Trainees	244	221	253	260
	6,007	**6,272**	**5,450**	**6,451**

11 DEPRECIATION

A distribution of amortisation / depreciation and write-downs of intangible assets, tangible assets and financial assets is given in the asset movement schedule on page 100 et seq.

12 OTHER OPERATING EXPENSES

EXPENSES UNRELATED TO ACCOUNTING PERIOD	**2009** **€ K**	2008 € K
Losses from the disposal of fixed assets	515	334
Other taxes	1	38
Other expenses unrelated to accounting period	3,381	3,208
	3,897	**3,580**
OTHER OPERATIONAL EXPENSES		
Corporate communication, trade fairs and other advertising expenses	37,958	38,320
Rental and leases	29,051	30,175
Travelling and entertainment expenses	23,877	30,103
Freight out, packaging	23,492	34,353
Other external services	23,678	45,583
Sales commissions	28,142	29,990
Cost of preparation of accounts, legal and consultancy fees	12,947	18,350
Stationery, post and telecommunication expenses	9,258	11,467
Exchange rate and currency losses	21,544	33,086
Transfer to provisions	11,559	21,183
Other personnel costs	6,435	9,829
Monetary transactions and capital procurement	1,456	2,431
Impairments on receivables	6,074	13,776
Insurance	5,126	5,607
Other taxes	1,500	2,300
Investor and Public Relations	2,460	3,317
Licences and trademarks	2,262	1,872
Other	12,625	17,326
	259,444	349,068
Total	**263,341**	**352,648**

Expenses for corporate communication, trade fairs and other advertising expenses are according to plan and, in connection with trade fair exhibitions, have remained constant in comparison with the previous year.

The reduction in outward freight and packing costs compared to the previous year is due to the reduction in sales revenues and the current lower transport costs. An opposing effect was caused by a rise in the number of machines transported to the end customer – to the port of unloading for oversees transport – as well as the higher number of machines sold.

Other external services include expenses for temporary and freelance workers of € 7,507 K (previous year: € 26.229 K). At the end of the first six months, all employment agreements with temporary workers had been terminated.

Exchange rate and currency losses in connection with exchange rate and currency gains can be seen in other operational income.

The transfer to provisions results primarily from expenses for warranty commitments and potential losses from pending transactions.

A reduction in expenses for preparing the financial statements, and legal and consultancy services arose from a mandate issued by the Supervisory Board regarding investigations in connection with the public prosecutor's investigations. In the previous year this resulted in one-off expenses of a total of € 5.2 million for external advisors.

In the financial year 2009, € 894 K (previous year: € 614 K) were transferred to provisions for Supervisory Board members' remuneration; these were reported under other external services. Further details on the remuneration of the Supervisory Board are given in the Group Management Report. An individual and detailed presentation of the Executive Board remuneration in the financial year is set out in the Corporate Governance Report page 52 et seq.

13 FINANCIAL INCOME

Interest receivables and similar income of the GILDEMEISTER group amounted to € 3,702 K (previous year: € 2,671 K). Other income includes income from financial investments of € 518 K (previous year: € 0 K). Of these € 485 K arose from dividend payments made by Mori Seiki Co. Ltd..

14 FINANCIAL EXPENSES

Interest expenses of € 23,621 K (previous year: € 29.913 K) are related primarily to interest expenses for group financial debts. The reduction arose primarily through the fall in interest rates and the favourable re-financing of the high-interest bond through the borrowers' notes in mid-2008.

Finance expenses include an interest component of € 1,766 K (previous year: € 1,692 K) of allocations to pension provisions.

Other finance expenses report for the amortisation of the transaction costs which arose in connection with drawing on the syndicated loan facility (€ 674 K; previous year: € 671 K) and taking out the borrowers' notes (€ 431 K; previous year: € 13 K), as well as one-off expenses of € 1,775 K that incurred within the scope of refinancing for the existing loan agreements.

15 INCOME TAXES

This account represents current and deferred tax expenditure and income that break down as follows:

	2009 € K	2008 € K
Current taxes	**9,466**	**42,847**
of which domestic	2,443	26,262
of which foreign	7,023	16,585
Deferred taxes	**–7,063**	**2,779**
of which domestic	–2,870	3,289
of which foreign	–4,193	–510
	2,403	**45,626**

At the domestic companies current taxes include corporate income and trade tax, and at the international companies comparable earnings-linked taxes that were determined on the basis of the appropriation of profits. The computation was made on the basis of the tax regulations applicable to the individual companies. In the accounting period 2009, an amount of € 982 K (previous year: € 531 K) resulted from tax income for prior years. An amount of € 280 K (previous year: € 3,499 K) is included for tax expenses for prior years.

Deferred tax income unrelated to the accounting period of € 1,358 K (previous year: € 57 K) is set off against deferred tax expenditure unrelated to the accounting period of € 225 K (previous year: € 4,470 K).

Tax income of € 1,887 K (previous year: € 97 K) was applied from losses carried forward for which no taxes have accrued so far.

Deferred tax assets not previously recognised from temporary differences arose in an amount of € 777 K (previous year: € 0 K).

Write-downs of prior years' deferred tax assets from tax loss carryforwards were made in an amount of € 0 K (previous year: € 4,300 K). Write-downs arose from temporary differences in an amount of € 225 K (previous year: € 170 K). Current taxes in connection with the discontinuation of business divisions did not occur in operating activities the reporting period. Due to the continued application of the accounting methods no additional tax expenditure or income arose. There were no material errors in the past so that no consequences arose in this respect.

Deferred taxes are calculated on the basis of income tax rates that at the time of realisation apply or are expected in the individual countries in accordance with the legal status at the time. Taking into account trade earnings tax and the solidarity surcharge, this results in a tax rate applicable to the valuation of deferred taxes of 28.8% (previous year: 28.8%) for domestic companies. International tax rates are between 18% and 41%.

In the financial year 2009, the corporation tax charge comprised corporation tax rate of 15% plus the solidarity surcharge of 5.5%. This results in an effective corporation tax rate of 15.8%. Including the trade earnings tax, which amounted to 13.0% , the total tax rate amounted to 28.8%.

The deferred tax assets recognised in equity amounted at the end of the reporting period to € 5,229 K (previous year: deferred tax assets of € 4,602 K). In the financial year 2009, the recognised income tax expenditure of € 2,403 K (previous year: € 45,626 K) has increased by € 336 K (previous year: € 9,123 K) when compared with the expected income tax expenditure of € 2,047 (previous year: € 36,502 K), which would arise in theory if the national tax rate of 28.8% (previous year: 28.8%) applicable for the financial year 2009 had been applied at group level. The difference between current and expected income tax expenditure is due to the following:

	2009 € K	2008 € K
Results of ordinary activities before taxes	7,109	126,745
GILDEMEISTER Aktiengesellschaft tax rate in percent	28.8	28.8
Theoretical tax income / expenditure	2,047	36,502
Tax consequences of the following influences		
Adjustment due to differing tax rate	– 273	– 2,245
Effects from changes in tax rate	– 2	– 65
Tax reduction due to revenues exempt from taxation	– 2,338	– 1,101
Deferred taxable losses	– 1,101	4,146
Temporary differences	– 552	170
Tax increase due to non-deductible expenses	5,192	5,684
Tax income or expenditure for prior years	– 702	2,969
Other adjustments	132	– 434
Income taxes	**2,403**	**45,626**

Tax income and tax expenditure from earnings are attributable solely to the operative business activities in the GILDEMEISTER group.

Future dividends of GILDEMEISTER Aktiengesellschaft payable in Germany will not influence the group's tax charge.

16 PROFIT SHARE ATTRIBUTED TO MINORY INTERESTS

Net income was attributable to non-controlling interests in equity of € 48 K (previous year: € 67 K).

17 EARNINGS PER SHARE

In accordance with IAS 33 "Earnings per Share", the basic earnings per share are determined by dividing the consolidated earnings – excluding profit shares by other shareholders – by the average number of shares, as follows:

		2009	2008
Group result excluding profit share of other shareholders	€ K	4,658	81,052
Average weighted number of shares (pieces)		44,982,463	43,302,503
Earnings per share	€	0.10	1.87

The number of shares rose in the reporting period as a result of the capital increase on 23 April 2009 by 2,279,500 shares to 45,582,003 shares.

Earnings result exclusively from continued business. There were no diluted earnings per share in the financial year 2009 or in the previous year.

Notes to Individual Balance Sheet Items

18 INTANGIBLE ASSETS

The goodwill shown relates as to € 73,451 K (previous year: € 73,451 K) to the assetside difference from the consolidation of investments and as to € 2,289 K (previous year: € 2,272 K) to goodwill from the individual financial statements. The rise resulted from the conversion of goodwill in foreign currency from the individual financial statements to the group's euro currency.

Intangible assets arising from development relate to new machine tool projects in the domestic and international product companies, to service products of DMG Vertriebs und Service GmbH and to specific software solutions. Intangible assets arising out of development at the end of the reporting period amounted to € 21,476 K (previous year: € 20,842 K). Research and development costs are immediately shown as an expense and amounted to € 37,817 K in the financial year 2009 (previous year: € 41,681 K).

The amount stated for industrial property rights and similar rights includes acquired patents, design patents and trademarks as well as data processing software. Changes and a breakdown of items in the group's intangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in further detail in the Group Management Report on page 37 et seq.

19 TANGIBLE ASSETS

Changes and a breakdown of items in the group's tangible assets are illustrated in the consolidated fixed-asset movement schedule. Investments are explained in further detail in the Group Management Report on page 37 et seq.

The change in currency between the ends of each reporting period is shown in the consolidated fixed-asset movement schedule under "Other changes".

Neither value adjustments due to impairments nor reversals of depreciation were required for tangible assets in the reporting year.

Land and buildings are partly mortgaged for the security of long-term bank loans. Tangible assets include leased assets to the value of € 2,310 K (previous year: € 3,012 K) that must be charged to the respective group company as beneficial owner due to the structuring of the underlying leases ("finance lease").

The carrying amounts of capitalised lease items are divided as follows:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Land and buildings	1,328	1,422
Technical equipment and machinery	104	199
Other fixed assets, factory and office equipment	878	1,391
	2,310	**3,012**

20 FINANCIAL ASSETS

Changes in the group's financial position are presented in the consolidated fixed asset movement schedule. The recognition of investments involves shares in an amount of € 270 K in VR Leasing Frontania GmbH & Co. KG, shares in an amount of € 80 K in Pro-Micron GmbH & Co. KG Modular System, and shares in an amount of € 3 K in Air+Park Allgäu GmbH & Co. KG. GILDEMEISTER does not exercise any significant control over the companies.

The cooperation agreement concluded on 23 March 2009 with Mori Seiki contains a cross-holding agreement of 5% each. GILDEMEISTER Aktiengesellschaft acquired a total of 4,427,400 no-par shares via stock exchange in several tranches in Mori Seiki Co. Ltd. at acquisition costs of JPY 793 to JPY 1,060 per share in the reporting year. Payments made for the acquisition of the shares amounted to € 31,260 K (incl. ancillary acquisition costs). The amortised costs as of 31 December 2009 amounted to € 28,165 K. Through this, GILDEMEISTER holds 4.0% of Mori Seiki Co. Ltd. after the latter carried out a capital increase in December 2009.

As in the previous year, no impairment losses on financial assets were made in the reporting year.

An overview of affiliated companies and information on registered offices, equity and shares in equity in the financial year 2009 are set out on page 173 et seq.

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

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

GILDEMEISTER Beteiligungen AG has entered into profit and loss transfer and control agreements with the following companies:

_ DECKEL MAHO Pfronten GmbH,
_ GILDEMEISTER Drehmaschinen GmbH
_ DECKEL MAHO Seebach GmbH,
_ DMG Spare Parts GmbH,
_ DMG Electronics GmbH,
_ DMG Automation GmbH.

In addition, a profit and loss and control agreement was entered into between DECKEL MAHO Pfronten GmbH and SAUER GmbH.

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER has entered into profit and loss transfer and control agreements with the following subsidiaries:

- _ DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- _ DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- _ DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER,
- _ DMG Service Fräsen GmbH (previously: DMG Service Fräsen Pfronten GmbH),
- _ DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER,
- _ DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER,
- _ a+f GmbH,
- _ DMG Microset GmbH.

DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER has entered into profit and loss transfer and control agreements with the following subsidiaries:

- _ DMG München Vertriebs und Service GmbH für Werkzeugmaschinen DECKEL MAHO GILDEMEISTER,
- _ DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- _ DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- _ DMG Frankfurt Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
- _ GILDEMEISTER Italiana Deutschland GmbH.

21 LONG-TERM RECEIVABLES AND OTHER ASSETS

	31 Dec. 2009 € K	31 Dec. 2008 € K
Trade debtors	679	603
Other long-term financial assets	16,460	18,170
	17,139	**18,773**

Trade receivables are assigned to financial assets.
Other non-current financial assets include the following items:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Discounted customers' bills	12,541	16,045
Loans to third parties	738	698
Security deposits and other security payments	494	478
Fair market value of derivative financial instruments	414	221
Other assets	335	34
	14,522	**17,476**

Other non-current assets include the following items:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Tax refund claims	1,626	541
Other assets	312	153
	1,938	**694**

As in the previous year, the tax refund claims resulted primarily from claims for value added tax.

22 INVENTORIES

Inventories are made up as follows:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Raw materials and consumables	153,658	160,133
Work in progress	80,500	152,616
Finished goods and goods for resale	150,269	109,583
Payments on account	6,808	3,526
	391,235	**425,858**

Of inventories recorded on 31 December 2009 € 93,470 K (previous year: € 74,626 K) were recognised at their net realisable value. In the financial year depreciation of inventories in an amount of € 22,946 K (previous year: € 15,275 K) were recognised as expense in the income statement. As in the previous year, there were no reinstatements.

23 SHORT-TERM RECEIVABLES AND OTHER ASSETS

	31 Dec. 2009 € K	31 Dec. 2008 € K
Trade debtors	238,838	285,381
Other short-term assets	59,550	73,237
	298,388	**358,618**

GILDEMEISTER had an ABS programme in the reporting year. Within the scope of asset backed securities transactions (ABS), GILDEMEISTER sold revolvingly trade receivables to special purpose entities. ABS transactions reduced the group's receivables portfolio. In December 2009, we replaced the ABS programme, which had a volume of € 100 million and an original term until 2011, with a factoring agreement. German receivables with a volume of up to € 75,000 K may be sold within the scope of this agreement. At the end of the reporting period, German receivables totalling € 28,860 K had been sold. Within the scope of other receivables sold (factoring), trade receivables of € 20,283 K (previous year: € 20,776 K) were sold.

At the end of the reporting period, no trade receivables were disposed of in connection with ABS transactions (previous year: € 56,925 K). In the previous year securities granted to third parties in the form of receivables and cash deposits were reported under other current financial assets.

The following table shows the lengths of term of non-current and current trade receivables:

	Book value	Of which neither impaired nor past due at the closing date	Of which not impaired at the closing date and past due in the following time periods			
			Up to 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Trade receivables						
31 Dec. 2009	239,517	201,678	21,144	7,380	2,887	1,334
Trade receivables						
31 Dec. 2008	285,984	201,007	57,555	9,080	5,608	1,371

With respect to trade receivables that have neither been impaired nor are they past due at the closing date, there is no indication that the debtors will not fulfil their payment obligations.

Trade receivables and accumulated value adjustments have developed as follows:

	2009	2008
	€ K	€ K
Trade receivables not value adjusted	234,423	274,621
Carrying amount of trade receivables before value adjustment	19,080	29,743
Accumulated value adjustments	13,986	18,380
Value adjusted trade receivables	5,094	11,363
Trade receivables	**239,517**	**285,984**

Value adjustments of trade receivables have developed as follows:

	2009 € K	2008 € K
Value adjustments as at January 1	18,380	14,076
Allocations (expenses for impairments)	3,990	10,386
Consumption	– 3,141	– 2,177
Dissolution	– 5,243	– 3,905
Value adjustments as at December 31	**13,986**	**18,380**

The following table shows the expenses for the complete write down of trade receivables as well as income from recoveries of trade receivables:

	2009 € K	2008 € K
Expenses for full write-off of receivables	2,084	3,390
Income from recoveries on trade receivables written off	121	28

Expenses relating to impairments and write downs of trade receivables are reported under other operating expenses. These involve a large number of individual cases. Income from receipt of payments for derecognised trade receivables are reported under other operating income. Impairments or derecognition of other financial assets were not made neither in the financial year nor in the previous year.

Other current financial assets include the following items:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Discounted customers' bills	6,095	10,139
Security deposits and other security payments	2,150	6,765
Fair market value of derivative financial instruments	1,167	4,977
Creditors with debit balance	3,828	4,484
Factoring settlement account	3,680	2,044
Receivables from employees and former employees	421	417
Loans to third parties	5,097	255
ABS settlement account	0	10,086
Federal treasury warrants	0	5,000
Purchase price receivables from asset disposal	0	9
Other short-term financial assets	14,032	11,220
	36,470	**55,396**

In the previous year, receivables in an amount of € 8,267 K and cash deposits of € 1,819 K to secure credit and warranty risks from ABS transactions were provided. Moreover, in the previous year, trade receivables of € 12,466 K were sold in connection with ABS transactions for which payment has not yet been received from the special purposes entity.

The Federal Treasury Obligations from the previous year (€ 5,000 K) were sold in full in March 2009.

Current loans relate primarily to working capital loans to third parties. In the financial year no financial assets were provided as security.

The past due periods of other financial assets are shown as follows:

	Book value	Of which not impaired nor overdue on the closing date	Of which not impaired at the closing date and past due in the following time periods			
			Up to 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Other financial assets						
31 Dec. 2009	50,992	49,619	637	171	30	352
Other financial assets						
31 Dec. 2008	72,872	70,620	1,485	134	450	183

With respect to the other financial assets that have neither been subject to impairment nor are they past due as at the closing date, there is no indication that the debtors will not fulfil their payment obligations.

Other current assets include the following items:

	31 Dec. 2009	31 Dec. 2008
	€ K	€ K
Tax refund claims	19,828	15,825
Receivables from compensation claims	104	151
Other assets	3,148	1,865
	23,080	**17,841**

Tax refund claims include primarily receivables from value added tax. The remaining other assets include refund claims of € 501 K (previous year: € 646 K) with respect to additional compensation paid from part-time retirement agreements against the Federal Labour Office (Bundesanstalt für Arbeit). In addition, this includes claims for the refund of partial unemployment benefits in an amount of € 632 K (previous year: € 0 K). Income from the refund of € 967 K (previous year: € 0 K) was reported under employee expenses.

24 CASH AND CASH EQUIVALENTS

At the end of the reporting period bank credit balances amounted to € 84,440 K (previous year: € 257,922 K). Of this, subsidiaries in Germany show a credit balance of € 52,211 K, in Europe of € 21,227 K, in Asia of € 9,128 K and in the US a credit balance of € 1,874 K. The high balance in the previous year arose from nearly drawing completely on the syndicated loan in the fourth quarter 2008.

The movement of cash and cash equivalents constituting the financial resources pursuant to IAS 7 "Statement of cash flows" is illustrated in the statement of cash flows on page 98.

25 DEFERRED TAXES

Deferred tax assets and liabilities are allocated to the following accounts:

	31 Dec. 2009 Assets € K	 Liabilities € K	31 Dec. 2008 Assets € K	 Liabilities € K
Intangible assets	2,862	4,452	1,785	4,934
Tangible assets	4,008	2,742	3,474	2,636
Financial assets	0	23	4	32
Inventories	9,438	4,368	10,234	1,573
Receivables and other assets	4,384	1,292	7,736	2,704
Provisions	5,655	2,371	7,182	5,759
Liabilities	14,971	3,191	10,490	3,689
Tax loss carried forward	9,768	–	4,693	–
	51,086	18,439	45,598	21,327
Balancing	–15,658	–15,658	–17,741	–17,741
Total	**35,428**	**2,781**	**27,857**	**3,586**

A determining factor for the valuation of the recoverability of deferred tax assets is the evaluation of the probability of the reversal of the valuation differences and the usefulness of tax loss carried forward, which have led to the deferred tax assets. This is dependent upon future taxable profits arising during the periods in which tax valuation differences reverse and tax loss carryforwards can be utilised. Based on our past experience and the expected taxable income situation, it is assumed that the corresponding advantages from the deferred tax assets can be realised. As at 31 December 2009 tax loss asset carryforwards amounted to € 9,768 K (previous year: € 4,693 K). There are no deferred taxes attributable to German corporate tax or trade tax loss carryforwards. Due to the German interest-capping rules, deferred taxes on interest carryforwards of € 2,736 K (previous year: € 0 K) were recognised and reported under deferred taxes on loss carryforwards. Deferred tax assets from tax loss carryforwards are attributable to foreign subsidiaries in an amount of € 7,032 K (previous year: € 4,693 K).

The loss carryforwards are either usable for an indefinite period or may be carried forward up to ten years. GILDEMEISTER assumes that on the basis of future business activities there will be sufficient positive taxable income to realise the tax asset claims.

The tax losses carried forward amount to € 41,707 K (previous year: € 27,446 K), of which € 7,147 K (previous year: € 11,596 K) have not been taken into account. The theoretically possible deferred tax demand on tax loss carryforwards amounts to € 1,803 K (previous year: € 3,670 K). Deferred taxes are calculated on the basis of income tax rates that at the time of realisation apply or are expected in the individual countries in accordance with the legal status at the time. Taking into account trade earnings tax and the solidarity surcharge, this results in a tax rate of 28.8% (previous year: 28.8%) for domestic companies. International tax rates are between 18% and 41%.

26 EQUITY

The movement of individual components in group equity for the financial years 2009 and 2008 is illustrated in the Development of Group Equity on page 99 et seq.

Subscribed capital

The GILDEMEISTER Aktiengesellschaft share capital increased on 7 April 2009 in the financial year by way of a capital increase from € 112,586,507.80 by € 5,926,700 to € 118,513,207.80 and has been fully paid up. The Executive Board availed itself in the reporting year of the authorisation to increase the share capital through the issue of 2,279,500 new bearer shares at a par value of € 2.60 against contributions in cash or in kind (authorised capital). The shares were purchased by Mori Seiki. Co. Ltd. at a share price of € 7.93 each.

The share capital is now divided into 45,582,003 bearer shares with an accounting par value of € 2.60 per share.

The following statements have primarily been taken from the Articles of Association of GILDEMEISTER Aktiengesellschaft (version of May 2009).

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 50,073,300.00 in nominal terms during the period until 15 May 2010 by issuing new bearer shares for contributions in cash and / or in kind (authorised capital). This authority can be exercised on one occasion or, in partial amounts, on more occasions.

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

The Executive Board is authorised to issue shares to company employees and business persons affiliated with the company with respect to a partial amount of € 5,000,000.00. The shareholders' statutory subscription rights are excluded to this extent.

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

a) capital increases through non-cash capital contribution so as to acquire, in applicable cases, companies, sections of the company or participating interests in companies for the transfer of shares,

b) to the extent required for dilution protection purposes, in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its associated companies as part of an authorisation of the Board by the general meeting of shareholders, a subscription right to new shares to the extent they would be entitled to following the exercising of the option or conversion right or the fulfilment of conversion obligations,

c) to exclude any residual amounts from the subscription right, and

d) capital increase through cash contribution, if the issue price of the new shares is not significantly lower than the exchange price at the time the issue price is finally defined by the Executive Board within the meaning of section 203 paragraphs 1 and 2, section 186 paragraph 3 sentence 4 of the German Companies Act (AktG), and the prorated amount of the share capital relating to the new shares that are subject to the exclusion of the subscription right, in aggregate does not exceed 10% of the share capital at the time the new shares are issued. The limit of 10% of the registered capital includes shares that are sold during the lifespan of the authorised capital to the exclusion of the shareholders' subscription rights pursuant to section 71 paragraph 1, no. 8 sentence 5 and section 186 paragraph 3 sentence 4 of the German Companies Act (AktG), and shares with respect to which a conversion right or option right or a conversion obligation or option obligation due to option and / or convertible bonds exists and that were issued by virtue of authorisation of the general meeting of shareholders from 14 May 2004 to the exclusion of the subscription right pursuant to section 221 paragraph 4 and Section 186 paragraph 3 sentence 4 of the German Companies Act (AktG).

The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation.

The share capital has been conditionally increased by up to a further € 37,500,000.00 through the issue of up to 14,423,076 bearer shares (conditional capital I). The contingent capital increase is for granting new no-par bearer shares to the holders of options or warrants issued by the company or by a group company controlled by the company under the authorisation passed by resolution of the Annual General Meeting of 15 May 2009 under agenda item 7 against cash payment and grants a warrant or option right to the new no-par bearer shares of the company or provides for a conversion requirement.

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

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

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

Capital provision

The group's capital provision includes the premiums for the issue of shares of GILDEMEISTER Aktiengesellschaft in an amount of € 83,447,597 (previous year: € 71,297,862). The rise of € 12,149,735 compared to the previous year, results from the premiums of the capital increase in 2009. In the financial year 2009, transaction costs of € 499,766 (previous year: € 4,788,596) that can be allocated directly to the capital procurement, reduced by related benefits arising from tax on income of € 143,993 (previous year: € 1,810,089) were deducted from the capital reserve in accordance with SIC 17. The capital provisions amount to € 80,113,257 (previous year: € 68,319,355).

Revenue provisions

Statutory provisions

The disclosure does not affect the statutory provisions of GILDEMEISTER Aktiengesellschaft in an amount of € 680,530.

Other revenue provisions

Revenue provisions include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Revenue provisions also include the off-set of liabilities-side differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS rules. Finally, they show the differences arising from foreign currency translation not reported in profit or loss in the financial statements of international subsidiaries and the post-tax effects from the valuation of financial instruments in equity. Deferred taxes in connection with success-neutral valuation of financial instruments to € 5,229 K (previous year: € 4,602 K).

A detailed overview on the composition of, or changes in, other revenue provisions in the financial year 2009 and in the previous year is included in the Development of Group Equity.

Proposed appropriation of profits

In accordance with the German Commercial Code (HGB), the Annual Financial Statements of GILDEMEISTER Aktiengesellschaft form the basis for the appropriation of profits of the financial year. The dividend to be distributed to owners is therefore subject to the retained profits shown in the Annual Financial Statements of GILDEMEISTER Aktiengesellschaft.

The financial year 2009 of GILDEMEISTER Aktiengesellschaft closes with an annual result of € −1,731,672.76. It will be proposed to the Annual General Meeting of Shareholders on 14 May 2010 that taking into account the profit carryforward of the previous year of € 8,195,405.88, the remaining profit of € 6,463,733.12 be appropriated as follows:

- to distribute € 4,558,200.30 to the owners by payment of a dividend of € 0.10 per share,
- to carry the remaining profit of € 1,905,532.82 forward to new account.

A dividend of € 0.40 per share was distributed for the financial year 2008.

Minority interests in equity

Minority interests include minority in the consolidated equity of the companies included and, in the financial year 2009, amount to € −238 K (previous year: € −283 K).

Capital management disclosure

A strong equity capital base is an important pre-condition for GILDEMEISTER in order to ensure the ongoing existence of the company. The capital is regularly monitored on the basis of various key indicators. The ratio of financial debts to minority interests in equity (gearing) and the equity share are key indicators for this. Net financial debts are determined as the sum of financial debts less cash and cash equivalents.

		31 Dec. 2009	31 Dec. 2008
Cash and cash equivalents	€ K	84,440	257,922
Financial debts	€ K	329,294	378,272
Net financial debts	€ K	244,854	120,350
Total equity of shareholders of GILDEMEISTER AG	€ K	381,053	379,973
Total equity	€ K	380,815	379,690
Equity ratio	%	33.0	27.3
Gearing	%	64.3	31.7

Total equity rose in absolute terms by € 1,125 K. Due to a reduction in total assets, the equity ratio rose to 33.0% (previous year: 27.3%). This resulted primarily from reduced funds committed to inventories and trade receivables as well to a decrease in liquid funds. Gearing changed through a rise in net financial debts and a concurrent rise in equity to 64.3% (previous year: 31.7%).

27 PENSION PROVISIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the GILDEMEISTER group entitled to such, and to their surviving dependants. According to the respective legal, economic and tax conditions prevailing in each country, there are different forms of old age protection that are usually based on the duration of employment and the employees' remuneration.

Employee pension schemes are based as a rule either on contribution-oriented or performance-oriented benefit systems.

In the case of contribution-oriented pension plans ("defined contribution plans") the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. In the financial year 2009, the related expenses amounted to € 4,338 K (previous year: € 3,575 K).

In the case of benefit-oriented pension plans, it is the company's obligation to pay the promised benefits to active and former employees ("defined benefit plans"), whereby a distinction is made between pension plans that are financed through reserves and those that are financed through a fund.

In the GILDEMEISTER group, pension commitments are financed through transfer to provisions.

The amount of the pension obligation (present value of future pension commitments or "defined benefit obligation") was calculated on the basis of actuarial methods by estimating the relevant factors impacting the pension commitment. Along with the assumptions on life expectancy, the following premises for the parameters to be applied to the actuarial calculations in the reports were defined:

	Germany		Other countries	
	2009	2008	**2009**	2008
	%	%	**%**	%
Interest rate	5.20	6.10	2.25 – 3.25	2.50 – 3.25
Salary trend	0.00	0.00	1.00 – 3.00	1.00 – 3.00
Pension trend	2.00	2.00	0.00	0.00

The pension development includes expected future increases in salary that are assessed annually and are subject to, amongst other things, inflation and the duration of employment at the company. Since the pension commitments that were entered into at the national subsidiaries are not subject to future increases in salary, salary development was not taken into account when determining the relating company pension provisions.

Due to increases or reductions in the present value of defined-benefit obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the following:

		31 Dec. 2009 € K	31 Dec. 2008 € K
	Cash value of unfunded pension commitments	34,996	30,310
+	Cash value of funded pension commitments	6,751	6,298
–	Current value of the pension plan assets	– 6,190	– 5,172
=	Cash value of the pension commitments (after deduction of the plan assets)	35,557	31,436
–	Balance of actuarial profits / losses not yet recognised in the balance sheet	– 9,226	– 4,311
=	Net value of amounts shown in the balance sheet on the reporting date	26,331	27,125
	of which pensions	26,331	27,125

The plan assets take into account on the one hand risk payments that depend on the insured salary. On the other hand they include retirement benefits that are dependent on the accumulated retirement assets at the time of retirement. The pension plan assets comprise shares in an amount of € 1,413 K or 22.82% (previous year: € 1,038 K or 20.06%), obligations in an amount of € 2,532 K or 40.91% (previous year: € 2,290 K or 44.28%), real estate in an amount of € 782 K or 12.63% (previous year: € 391 K or 7.56%) and other assets in an amount of € 1,463 K or 23.64% (previous year: € 1,453 K or 28.10%). When assessing the plan assets, an expected interest rate of 4.0% is applied (previous year: 4.0%).

The principle for determining the expected long-term returns is based on past experience.

The actual returns on plan assets amount to € 139 K (previous year: € 182 K). The current value of the pension plan assets can be derived from the following:

		31 Dec. 2009 € K	31 Dec. 2008 € K
	Fair value of the assets at the start of the year	5,172	4,999
+/–	Exchange rate changes	8	571
+	Expected revenues from the plan assets	224	226
+/–	Actuarial profits (+) and losses (–)	– 41	– 792
+	Employer contributions	400	259
+	Pension plan participant contributions	229	219
+/–	Benefits paid	198	– 310
=	Fair value of the assets at the end of the year	6,190	5,172

The benefits actually granted including the insureds' contributions are disclosed as benefits paid. Due to higher contributions, the item is positive in this reporting period.

Of the company pension provisions in an amount of € 26,331 K (previous year: € 27,125 K), € 25,799 K (previous year: € 26,318 K) are attributable to domestic group companies; this corresponds to about 98% (previous year: 97%) of the total amount.

The changes in the cash value compared to the previous year are due to an adjustment of the underlying interest rate from 6.10% to 5.20% and to the change in the number of pensioners included in the calculations.

The part of the new actuarial profits and losses that are due to experience-based adjustments can be derived from the following table:

	2009 € K	2008 € K	2007 € K	2006 € K	2005 € K
Profits (–) and losses (+) on obligations	2,158	937	406	–295	154
Profits (+) and losses (–) on plan assets	–41	–791	–122	–166	–152

In the financial year 2009, total expenditure amounted to € 2,152 K (previous year: € 2,111 K), which breaks down into the following components:

		2009 € K	2008 € K
	Current length of service expense	433	435
+	Amortisation of past service cost	204	0
+	Interest expense	1,766	1,692
–	Expected revenues from the plan assets	–224	–226
+/–	Actuarial profits (–) and losses (+)	–27	210
=	Total expense of defined benefit pension plans	2,152	2,111

		2009 € K	2008 € K
	Balance sheet value as at January 1	27,125	27,771
+	Personnel costs	2,152	2,111
–	Pension payments made	–2,946	–2,757
=	Balance sheet value as at December 31	26,331	27,125

In the past five years, the funding status, comprising the cash value of all pension commitments and the present value of the plan assets, has developed as follows:

	2009 € K	2008 € K	2007 € K	2006 € K	2005 € K
Cash value of all pension commitments	41,747	36,608	37,816	41,349	43,514
Current value of the pension plan assets of all funds	– 6,190	– 5,172	– 4,999	– 4,704	– 5,008
Funding status	35,557	31,436	32,817	36,645	38,506

Payments to beneficiaries from unfunded pension plans next year are expected to amount to about € 2,470 K (previous year: € 2,506 K), while payments to funded pension plans in the financial year 2010 are estimated to amount to about € 269 K (previous year: € 81 K).

28 OTHER PROVISIONS

The following lists the major contents of provisions:

	31 Dec. 2009 Total € K	31 Dec. 2009 of which short-term € K	31 Dec. 2008 Total € K	31 Dec. 2008 of which short-term € K
Tax provisions	12,105	12,105	19,043	19,043
Obligations arising from personnel	63,260	36,987	87,153	60,697
Risks arising from warranties and retrofitting	30,823	24,987	59,444	39,795
Obligations arising from sales	33,570	32,155	36,645	35,988
Legal and consultancy fees and costs of preparation of accounts	4,025	4,025	4,870	4,870
Other	17,937	17,527	18,396	18,050
	149,615	115,681	206,508	159,400
Total	**161,720**	**127,786**	**225,551**	**178,443**

Tax provisions include current taxes on income and returns of € 9,394 K (previous year: € 16,017 K) and other operating taxes, which have been accumulated for the reporting period and for previous years.

Provisions for employee expenses in the group include profit-sharing and staff bonuses of € 9,099 K (previous year: € 23.511 K), part-time retirement payments of € 11,946 K (previous year: € 12,934 K), holiday pay of € 7,737 K (previous year: € 11,447 K) and anniversary payments of € 5,452 K (previous year: € 5,263 K). The provisions for anniversary bonuses and part-time retirement will be discounted and carried as liability at their present value. Obligations arising from part-time retirement are secured against potential insolvency through a mutual trust relationship. To secure the pension plan, cash assets are transferred into a trust property. The members of this trust property are domestic group companies.

The assets are defined as "plan assets" in accordance with IAS 19.7 and balanced against the related provision. Any proceeds arising from the pension plan assets are balanced against the related expenses. On 31 December 2009 liquid assets of € 4,426 K (previous year: € 4,128 K) were transferred to the trust property.

Risks arising from warranties and retrofitting relate to present obligations to third parties, the use of which is probable and the anticipated amount of which can be reliably estimated. Due to previous experience, valuations of provisions were carried out on the basis of the conditions at the end of the reporting period.

The other obligations primarily include provisions for installations to be carried out, invoiced sales and other various services.

The movement in the other provisions is illustrated in the Analysis of Provisions:

	1 Jan. 2009	Transfers	Used	Retransfers	Other changes	31 Dec. 2009
	€ K	€ K	€ K	€ K	€ K	€ K
Tax provisions	19,043	10,907	15,718	2,191	64	12,105
Obligations arising from personnel	87,153	32,166	50,397	5,682	20	63,260
Risks arising from warranties and retrofitting	59,444	11,335	23,623	16,426	93	30,823
Obligations arising from sales	36,645	31,019	28,919	5,153	– 22	33,570
Legal and consultancy fees and costs of preparation of accounts	4,870	3,626	3,162	1,310	1	4,025
Other	18,396	16,612	13,129	3,993	51	17,937
	206,508	94,758	119,230	32,564	143	149,615
Total	**225,551**	**105,665**	**134,948**	**34,755**	**207**	**161,720**

The other changes include foreign currency adjustments and book transfers. A reduction in provisions for warranties and retrofittings compared to the previous year is due, especially, to the lower volume of sales. The "Solar Technology" division accounts for € 1,241 K (previous year: € 13,848 K).

Personnel obligations include provisions for the long-term incentive of a total of € 320 K (previous year: € 638 K). A detailed description of the "long-term incentive" can be found on page 53 of the management report.

The following table shows the number of performance units awarded in 2007, 2008 and 2009, and the amount of the provisions:

	2007 tranche term 3 years		**2008 tranche** term 3 years			**2009 tranche** term 3 years			**2009 tranche** term 4 years		
	Number of performance units awarded	Amount of allocation for 2009	Number of performance units awarded	**Fair value 31 Dec. 2009**	**Provision 31 Dec. 2009**	Number of performance units awarded	**Fair value 31 Dec. 2009**	**Provision 31 Dec. 2009**	Number of performance units awarded	**Fair value 31 Dec. 2009**	**Provision 31 Dec. 2009**
	shares	€ K	shares	€ K	€ K	shares	€ K	€ K	shares	€ K	€ K
Dr. Rüdiger Kapitza	14,401	0	10,422	0	0	28,209	201	67	20,790	137	34
Michael Welt	11,521	0	7,817	0	0	21,157	150	50	13,860	91	23
Günter Bachmann	11,521	0	7,817	0	0	21,157	150	50	13,860	91	23
Dr. Thorsten Schmidt	11,521	0	7,817	0	0	21,157	150	50	13,860	91	23
Total	**48,964**	**0**	**33,873**	**0**	**0**	**91,680**	**651**	**217**	**62,370**	**410**	**103**

From the tranches issued in 2009, this caused expense in 2009 of € 320 K. From the tranches issued in 2007, this resulted in income of € 374 K and from the tranches issued in 2008, in income of € 264 K.

29 FINANCIAL DEBTS

Details of current and non-current financial debts are listed in the following tables:

	31 Dec. 2009 **€ K**	Of which due within 1 year € K	Of which due within 1 to 5 years € K	Of which due after 5 years € K
Borrowers' notes	198,919	0	139,243	59,676
Bank loans and overdrafts [1]	111,739	85,939	15,487	10,313
Discounted customers' bills	18,636	6,095	12,541	0
	329,294	**92,034**	**167,271**	**69,989**

[1] of which secured by mortgages: € 17,502 K

	31 Dec. 2008 € K	Of which due within 1 year € K	Of which due within 1 to 5 years € K	Of which due after 5 years € K
Borrowers' notes	198,488	0	138,942	59,546
Bank loans and overdrafts [1]	153,600	127,884	14,929	10,787
Discounted customers' bills	26,184	10,139	16,045	0
	378,272	**138,023**	**169,916**	**70,333**

[1] of which secured by mortgages: € 19,928 K

GILDEMEISTER has taken out two borrowers' notes in a total amount of € 200,000 K in 2008. The first borrowers' note has a volume of € 140,000 K and a term of five years. It is charged interest at EURIBOR 6-month rate plus a spread of 1.8%. The second borrowers' note amounts to € 60,000 K and has a term of seven years. It is charged interest at EURIBOR 6-month rate plus a spread of 2.3%.

To hedge the variable interest rate, interest rate swaps have been closed (see page 160). Set out below are the major liabilities to financial institutions:

	31 Dec. 2009				31 Dec. 2008			
	Currency	Book value	Remaining period in years	effective interest rate	Currency	Book value	Remaining period in years	effective interest rate
		€ K		%		€ K		%
Loan	EUR	16,366	up to 9	3.2 – 6.8	EUR	20,319	up to 10	3.2 – 6.8
Loan	JPY	1,428	up to 3	0.95 – 3.0	JPY	1,061	up to 4	0.95 – 3.0
Loan	CZK	220	up to 2	5.82	CZK	355	up to 3	3.66
Overdrafts	various	93,725	up to 2	1.26 – 12.5	various	131,865	up to 3	3.25 – 12.5
		111,739				**153,600**		

Liabilities towards credit institutions reduced in comparison with the previous year by € 41,861 K. Long-term loans reduced within the framework of the planned repayment of € 3,721 K whilst use of overdraft loans fell compared to the previous year by € 38,140 K.

The short and medium term financing requirements of GILDEMEISTER Aktiengesellschaft and, as part of the intra-group cash management system, of the majority of domestic subsidiaries are covered by a syndicated loan agreement. The syndicated loan contract closed on 30 June 2006 has a term until 30 June 2011 and a volume of € 175.0 million. The lending volume contains two tranches, which differ in terms of amounts, usability, maturity, drawing terms and the agreed interest rates. The syndicated loan is classified as a current liability as withdrawals can be made for a maximum of six months.

The existing financial agreements within the scope of the syndicated loan and the borrowers' notes oblige GILDEMEISTER to comply with covenants. As the financial key figures have changed as a consequence of the financial and economic crisis and as of 31 December 2009 a breach of the financial covenants was possible, GILDEMEISTER initiated early negotiations with the lenders to adjust the existing financing agreements and to reset the covenants.

Within the scope of adjusting the existing financing agreements, the existing borrowers' notes were restructured. For the borrowers' note with a volume of € 140,000 K, terminations in an amount of € 20,500 K have been agreed. The adjusted borrowers' note now has a volume of € 119,500 K and an unchanged term until 2013. It bears interest at a 6-month EURIBOR plus a spread of a maximum of 4.75% (previously: 1.80%). Notes have been terminated for the borrowers' note with an original volume of € 60,000 K for an amount of € 8,000 K. The reduced volume amounts to € 52,000 K. The original term of seven years has been shortened to a five-year term and now ends in 2013. It bears interest at a 6-month EURIBOR plus a spread of a maximum of 4.75% (previously: 2.30%).
In addition, a new borrowers' note of € 30,000 K has been issued. It likewise has a term until 2013 and will bear interest at a 6-month EURIBOR plus a spread of a maximum of 4.75%.

In February 2010, a new syndicated loan agreement was closed with a volume of € 211,900 K with the aim of securing the entity's financing until 2012 and of meeting the planned financing requirements. The new loan facility comprises two tranches: The first tranche with a volume of € 154,900 K comprises a loan (forward start) with a term until December 2012. It can be drawn on in cash from 26 June 2011 and replaces the existing syndicated loan. The second tranche with a volume of € 57,000 K may be drawn immediately. It likewise has a term until December 2012. The new facility has been granted from banks of the existing banking consortium. The loan agreements bear interest with a 6-month EURIBOR rate plus a maximum spread of 4.75%.

The funding is now granted by 32 banks. The largest institute provides an amount of € 40,500 K. The funding agreements were signed in February 2010.

In accordance to the existing financing contracts, in the refinancing, both for the syndicated credit line as well as for the borrowers' notes, no collateral was provided to the lending banks. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen AG, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z o.o. and GILDEMEISTER Italiana S.p.A. are, as before, guarantors for the loan agreements and the borrowers' notes. a+f GmbH has been added as an additional guarantor.

In addition, there are still some long-term loans and short-term bilateral loan commitments granted to individual subsidiaries of a total volume of € 23.4 million (previous year: € 50.7 million).

As of 31 December 2009, the international share in liabilities to banks amounted in total to about 14.5% (previous year: about 17%). The average cost of borrowings amount to 5.8% (previous year: 8.3%).

Open credit lines amounted to € 220.6 million (previous year: € 128.3 million). These comprise free cash lines of € 89.9 million (previous year: € 48.9 million) and additional open lines of credit (guaranteed bills outstanding, bills of exchange, ABS, factoring) of € 130.7 million (previous year: € 79.4 million).

SAUER GmbH has assigned fixed assets and current assets in an amount of € 1,769 K (previous year: € 2,008 K) to the lending banks by transfer of ownership by way of security. For liabilities to banks of € 111,739 K (previous year: € 153,600 K), no significant differences between the carrying amount and fair market value arise due to the mainly short terms.

30 TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Non-current financial liabilities are shown as follows:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Trade creditors	166	442
Other long-term liabilities	24,639	23,645
	24,805	**24,087**

Trade payables are classified as financial liabilities.

Other non-current financial liabilities include the following items:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Liabilities from finance lease arrangements	1,545	3,139
Fair market value of derivative financial instruments	18,530	15,538
Debtors with credit balance	0	78
Other long-term financial liabilities	1,205	1,500
	21,280	**20,255**

Liabilities arising from finance leases amounted to € 1,545 K (previous year: € 3,139 K) and are shown as the discounted value of future payments from finance leases. These are mainly liabilities arising from finance leases for buildings.

Fair market values of derivative financial instruments comprise the fair market values of interest rate swaps in an amount of € 18,347 K (previous year: € 15,522 K) and for forwards in an amount of € 183 K (previous year: € 16 K).

In other financial liabilities, the fair market value of non-current liabilities corresponds to the carrying amount values. Payables that, in legal terms, arise after the end of the reporting period, only have a minor impact on the company's financial situation.

Other non-current liabilities take account of deferred income. These include the guaranteed investment grants from the funds of the joint aid programme “Improvement of the Regional Economic Structure” and investment subsidies pursuant to the investment subsidy act in an amount of € 3,359 K (previous year: € 3,390 K) as applied under IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

In the financial year 2009, investment subsidies of € 444 K (previous year: € 107 K) were paid. The accruals will be dissolved in accordance with the depreciation procedure for privileged capital assets and recognised in the income statement.

31 TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Current financial liabilities are shown as follows:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Trade payables	141,120	198,554
Liabilities from ABS transactions	0	11,429
Fair market value of derivative financial instruments	1,006	5,738
Debtors with credit balance	3,432	4,786
Liabilities from finance lease arrangements	1,614	2,332
Liabilities from accrued interest paid for the borrowers’ notes	1,264	1,302
Other short-term financial liabilities	12,413	4,592
	160,849	**228,733**

Liabilities arising from ABS transactions in the previous year result from payments received from third parties for receivables sold, which payments have not yet been forwarded to the special purpose entity.

The fair market values of derivative financial instruments mainly involve the fair market value for forwards in USD and JPY.

Liabilities arising from current finance leases amounted to € 1,614 K (previous year: € 2,332 K) and show the discounted value of future payments from finance leases. These are mainly liabilities arising from finance leases for buildings.

Current liabilities arising from finance leases are recognised without future interest payable. All future payments arising from finance leases amounted to € 3,430 K (previous year: € 6,306 K).

Liabilities from accrued interest expense are primarily due to the accrual-based recognition of interest paid on the borrowers’ notes of € 1,264 K (previous year: € 1,302 K) for the period 29 November 2009 to 31 December 2009, which will be paid in May 2010.

Other financial liabilities include liabilities from bills of € 4,929 K (previous year: € 617 K), which arise from the acceptance of drafts and the issue of promissory notes.

The minimum lease payments for the respective lease agreements are as follows:

TOTAL FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2009 € K	31 Dec. 2008 € K
Due within one year	1,782	2,933
Due within one and five years	1,648	3,373
Due in more than five years	0	0
	3,430	**6,306**
INTEREST COMPONENT INCLUDED IN FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	168	601
Due within one and five years	103	234
Due in more than five years	0	0
	271	**835**
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	1,614	2,332
Due within one and five years	1,545	3,139
Due in more than five years	0	0
	3,159	**5,471**

The minimum lease payments from subleases, for which GILDEMEISTER is the lessor, in 2010 amount to € 276 K (previous year: € 378 K) and for 2011 to 2014 to € 345 K (previous year: € 647 K). The agreements refer to the leasing of machine tools.

Other current liabilities include the following items:

	31 Dec. 2009 € K	31 Dec. 2008 € K
Tax liabilities	9,713	13,015
Liabilities relating to social insurance	3,439	3,652
Payroll account liabilities	4,080	2,807
Deferred income	4,599	7,144
Other liabilities	417	259
	22,248	**26,877**

Tax liabilities refer to liabilities arising from value added tax amounting to € 2,071 K (previous year: € 2,376 K) as well as liabilities arising from wage and church tax of € 5,085 K (previous year: € 6,848 K).

Deferred income relates as to € 1.503 K (previous year: € 2,381 K) to deferred future interest income from a specific financing programme of the Italian state (Sabatini funding). It also includes further deferred income from sale-and-lease-back transactions that resulted in finance lease arrangements and for which GILDEMEISTER is the lessee.

32 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

No reserves were set up for the following contingent liabilities, which are recognised at their nominal amounts, since the risk of utilisation is estimated as not very probable:

CONTINGENCIES	31 Dec. 2009 € K	31 Dec. 2008 € K
Guarantees	7,114	3,758
Warranties	1,828	1,433
Other contingencies	7.707	547
	16,649	**5,738**

The guarantees include advance payment guarantees at foreign group companies. The rise of other contingencies compared to the previous year is due in particular to a warranty in connection with offering financing solutions through leasing.

Other financial obligations consist mainly of lease agreements and long-term tenancy agreements. In operating lease agreements, the beneficial owner of the leased items is the lessor, which means risks and rewards are borne by the lessor.

The total minimum lease payments from permanent tenancy and lease agreements (finance lease arrangements and operating lease arrangements) are as set out below by due dates. The agreements have terms from two to fifteen years and some include options to extend or purchase options.

TOTAL FACE VALUE OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2009 € K	31 Dec. 2008 € K
Due within one year	21,104	26,364
Due within one and five years	25,778	34,993
Due in more than five years	6,367	8,656
	53,249	**70,013**

Of which operating lease arrangements account for:

TOTAL FACE VALUE OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2009 € K	31 Dec. 2008 € K
Due within one year	19,322	23,431
Due within one and five years	24,130	31,620
Due in more than five years	6,367	8,656
	49,819	**63,707**

Operating lease agreements include an operating lease to the value of € 2.6 million entered into in relation to the funding of buildings at DMG Europe Holding GmbH in Klaus, Austria, and of € 3.2 milion at DECKEL MAHO Pfronten GmbH. The operating lease agreements for the buildings include a purchase option upon expiration of the basic lease term.

Further operating lease agreements exist at FAMOT Pleszew Sp. z o.o., Poland, for machines to a value of € 1.1 million.

At DECKEL MAHO Pfronten GmbH leasing agreements in connection with the financing of crane installations exist in an amount of € 1.4 million and telephone installations in an amount of € 0.5 million. The agreements contain purchase options upon expiry of the basic lease period.

Other group companies have leasing agreements for machines, fleet vehicles and other equipment, and factory and office equipment. Some contain purchase options upon expiration of the basic lease term. The operating lease agreements have minimum terms of between two and fifteen years.

There are no permanent subtenancy agreements that have to be included in the total of future minimum lease payments. There are no contingent rental payments that are recognised in the income statement.

33 DERIVATIVE FINANCIAL INSTRUMENTS

At the end of the reporting period, foreign exchange futures contracts were held by the GILDEMEISTER group in USD, CHF, CAD, GBP, JPY, SGD and AUD, as well as interest rate swaps in euros. The face and fair market values of derivative financial instruments existing at the end of the reporting period are set out below:

	31 Dec. 2009				31 Dec. 2008	
	Nominal value	**Fair market value Asset**	**Debt**	**Total**	Nominal value	Fair market value
	€ K	**€ K**	**€ K**	**€ K**	€ K	€ K
Foreign exchange contracts of which cash flow hedges	52,591	706	825	–119	55,200	–764
of which USD	47,145	699	681	18	52,941	–883
of which CAD	3,280	7	106	–99	1,302	78
of which JPY	889	0	13	–13	0	0
of which GBP	1,181	0	24	–24	0	0
of which other currencies	96	0	1	–1	957	41
Currency options as cash flow hedges	0	0	0	0	27,152	1,595
Currency options for trading purposes	0	0	0	0	24,000	–1
Interest rate swaps as cash flow hedges	200,000	0	18,347	–18,347	200,000	–15,522
Foreign exchange contracts for trading purposes	43,028	876	364	512	78,274	–1,386
of which USD	26,027	638	322	316	47,338	–1,415
of which GBP	3,301	44	12	32	0	0
of which JPY	1,541	6	1	5	15,040	–1,197
of which CHF	8,412	154	0	154	11,058	850
of which CAD	637	0	24	–24	2,060	101
of which other currencies	3,110	34	5	29	2,778	275
	295,619	**1,582**	**19,536**	**–17,954**	**384,626**	**–16,078**

The nominal values correspond to the total of all purchase and sales amounts of derivative financial transactions. The fair market values recognised correspond with the price at which, as a rule, third parties would assume the rights or obligations arising from the financial instruments at the end of the reporting period. Given the financial and banking crisis, it cannot be assumed overall that the assessed value will also be actually realised upon dissolution. 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 value of currency options is separated into an intrinsic value and a time value, whereby only the intrinsic value of the options is drawn on for hedging purposes. The values are assessed on the basis of an option price model.

The fair market values of interest rate swaps are recognised in the balance sheet under other non-current assets or other non-current financial liabilities.

The fair market values of foreign exchange future contracts and currency options are recognised in the balance sheet under other non-current and current financial assets or other non-current and current financial liabilities.

At the end of the reporting period, GILDEMEISTER also held forward foreign exchange contracts held for trading purposes, which, although they do not fulfil the strict requirements of hedge accounting pursuant to IAS 39, make an effective contribution to the securing of financial risks pursuant to the principles of risk management. For the hedging of currency risks recognised as monetary assets and liabilities, GILDEMEISTER does not use hedge accounting pursuant to IAS 39, as the realised profits and losses from the underlying transactions from the currency translation pursuant to IAS 21 are recognised in the income statement at the same time as the realised profits and losses from the derivatives applied as hedging instruments. In the event that third parties do not fulfil their obligations arising from forward foreign exchange contracts, as at the end of the reporting period, GILDEMEISTER had a deficit risk amounting to € 1,582 K (previous year: € 5,198 K).

Interest rate swaps in a nominal amount of € 140,000 K (previous year: € 140,000 K) have a residual term of up to five years. The interest rate swap in a nominal amount of € 60,000 K (previous year: € 60,000 K) has a residual term of more than five years.

Forward foreign exchange contracts with a nominal amount of € 7,204 K (previous year: € 16,680 K) have a residual term of more than one year. All other forward foreign exchange contracts and currency options as at the end of the reporting period have a residual term of up to one year.

In the financial year 2009, expenses arising from the market valuation of financial instruments allocated to cash flow hedges in an amount of € 18,902 K (previous year: € 19,938 K) were allocated to equity and an amount of € 691 K (previous year: € 278 K) was removed from equity and recognised in profit or loss for the reporting period. It was recognised in the income statement under exchange rate and currency profits or in the exchange rate and currency losses.

Neither in the financial year nor in the previous year was there any ineffectiveness.

34 RISKS FROM FINANCIAL INSTRUMENTS

Risks from financial instruments

Currency and interest rate fluctuations can lead to considerable profit and cash flow risks for GILDEMEISTER. For this reason, GILDEMEISTER centralises these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. The controlling of risks is based on regulations that are valid throughout the group and in which the targets, principles, responsibilities and competencies are defined.

Currency risks

In its global business activities GILDEMEISTER is exposed to two types of currency risks. Transaction risks arise through changes in value of future foreign currency payments due to exchange rate fluctuations in individual accounts. In the GILDEMEISTER group both purchases and sales are made in foreign currencies. To hedge currency risks arising from activities within the GILDEMEISTER group, foreign exchange future contracts and options are used. The conclusion and processing of derivative financial instruments is based on binding internal regulations defining scope, responsibilities, reporting and accounting.

The translation risk describes the risk of a change in the balance sheet and income statement items of a subsidiary due to exchange rate differences in the translation of local individual accounts to the group currency. Any changes in the balance sheet items of these companies caused by currency fluctuations in translation will be recorded in equity. Risks arising from the translation of sales revenues and results in foreign currency from subsidiaries are not hedged.

GILDEMEISTER determines foreign currency sensitivity through aggregating all foreign currency items that are not represented in the functional currency of the respective company and sets these against hedging. The fair market value of the basic items and hedges included are evaluated once at the actual exchange rates and once with the sensitivity rates. The difference between the two values represents the effects on equity and results.

If the euro had been revalued (devalued) by 10% against the US dollar as at 31 December 2009, the reserves for derivatives in equity and the present fair value of the forward exchange contracts would have been € 2,832 K higher (lower) (31 Dec. 2008: € 4,697 K lower (higher)). If the euro had been revalued (devalued) by 10% against all currencies as at 31 December 2009, the results and the present fair value of forward exchange contracts would have been € 2,788 K lower (higher) (31 Dec. 2008: € 5,225 K lower (higher)). A hypothetical impact on profit or loss ensues in the individual case from the currency sensitivities EUR / USD: € 1,184 K; EUR / CHF € 1,571 K; EUR / JPY: € 38 K; EUR / CAD: € −5 K.

The following table shows the transaction-related net currency risk in € K for the most important currencies as at 31 December 2009 and 2008:

Currency	31 Dec. 2009 USD € K	31 Dec. 2009 JPY € K	31 Dec. 2009 CAD € K	31 Dec. 2008 USD € K	31 Dec. 2008 JPY € K	31 Dec. 2008 CAD € K
Currency risk from balance sheet items	17,749	2,226	1,812	48,054	6,397	1,856
Currency risk from pending transactions	17,725	513	1,335	53,072	2,112	1,078
Transaction-related currency items	35,474	2,739	3,147	101,126	8,509	2,934
Financially hedged item through derivatives	−21,688	−2,430	−3,280	−109,710	−15,040	−3,102
Open foreign currency item	13,786	309	−133	−8,584	−6,531	−168
Change in foreign currency item through a 10% revaluation of the euro	−1,379	−31	13	858	653	17

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on the results, equity or cash flow during the current or future reporting periods. At GILDEMEISTER interest rate risks are essentially in connection with financial debts. GILDEMEISTER hedges this risk through concluding interest rate swaps.

Interest hedging instruments in the form of swaps are used to eliminate the effects of future changes in interest rate on the cost of financing loans that are subject to a variable interest rate.

To hedge against future interest rate changes from the borrowers' notes, GILDEMEISTER has concluded interest rate swaps, which serve to secure a fixed interest rate until the end of the term. Interest rate swaps for a nominal total volume of € 140,000 K were concluded for a hedged interest rate of 4.98% to 5.02% with a term up to 29 May 2013. The interest rate swaps bind GILDEMEISTER to pay a fixed rate interest over the term and for the volume concluded. To offset this, GILDEMEISTER receives a EURIBOR 6-month rate payment from the contractual partner to the interest rate swap.

Furthermore, GILDEMEISTER has concluded a further interest rate swap for a nominal amount of € 60,000 K and a hedged interest rate of 4.79% with a term up to 29 May 2015. The interest rate swap binds GILDEMEISTER to pay a fixed rate of interest over the term and for the volume concluded. To offset this, GILDEMEISTER receives a EURIBOR 6-month rate payment from the contractual partner to the interest rate swap.

Thus the company is protected against rising interest rates yet, in return, does not benefit from falling interest rates.

If the interest rate at 31 December 2009 had been 1% lower (higher), the reserves for derivatives in equity and the fair value of the interest rate swap would have been € 7,038 K (previous year: € 12,905 K) lower (€ 8,807 K (previous year: € 4.461 K) higher).

For financial instruments with a variable rate of interest – mainly this refers to the syndicated loan of € 175.0 million – the interest rate risk will be measured with the aid of cash flow sensitivity. Based on the financial instruments with a variable interest rate, existing interest hedges have been deducted. A 1% increase in interest rates pertaining to the non-hedged portfolio at the end of the reporting period would result in an increase in interest expense of € 1.0 million (previous year: € 1.6 million).

Within the scope of adjusting existing financing agreements, the interest rate margins were raised considerably, in order to take account of the change in the credit risk statement (see page 163), The new borrowers' notes bear interest at 6-month EURIBOR plus margin. The interest swaps concluded serve to hedge against future changes in interest rates of the borrowers' notes.

Fixed interest rates have been predominantly agreed for other financial debts bearing interest. Changes in the interest rate would only have an effect if these financial instruments were recognised in the financial position at fair value. As this is not the case, financial instruments with a fixed interest rate are not subject to any risks arising out of interest rate changes within the meaning of IFRS 7.

Liquidity risks

Liquidity risk is the risk that GILDEMEISTER cannot meet its financial obligations. Outflows of funds result in principle from financing of working capital, the investments and the coverage of the financial requirements for sales financing. The liquidity risk is limited by creating the necessary financial flexibility within the scope of existing financing as well as by efficient cash management. Liquidity risk at GILDEMEISTER is governed by financial planning over 12 months. This makes it possible to finance predic- table deficits under normal market conditions at standard market terms. On the basis of the current liquidity planning, no liquidity risks are identifiable at present. As a liquidity precaution, there is a syndicated loan facility of € 175.0 million with various banks as well as bilateral stand-by credits of € 22.5 million (previous year: € 29,0 million). Loan facilities have not been cancelled either in the financial year 2009 or in the previous year. Moreover, GILDEMEISTER has borrowers' notes of a total of € 200.0 million. The former financing agreements within the scope of the syndicated loan and the borrowers' notes oblige GILDEMEISTER to comply with covenants. As the key financial figures had changed as a consequence of the financial and economic crisis, and it was possible that the covenants would be breached as of 31 December 2009, GILDEMEISTER held timely negotiations with its lenders in order to adjust existing financing agreements and to reset the covenants. In November 2009, GILDEMEISTER mandated a banking group for the refinancing and at the start of December submitted an application to waive the right to extraordinary termination by the banks. In December 2009, GILDEMEISTER was already in a position to assume, with sufficient probability, that the banks would agree to the waiver. In January 2010, the syndicated loan and borrowers' notes creditors waived their right to termination as of year-end 2009, which they would have been entitled to in case of non-compliance with the covenants.

As at 31 December 2009, GILDEMEISTER had cash and cash equivalents totalling € 84.4 million (previous year: € 257.9 million), open cash lines in an amount of € 89.9 million (previous year: € 48.9 million) and further open lines (guaranteed bills outstanding, bills of exchange, ABS and factoring) totalling € 130.7 million (previous year: € 79.4 million) available to it.

The following table shows the contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with positive and negative fair values:

		Cash flows 2010		Cash flows 2011 – 2013		Cash flows 2014 et seq.	
	Book value 31 Dec. 2009 € K	Interest € K	Repay-ment € K	Interest € K	Repay-ment € K	Interest € K	Repay-ment € K
Borrowers' notes	198,919	13,785	0	36,590	139,243	6,381	59,676
Liabilities to banks	111,739	9,564	85,939	547	15,487	252	10,313
Liabilities arising from leases	3,159	168	1,614	72	1,251	30	294
Discounted customers' bills	18,636	0	6,095	0	12,420	0	121
Liabilities from derivatives	19,536	0	1,006	0	18,530	0	0
Other financial liabilities	159,600	34	158,229	37	1,204	111	167
	511,589	**23,551**	**252,883**	**37,246**	**188,135**	**6,774**	**70,571**

		Cash flows 2009		Cash flows 2010 – 2012		Cash flows 2013 et seq.	
	Book value 31 Dec. 2008 € K	Interest € K	Repay-ment € K	Interest € K	Repay-ment € K	Interest € K	Repay-ment € K
Borrowers' notes	198,488	13,785	0	41,355	0	15,401	198,488
Liabilities to banks	153,600	1,088	127,884	1,373	14,560	694	11,156
Liabilities arising from leases	5,471	601	2,332	234	3,139	0	0
Liabilities from ABS transactions	11,429	0	11,429	0	0	0	0
Discounted customers' bills	26,184	0	10,139	0	15,070	0	975
Liabilities from derivatives	21,276	0	5,754	0	10,642	0	4,880
Other financial liabilities	211,254	1,764	206,967	78	3,959	131	328
	627,702	**17,238**	**364,505**	**43,040**	**47,370**	**16,226**	**215,827**

This includes all instruments that were held as at 31 December 2009 and 31 December 2008, respectively, and for which payments have been contractually agreed. Forecast figures for future new liabilities have not been included. Amounts in foreign currencies were translated at the exchange rate at the end of the reporting period. The variable interest payments for financial instruments were determined on the basis of the last fixed interest rate before 31 December 2009 and 31 December 2008, respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date.

Credit risks

A credit risk is the unexpected loss of payment funds or income. This occurs if the customer is not able to meet his obligations within the due time. A receivables management with worldwide applicable guidelines and regular analysis of the age structure of trade receivables ensures the continuous monitoring and limiting of risks and, in this way, minimises losses from receivables. Due to the diversified business structure within the GILDEMEISTER group, there are no special concentrations of credit risks, neither with respect to customers nor for individual countries.

Within the scope of cash deposits, financial contracts are only concluded with the federal bank and banks that we have carefully chosen and continuously monitored.

With respect to derivative financial instruments, the GILDEMEISTER group is exposed to a credit risk that arises from the non-performance of contractual agreements by the other party to the agreement. This credit risk is minimised by only entering into transactions with parties of good financial creditworthiness. Pursuant to IFRS 7.36 the carrying amount of the financial assets represents the maximum credit risk. From the following table, a maximum credit risk arises of € 403,470 K as at the end of the reporting period (previous year: € 617,134 K):

	31 Dec. 2009 **€ K**	31 Dec. 2008 € K
Financial assets held for sale	28,521	356
Loans and receivables	288,927	348,658
Financial assets held to maturity	0	5,000
Cash and cash equivalents	84,440	257,922
Derivative financial assets		
Derivatives without a hedging relation	1,209	3,256
Derivatives with a hedging relation	373	1,942
	403,470	**617,134**

There were no securities received or other credit enhancements neither in the financial year nor in the previous year.

The valuations rates of the financial instruments according to valuation categories are shown as follows:

		Valuation in accordance with IAS 39					
	Book value 31 Dec. 2009	Amortised cost	Cost	Fair value recognised in equity	through profit or loss	**Valuation in accordance with IAS 17**	**Fair value 31 Dec. 2009**
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Assets							
Financial assets	28,521	356		28,165		–	28,521
Cash and cash equivalents	84,440	84,440				–	84,440
Trade receivables	239,517	239,517				–	239,517
Other receivables	49,410	49,410				–	49,410
Other original financial assets in the category							
Held to maturity							
Derivative financial assets							
Derivatives without hedge relation	1,209				1,209	–	1,209
Derivatives with hedge relation	373			373		–	373
Liabilities							
Borrowers' notes	198,919	198,919				–	198,919
Liabilities to banks	111,739	111,739				–	111,739
Discounted customers' bills	18,636	18,636				–	18,636
Trade payables	141,286	141,286				–	141,286
Liabilities from ABS transactions							
Liabilities from finance lease arrangements	3,159	3,159				3,159	3,159
Other liabilities	18,314	18,314				–	18,314
Derivative financial liabilities							
Derivatives without hedge relation	1,006				1,006	–	1,006
Derivatives with hedge relation	18,530			18,530		–	18,530
Of which aggregated in measurement categories acc. to IAS 39:							
Loans and receivables	373,367	373,367					373,367
Assets in the category							
held to maturity							
available for sale	28,521	356		28,165			28,521
held for trading	1,209				1,209		1,209
Liabilities in the category							
Measured at amortised cost	492,053	492,053					492,053
held for trading	1,006				1,006		1,006

	Valuation in accordance with IAS 39					
Book value 31 Dec. 2008	Amortised cost	Cost	Fair value recognised in equity	Fair value through profit or loss	Valuation in accordance with IAS 17	Fair value 31 Dec. 2008
€ K	€ K	€ K	€ K	€ K	€ K	€ K
356	356				–	356
257,922	257,922				–	257,922
285,984	285,984				–	285,984
62,674	62,674				–	62,674
5,000	5,000				–	5,000
3,256				3,256	–	3,256
1,942			1,942		–	1,942
198,488	198,488				–	198,488
153,600	153,600				–	153,600
26,184	26,184				–	26,184
198,996	198,996				–	198,996
11,429	11,429				–	11,429
5,471	5,471				5,471	5,471
12,259	12,259				–	12,259
3,281				3,281	–	3,281
17,995			17,995		–	17,995
606,580	606,580					606,580
5,000	5,000					5,000
356	356					356
3,256				3,256		3,256
606,427	606,427					606,427
3,281				3,281		3,281

For financial instruments accounted at fair value, the fair value is determined, in principle, by way of stock market prices. Insofar as stock market prices are not available, measurement is carried out applying standard economic methods (measurement methods), taking instrument-specific market parameters as a basis.

Fair value assessment is carried out by means of the discounted cash flow method, where the individual credit-standings and other market circumstances in the form of standard market credit-standings or liquidity spreads are taken into account in the cash value assessment.

Financial assets are measured at acquisition cost (if necessary taking into account value adjustments). A reliable assessment of the fair market value at the valuation at aquisition costs would only be possible within the scope of specific sales negotiations.

For loans and receivables, which are measured at amortised acquisition costs, there is no liquid market. For short-term loans and receivables it is assumed that the fair value corresponds to the carrying amount. All other loans and receivables are assessed at fair value through the deduction of accrued interest on future expected cash flows. In this, interest rates are used for credits, for which credits with a corresponding risk structure, original currency and term have been re-concluded.

Trade payables and other current financial liabilities mainly have a term of less than one year, so that the carrying amount corresponds approximately to the fair value.

For the non-stock market listed borrowers' notes, liabilities to banks and other non-current liabilities, the fair values are cash values of the payments related to the liabilities taking market standard interest rates as the basis.

Fair Value Hierarchy

As at 31 December 2009, the financial assets and liabilities presented in the following table were held and measured at fair value.

Determining and the classification of fair value of financial instruments is based on a fair value hierarchy, which takes into account the significance of the input data used in the measurement and follows the following stages:

Stage 1: Prices listed on active markets (taken over unchanged) for identical financial assets and liabilities,

Stage 2: for assets or liabilities which are not represented by any listed price in accordance with Stage 1, either direct (as the price) or indirect (derived from price) observable input data,

Stage 3: input data applied that is not based on observable market data for the measurement of assets and liabilities (non-observable input data).

	€ K Stage 1	€ K Stage 2	€ K Stage 3	**€ K 31 Dec. 2009**
Financial assets				
Measured at fair value through profit or loss				
Other financial assets		0		0
Derivative financial instruments with hedge relation		706		706
Derivative financial instruments without hedge relation		876		876
Financial liabilities				
Measured at fair value through profit or loss				
Other financial liabilities		0		0
Derivative financial instruments with hedge relation		19,172		19,172
Derivative financial instruments without hedge relation		364		364

In the financial year there was no reclassification between Stages 1 and 2 in the measurement of fair value and there was no reclassification in or out of Stage 3 with respect to the measurement of fair value.

The net results of the financial instruments according to valuation category are shown as follows:

	From interest € K	Subsequent measuring			Disposal € K	**2009 € K**	2008 € K
		At fair value € K	Foreign currency translation € K	Value adjust-ment € K			
Loans and receivables	1,120		– 2,059	– 710	– 85	– 1,734	– 11,027
Assets in the category							
held to maturity							
available for sale							
held for trading		2,443				2,443	692
Liabilities in the category							
measured at amortised cost	– 20,190	– 2,369	– 2,208		53	– 24,714	– 34,070
held for trading		– 343				– 343	– 2,632
Total	**– 19,070**	**– 269**	**– 4,267**	**– 710**	**– 32**	**– 24,348**	**– 47,037**

Interests from financial instruments are recognised in interest results. Value adjustments on trade receivables are recognised in other operating expenses. Interest results from financial liabilities in the valuation category "liabilities at amortised cost" result essentially from interest expenses for the borrowers' note and for liabilities to banks.

Notes to the Cash Flows Statement

35 CASH FLOW STATEMENT

The Cash Flow Statement pursuant to IAS 7 “Cash Flow Statement” records the payment flow in a financial year and represents the inflow and outflow of the company's liquid funds. The payment flow is distinguished between cash flow from current operations and cash flow from investment and financing activity.

Cash and cash equivalents include, in addition to liquid funds in the narrowest sense, cheques, cash in hand and money on account at banks, as well as current financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortised cost.

The cash flow from current operations was calculated by the indirect method through adjusting the earnings before tax by changes in inventories, trade receivables and payables, non-cash items and all other items showing cash flows in the investment or financing areas. The cash flows from operating activities include payments received from the granting of licences in an amount of € 10,000 K. The cash flows from investment and financing activities were each calculated in terms of actual sums paid. Effects from foreign currency translation and changes in the consolidated group are adjusted accordingly.

Investment transactions for finance lease agreements that did not lead to a change in the means of payment did not occur in the financial year 2009 (previous year: € 32 K).

Payments made for investments in financial assets resulted from the purchase of shares in Mori Seiki Co. Ltd.

Cash flow from financing activities includes the payment received from the capital increase in an amount of € 18.076 K as well as payments made of € 500 K for the cost of the capital increase.

Notes to Segmental Reporting

36 EXPLANATORY NOTES TO THE SEGMENTS

Within the scope of segment reporting, the business activities of the GILDEMEISTER group are differentiated pursuant to the requirements of IFRS 8 in the business segments of “Machine Tools”, “Services” and “Corporate Services”. IFRS 8 changes segment reporting from the so-called “risk and reward approach” of IAS 14 to the “management approach” regarding segment identification. A decisive factor in this respect is the information that is regularly available to the so-called “chief operating decision maker” for the purpose of making decisions on the allocation of resources and the assessment of profitability. The segment breakdown follows internal management and reporting on the basis of the different products and services. The key figures for evaluating profitability in the business segments are the sales revenues and the EBT. Presentation in a table, as a part of the notes, can be found on page 104 et seq.

The **"Machine Tools"** segment includes the group's new machines business and consists of the "turning", "milling", "ultrasonic / lasertec" technologies and Electronics. This includes the lathes and turning centres of

- _ GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- _ GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy,
- _ GRAZIANO Tortona S.r.l., Tortona, Italy,
- _ FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
- _ DMG ECOLINE GmbH, Klaus, Austria,
- _ DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,

the milling machines and machining centres of

- _ DECKEL MAHO Pfronten GmbH, Pfronten,
- _ DECKEL MAHO Seebach GmbH, Seebach,
- _ DMG ECOLINE GmbH, Klaus, Austria,
- _ DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,

the ultrasonic and laser machines of

- _ SAUER GmbH, Idar-Oberstein / Kempten

and the products of

- _ DMG Electronics GmbH, Pfronten.

All produced machines are classified as cutting machine tools, thus all business segments are concurrent with each other.

The **"Services"** segment, which covers all areas, is directly related to the machine tools and, with its products and services, represents an independent segment.

It consists of business activities of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, and their subsidiaries, as well as a+f GmbH with the two business divisions "SunCarrier" and "Components". The latter company serves the growing solar technology market with the "SunCarrier". The business model is focused primarily on the complete execution of turnkey products and after-sales service. In the area of "Components", a+f GmbH is geared towards the marketing of components especially for wind energy.

DMG Service Solutions offer the right product mix worldwide of service support and service products. The service solutions include various services, which, through our highly-qualified service staff and our worldwide sales and service network, ensure direct customer contact and rapid availability. The DMG service products – such as DMG Power tools, measuring devices and tool management from DMG MICROSET – enable the user to increase the productivity of his DMG machine tools considerably. In addition to introduction and consulting services, these also include traditional maintenance and service activities, installation and initial training, as well as the used machines business. In addition, with its highly up-to-date service centre, DMG SPARE PARTS provides reliable and fast supply of DMG spare parts. DMG AUTOMATION offers integration solutions to automate machine tools and has been managed organisationally in the "Services" segment since 1 July 2009. Another area is key accounting for the management of major international customers, which has been concentrated across all areas and products.

The **"Corporate Services"** segment also comprises, in addition to GILDEMEISTER Aktiengesellschaft with its group wide holding functions, GILDEMEISTER Beteiligungen AG, which, as the parent company of all the production plants, has a central importance. Central functions have been assigned to GILDEMEISTER Aktiengesellschaft such as group strategy, development and purchasing coordination, management of overall projects in the production and logistics areas, funding, corporate controlling and corporate personnel management. The group wide standard IT has been combined in GILDEMEISTER Beteiligungen AG. Expenses and sales revenues result from holding functions.

37 EXPLANATORY NOTES TO THE SEGMENTAL INFORMATION

The definition of terms used in individual segment information is in line with the management principle for the value-orientated corporate governance of the GILDEMEISTER group. The same accounting and measurement policies are applied in principle as those forming the basis of the consolidated financial statements.

As DMG Automation GmbH has been allocated organisationally to the "Services" segment since 1 July 2009, the previous years' data for the "Machine Tools" and "Services" segments have been adjusted accordingly.

The segment assets include all assets tied up in the operative business including goodwill and deferred items, they do not include income tax claims. To evaluate profitability in the segments, sales revenues from the "Machine Tools" segment were reclassified to the "Services" segment. Sales revenues between the segments reflect standard market transfer prices.

Within the scope of exercising the option pursuant to IFRS "Business Combinations", existing goodwill was allocated to the segments as follows: the "Machine Tools" segment accounted for goodwill in an amount of € 39,072 K (previous year: € 44,311 K), the "Services" segment accounted for € 36,652 K (previous year: € 31,448 K) and the "Corporate Services" segment accounted for € 0 K (previous year: € 0 K). Through the reclassification of DMG Automation GmbH to the "Services" segment, in comparison with the previous year there was a change in allocation of goodwill that arose upon the purchase of the company.

In the financial year no impairment of goodwill was recognised.

Investments refer to additions to tangible fixed assets and to intangible assets.

Sales revenues between the segments show the sales revenues that were transacted between the segments. The transfer prices for intra-group sales revenues are set on a market value basis (arm's length principle).

Depreciation relates to segment fixed assets.

The EBT of the "Machine Tools" segment includes income from the dissolution of provisions in an amount of € 8,248 K in the reporting period. In addition, income arose from granting licences in an amount of € 5,606 K. The EBT of the "Services" segment includes income from the dissolution of provisions in the reporting period in an amount of € 21,800 K as well as income from granting licences in an amount of € 4,394 K.

In the reporting period, the "Corporate Services" segment includes non-cash expenses from the scheduled amortisation of transaction costs for financial instruments in an amount of € 1,105 K (previous year: € 671 K). No significant non-cash expenses arose in the two other segments.

In financial year 2009 and in the previous year, no transactions were carried out with any one customer that were more than 10% of the sales revenues of the GILDEMEISTER group.

The reconciliation column contains the elimination of intra-group receivables and liabilities, income and expenses, as well as the profit / loss from the elimination of accounts between the segments.

The information on geographical areas is based on the corporate seats of the group companies and is divided into the regions of Germany, the rest of Europe, North America, Asia and the rest of the world, which includes Mexico and Brazil. The data is determined on the basis of geographical corporate divisions.

Non-current assets arise principally from fixed assets; they do not include any financial instruments or deferred tax claims.

Other explanatory notes

38 AUDITOR'S FEES AND SERVICES

In the financial year 2009, the fees of the – recorded as expenses – auditor of the Consolidated Financial Statements, KPMG AG, Wirtschaftsprüfungsgesellschaft as well as for its affiliated companies within the meaning of Section 271 paragraph 2 HGB (German Commercial Code) amounted to € 1,086 K (previous year: € 1,005 K). This includes the fees and expenses for the group audit. An amount of € 447 K (previous year: € 694 K) was also charged in expenditure for other services as well as other verification and valuation services of € 4 K (previous year: € 111 K).

39 EVENTS OCCURING AFTER THE BALANCE SHEET DATE

Material events occurring after the end of the reporting period are set out in the Supplementary Report to the Group Management Report and are disclosed in the notes to the individual items to the financial debts in the Notes to the Consolidated Financial Statements. No other material events occurred before the date of submission to the Supervisory Board on 9 March 2010.

40 INFORMATION ON RELATIONS WITH AFFILIATED COMPANIES AND PERSONS

Related persons and companies within the meaning of IAS 24 "Related Party Disclosures" are, in principle, members of the Executive Board and of the Supervisory Board, close members of their families and subsidiaries that are not fully consolidated. Related persons were not party to any major transaction or any transaction of unusual nature or structure with companies of the GILDEMEISTER group.

41 DUTY OF NOTIFICATION PURSUANT TO SECTION 26 WPHG

Mori Seiki Co. Ltd., Nagoya, Japan, has notified us pursuant to Section 21 para. 1 WpHG (German Securities Trading Act) by letter of 8 April 2009 that its share of voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, exceeds the thresholds of 3% and 5% as of 7 April 2009 and amounts to 5.00087721% (number of votes: 2,279,500).

42 CORPORATE GOVERNANCE

The declaration of compliance in accordance with Section 161 of the German Companies Act (AktG) was made on 31 December 2009 and has been made permanently accessible to shareholders on our website at www.gildemeister.com.

Affiliated companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
GILDEMEISTER Beteiligungen AG, 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]			6,942	100.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [6]	T CNY	143,090	14,549	100.0
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [6]	T PLN	64,803	15,788	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [4/6/7]			15,750	100.0
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy [6]			110,037	100.0
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [3]			55,519	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [3]			11,633	100.0
SACO S.p.A., Castelleone, Italy [3]			1,487	100.0
DMG Italia S.r.l., Brembate di Sopra, Italy [3]			3,619	100.0
a+f Italia S.r.l., Milan, Italy [3]			886	100.0
SOLEINTENSO S.r.l., Spinazzola, Italy [21]			– 9	100.0
MASSERIA MARAMONTI S.r.l., Milan, Italy [21]			0	100.0
DECKEL MAHO Seebach GmbH, Seebach [4/6/7]			8,363	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]			12,000	100.0
GILDEMEISTER Finance S.à.r.l., Luxembourg [6]			2	100.0
MITIS Grundstücks-Vermietungs Gesellschaft mbH & Co. Objekt Bielefeld KG, Dusseldorf [4]			– 53	100.0
MITIS Grundstücks-Vermietungs Gesellschaft mbH, Dusseldorf [4]			35	100.0
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [2/4/5]			124,863	100.0
DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg [4/5/10/11]			45,001	100.0
DMG München Vertriebs und Service GmbH für Werkzeugmaschinen DECKEL MAHO GILDEMEISTER, Munich [4/5/12/13]			929	100.0
DMG Hilden Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Hilden [4/5/12/13]			935	100.0
DMG Bielefeld Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [4/5/12/13]			957	100.0
DMG Berlin Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Berlin [4/5/11/12]			301	100.0
DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg [4/5/12/13]			610	100.0
GILDEMEISTER Italiana Deutschland GmbH, Leonberg [4/5/12/13]			300	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS (CONTINUATION)

	National currency	Equity [1]	€ K	Participation quota in %
DMG Europe Holding GmbH, Klaus, Austria [10]			79,566	100.0
DMG Asia Pacific Pte. Ltd., Singapore [14]	T SGD	9,636	4,772	100.0
DMG Australia Pty. Ltd., Clayton Victoria, Australia [15]	T AUD	5,862	3,662	100.0
DMG (Thailand) Co. Ltd., Bangkok, Thailand [15]	T THB	15,797	329	100.0
DMG Austria GmbH, Klaus, Austria [14]			5,003	100.0
DMG ECOLINE GmbH, Klaus, Austria [14]			99	100.0
DMG Middle East FZE, Dubai, United Arab Emirates [14]	T AED	1,903	360	100.0
DMG Benelux B.V., Veenendaal, Netherlands [14]			35,865	100.0
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brazil [16]	T BRL	5,281	2,103	100.0
DECKEL MAHO GILDEMEISTER Iberica S.L., Ripollet, Spain [16]			2,522	100.0
AF Sun Carrier Ibérica S.L., Madrid, Spain [22]			0	100.0
DMG America Inc., Itasca, USA [16]	T USD	43,763	30,378	100.0
DMG Charlotte LLC, Charlotte, USA [17]	T USD	2,179	1,512	100.0
DMG Chicago Inc., Itasca, USA [17]	T USD	2,778	1,928	100.0
DMG Houston Inc., Houston, USA [17]	T USD	89	62	100.0
DMG Los Angeles Inc., Los Angeles, USA [17]	T USD	333	231	100.0
DMG Boston LLC, Burlington, USA [17]	T USD	2,622	1,820	100.0
a+f USA LLC, Wilmington, USA [17]	T USD	0	0	100.0
DMG Asia Pte. Ltd., Singapore [16]			13,579	100.0
DMG Benelux BVBA – SPRL., Zaventem, Belgium [16]			3,184	100.0
DMG France S.a.r.l., Les Ulis, France [16]			4,785	100.0
DMG Czech s.r.o., Brno, Czech Republic [16]	T CZK	166,643	6,295	100.0
DMG Polska Sp. z o.o., Pleszew, Poland [16]	T PLN	22,780	5,550	100.0
DMG (Schweiz) AG DECKEL MAHO GILDEMEISTER, Dübendorf, Switzerland [16]	T CHF	17,606	11,867	100.0
DMG Romania Sales & Services S.r.l., Bukarest, Romania [16]	T RON	628	148	100.0
DMG South East Europe E.P.E., Thessaloniki, Greece [16]			80	100.0
DMG (U.K.) Ltd., Luton, Great Britain [16]	T GBP	3,878	4,366	100.0
DMG Russland O.O.O., Moscow, Russia [14]	T RUB	45,762	1,060	100.0
DMG Istanbul Makine Tikaret ve Servis Limited Sirketi, Istanbul, Turkey [14]	T TRY	3,318	1,540	100.0
DMG Malaysia SDN BHD, Puchong / Kuala Lumpur, Malaysia [14]	T MYR	7,258	1,471	100.0
DMG Nippon K.K., Yokohama, Japan [14]	T JPY	455,466	3,420	100.0
DMG Scandinavia Sverige AB, Sollentuna, Sweden [14]	T SEK	19,862	1,937	100.0
DMG Hungary Kereskedekmi és Szeviz Korlatolt Felelösségü Tarasag, Budapest, Hungary [14]			913	100.0
DMG Scandinavia Norge AS, Langhus, Norway [14]	T NOK	5,676	684	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS (CONTINUATION)

	National currency	Equity [1]	€ K	Participation quota in %
DMG Canada Inc., Toronto, Canada [10]	T CAD	1,773	1,172	100.0
DECKEL MAHO GILDEMEISTER México S.A. de C.V., Queretaro, Mexico [10]	T MXN	4,337	229	100.0
DMG Technology Trading (Shanghai) Co. Ltd., Shanghai, China [10]	T CNY	51,685	5,255	100.0
DMG DECKEL MAHO GILDEMEISTER (India) Pvt. Ltd., Bangalore, India [10]	T INR	363,556	5,418	100.0
DMG Machinery Taiwan Ltd., Taichung, Taiwan [10]	T TWD	53,993	1,161	100.0
DMG Korea Ltd., Seoul, Korea [10]	T KRW	4,577,498	2,746	100.0
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [4/5/10/11]			1,500	100.0
DMG Service Fräsen GmbH, Pfronten [4/5/10/11]			2,730	100.0
DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER, Geretsried [4/5/10/11]			17,517	100.0
DMG Gebrauchtmaschinen Czech s.r.o., Zlin, Czech Republic [18]	T CZK	16,088	608	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
a+f GmbH, Wurzburg [4/5/10/11]			20,100	100.0

OTHER

BIL Leasing GmbH & Co 736 KG, Munich [19]	0	
BIL Leasing GmbH & Co 748 KG, Munich [20]	0	

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 Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
13) Management and profit and loss transfer agreement with DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
15) Participating interest of DMG Europe Holding GmbH
15) Participating interest of DMG Asia Pacific Pte. Ltd.
16) Participating interest of DMG Benelux B.V.
17) Participating interest of DMG America Inc.
18) Participating interest of DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER
19) Special Purpose Entity of DMG Frankfurt am Main Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bad Homburg, excluding capital share
20) Special Purpose Entity of DMG Stuttgart Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Leonberg, excluding capital share
21) Participating interest of a+f Italia S.r.l.
22) Participating interest of DECKEL MAHO GILDEMEISTER Ibérica S.L.

Corporate Directory

Supervisory Board

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

Hans Henning Offen,
Großhansdorf, born 1940, Chairman,
Independent Industry Consultant,
• Lindner Hotels AG, Dusseldorf, member of the Supervisory Board
* Schwarz Beteiligungs GmbH, Neckarsulm, member of the Advisory Board
* Familienstiftung Schwarz, Neckarsulm, member of the Supervisory Board
* Kaufland Stiftung & Co. KG, Neckarsulm, member of the Supervisory Board
* Lidl Stiftung & Co. KG, Neckarsulm, member of the Supervisory Board
* Heckler & Koch GmbH, Oberndorf am Neckar, Chairman of the Advisory Council until 28 July 2009
* Alpha-Stiftung, Dresden, Member of the Board of Trustees
* LD-Stiftung, Dresden, Member of the Board of Trustees
* Bürgerstiftung Stormarn, Bad Oldesloe, member of Executive Board

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

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

Günther Berger,
Munich, born 1948,
Independent Industry Consultant,
• Rathgeber AG, Munich, member of the Supervisory Board

Harry Domnik,
Bielefeld, born 1953,
1st secretary of the IG Metall Headquarters, Bielefeld,
* ThyssenKrupp Umformtechnik GmbH, Ludwigsfelde, Deputy Chairman of the Supervisory Board

Dr.-Ing. Jürgen Harnisch,
Mühlheim an der Ruhr, born 1942,
Independent Industry Consultant,
• Schenck Process Holding GmbH, Darmstadt, 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
* Kongsberg Automotive Holding ASA, Kongsberg, Norway, member of the Supervisory Board

Dr. jur. Klaus Kessler,
Stuttgart, born 1942,
Lawyer, until 31 October 2009,
Partner in Schelling & Partner
Lawyers and notaries, Stuttgart
Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW), Dusseldorf, member of the Executive Committee
* Baden-Württembergische Wertpapier Börse, Stuttgart, Deputy Chairman of the Stock Exchange Council

Prof. Dr.-Ing. Walter Kunerth,
Zeitlarn, born 1940,
Independent Industry Consultant,
• Götz AG, Regensburg, Chairman of the Supervisory Board
• Paragon AG, Delbrück, Chairman of the Supervisory Board
* Autoliv Inc., Stockholm, Sweden, member of the Board of Directors

Prof. Dr.-Ing. Uwe Loos,
Stuttgart, born 1946,
Independent Industry Consultant,
• Dorma Holding GmbH + Co. KGaA, Ennepetal, member of the Supervisory Board
• Adam Opel GmbH, Rüsselsheim, member of the Supervisory Board
* KUKA AG, Augsburg, member of the Supervisory Board,
* Claas KGaA mbH, Harsewinkel, member of the Shareholders' Committee
* Bharat Forge LTD, Pune, India, Non-Executive Independent Director
* CDP Bharat Forge GmbH, Ennepetal, member of the Advisory Board
* HP Pelzer Group, Witten, member of the Supervisory Board
* Rodenstock GmbH, Munich, member of the Supervisory Board, member of the Advisory Board

Dr.-Eng. Masahiko Mori,
Nagoya, born 1961,
President of Mori Seiki Co. Ltd.
since 6 November 2009

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

Günther-Johann Schachner,
Peiting, born 1952,
1st secretary of the IG Metall Headquarters,
Weilheim

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

Executive Board

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

Dipl.-Ing. Günter Bachmann,
Wutha-Farnroda

Dipl.-Kfm. Dr. Thorsten Schmidt,
Bielefeld

Dipl.-Kfm. Michael Welt,
Pfronten

Responsibility Statement

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

Bielefeld, March 16, 2010
GILDEMEISTER Aktiengesellschaft
The Executive Board

Rüdiger Kapitza

Dipl.-Kfm. Dr. Rüdiger Kapitza

Dipl.-Ing. Günter Bachmann

Dipl.-Kfm. Dr. Thorsten Schmidt

Dipl.-Kfm. Michael Welt

Auditor's report

We have audited the consolidated financial statements prepared by GILDEMEISTER Aktiengesellschaft, Bielefeld, comprising the income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the notes, together with the group management report for the business year from January 1 to December 31, 2009. The audit does not comprise the audit of the contents of the declaration of compliance according to § 161 AktG (German Limited Companies Act) included in the business report. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a, paragraph 1, HGB (German Commercial Code), are the responsibility of the Executive Board of the entity. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the Consolidated Financial Statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a, paragraph 1, HGB (German Commercial code), and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, March 16, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rehnen	Dübeler
Auditor	Auditor

GILDEMEISTER GROUP		IFRS							Changes against previous year in %
		2003	2004	2005	2006	2007	2008	2009	
Sales revenues	€ K	**977,763**	**1,051,500**	**1,125,897**	**1,328,971**	**1,562,037**	**1,903,964**	**1,181,222**	**– 38**
Domestic	€ K	475,688	502,892	501,946	612,758	730,372	829,874	496,475	– 40
International	€ K	502,075	548,608	623,953	716,213	831,665	1,074,090	684,747	– 36
% International	%	51	52	55	54	53	56	58	3
Total work done	€ K	**995,709**	**1,053,143**	**1,146,233**	**1,330,116**	**1,599,601**	**1,954,856**	**1,143,645**	**– 41**
Cost of materials	€ K	525,345	553,715	608,541	698,153	833,948	1,066,296	559,783	– 48
Personnel costs	€ K	270,577	282,524	295,926	320,201	366,411	405,497	346,025	– 15
Depreciation	€ K	36,430	29,339	31,369	32,600	32,311	30,663	29,119	– 5
Financial result	€ K	– 24,414	– 29,833	– 33,467	– 35,053	– 42,458	– 31,444	– 24,733	– 21
Earnings before taxes	€ K	**10,261**	**12,021**	**25,365**	**47,418**	**83,449**	**126,745**	**7,109**	**– 94**
Annual profit / loss	€ K	**– 3,579**	**5,577**	**13,530**	**27,100**	**50,137**	**81,119**	**4,706**	**– 94**
Adjusted results									
EBITDA	€ K	**71,105**	**71,193**	**90,201**	**115,071**	**158,218**	**188,852**	**60,961**	**– 68**
EBIT	€ K	**34,675**	**41,854**	**58,832**	**82,471**	**125,907**	**158,189**	**31,842**	**– 80**
EBT	€ K	**10,261**	**12,021**	**25,365**	**47,418**	**83,449**	**126,745**	**7,109**	**– 94**
Profit share of shareholders in GILDEMEISTER AG	€ K	**– 3,732**	**5,534**	**13,719**	**27,243**	**50,087**	**81,052**	**4,658**	**– 94**
Fixed assets	€ K	**270,569**	**262,500**	**262,353**	**265,420**	**285,262**	**301,330**	**326,024**	**8**
Intangible assets	€ K	99,795	98,912	100,928	97,387	100,057	99,368	100,149	
Tangible assets	€ K	170, 550	163,348	161,191	167,850	184,848	201,606	197,354	
Financial assets	€ K	224	239	234	183	357	356	28,521	
Current assets incl. deferred tax and deferred income	€ K	**604,343**	**708,148**	**699,063**	**689,437**	**864,863**	**1,089,028**	**826,630**	**– 24**
Inventories	€ K	264,365	276,565	288,777	292,964	361,044	425,858	391,235	
Receivables incl. deferred tax assets + prepaid expenses	€ K	328,553	371,285	388,366	354,292	408,267	405,248	350,955	
Cash and cash equivalents	€ K	11,425	60,297	21,920	42,181	95,552	257,922	84,440	
Equity [1]	€ K	**187,593**	**250,540**	**265,782**	**288,574**	**329,513**	**379,690**	**380,815**	
Subscribed capital	€ K	75,087	112,587	112,587	112,587	112,587	112,587	118,513	
Capital provisions	€ K	48,734	68,319	68,319	68,319	68,319	68,319	80,113	
Revenue provisions	€ K	63,772	68,597	85,014	108,070	148,958	199,067	182,427	
Net retained profits / loss	€ K	0	0	0	0	0	0	0	
Minority interests' share of equity	€ K	**1,198**	**1,037**	**– 138**	**– 402**	**– 351**	**– 283**	**– 238**	**– 16**
Outside capital	€ K	**686,121**	**720,108**	**695,634**	**666,283**	**820,612**	**1,010,668**	**771,839**	**– 24**
Provisions	€ K	133,958	123,456	125,407	166,206	214,041	252,676	188,051	
Liabilities incl. deferred tax liabilities + deferred income	€ K	552,163	596,652	570,227	500,077	606,571	757,992	583,788	
Balance sheet total	€ K	**874,912**	**970,647**	**961,416**	**954,857**	**1,150,125**	**1,390,358**	**1,152,654**	**– 17**
Employees (annual average)		4,849	4,932	5,090	5,202	5,588	6,051	5,763	– 5
Employees (31 Dec.)		4,823	4,984	5,083	5,367	5,772	6,191	5,197	– 16
Trainees		205	190	189	191	226	260	253	– 3
Total employees		**5,028**	**5,174**	**5,272**	**5,558**	**5,998**	**6,451**	**5,450**	**– 16**

GILDEMEISTER GROUP		IFRS							Changes against previous year in %
		2003	2004	2005	2006	2007	2008	**2009**	
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	3.5	4.0	5.2	6.2	8.1	8.3	2.7	– 68
Profit on sales (EBT) = EBT / Sales revenues	%	1.0	1.1	2.3	3.6	5.3	6.7	0.6	– 91
Profit on sales (annual result) = annual result / sales revenues	%	– 0.4	0.5	1.2	2.0	3.2	4.3	0.4	– 91
Equity return [1)] = annual result / equity (as of 01 Jan.) [3)]	%	– 1.8	3.0	5.4	10.2	17.4	24.6	1.2	– 95
Return on total assets = EBT + interest on borrowed capital / average total assets	%	4.1	4.8	6.3	8.7	12.2	12.7	2.8	– 78
ROI – Return on Investment = EBT / average total capital	%	1.2	1.3	2.6	4.9	7.9	10.0	0.6	– 94
Sales per employee = sales revenue / average number of employees (exc. trainees)	€ K	201.6	213.2	221.2	255.5	279.5	314.7	205.0	– 35
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	7.2	8.5	11.6	15.9	22.5	26.1	5.5	– 79
ROCE – Return on capital employed [1)] = EBIT / Capital Employed	%	5.2	6.1	8.4	12.3	17.8	21.0	3.9	– 81
Value added	€ million	305.4	324.5	354.9	403.1	492.9	564.3	378.8	– 33
Value added per employee	€ K	63.0	65.8	69.7	77.5	88.2	93.3	65.7	– 30
Balance sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	30.9	27.0	27.3	27.8	24.8	21.7	28.3	31
Working intensity of current assets = current assets / total assets	%	65.2	69.9	69.3	68.5	72.4	75.8	68.2	– 10
Equity ratio = equity / total capital	%	21.4	25.8	27.6	30.2	28.7	27.3	33.0	21
Borrowed capital ratio = borrowed capital / total assets	%	78.6	74.2	72.4	69.8	71.3	72.7	67.0	– 8
Assets and liabilities structure = fixed assets / current assets	%	47.5	38.7	39.4	40.6	34.3	28.6	41.5	45
Capital structure = equity / outside capital	%	27.3	34.8	38.2	43.3	40.2	37.6	49.3	31

>> to be continued

GILDEMEISTER GROUP		2003	2004	2005	2006 IFRS	2007	2008	2009	Changes against previous year in %
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	2.2	19.0	6.3	12.5	15.3	40.8	19.3	– 53
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	59.1	117.1	107.5	106.6	75.5	99.4	90.3	– 9
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	106.1	195.6	180.5	177.1	115.4	151.5	179.9	19
Net financial liabilities = bank liabilities + bond / borrower's note – liquid funds	€ million	342.1	314.0	305.1	216.7	165.0	120.4	244.9	103
Gearing [1] = net financial liabilities – equity before shares held by other shareholders	%	182.4	125.9	114.7	75.0	50.0	31.7	64.3	103
Working Capital = current assets – short-term borrowed capital	€ million	136.7	340.5	305.0	284.8	127.4	385.9	339.0	– 12
Net Working Capital = inventories + payments on account – customer prepayments + trade debtors – trade creditors	€ million	377.7	390.2	399.5	360.5	398.2	416.4	445.7	7
Capital Employed = equity + provisions + net financial liabilities	€ million	663.7	688.0	696.3	671.5	708.6	752.7	813.7	8
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / inventories of raw materials and consumables		5.8	5.0	5.5	5.9	5.3	6.0	3.0	– 51
Turnover rate of inventories = sales revenues / inventories		3.7	3.8	3.9	4.5	4.3	4.5	3.0	– 32
Turnover rate of receivables = sales revenues (incl. 16% or 19% VAT on domestic revenues) / average trade debtors		3.8	4.2	4.2	5.3	6.2	7.1	4.9	– 32
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)		1.1	1.1	1.2	1.4	1.4	1.4	1.0	– 25
DSO (Days sales outstanding) = average trade debtors / (sales revenues (incl. 16% or 19% VAT on domestic revenues)) x 365		96.1	87.3	86.2	68.4	58.6	51.2	75.2	47

GILDEMEISTER GROUP		IFRS							
		2003	2004	2005	2006	2007	2008	**2009**	Changes against previous year in %
Productivity ratios									
Intensity of materials = cost of materials / gross performance	%	52.8	52.6	53.1	52.5	52.1	54.5	48.9	– 10
Intensity of staff = staff costs / gross performance	%	27.2	26.8	25.8	24.1	22.9	20.7	30.3	46
Cash flow & Investments									
Cash flow from current operations	€ million	28.7	12.8	27.2	108.1	128.2	108.6	– 75.2	– 169
Cash flow from investment activity	€ million	– 32.3	– 20.1	– 24.4	– 35.1	– 46.7	– 49.4	– 56.5	14
Cash flow from financing activity	€ million	– 1.8	57.0	– 41.7	– 52.5	– 27.7	104.0	– 42.3	– 141
Free Cashflow = cash flow from current operations + cash flow from investment activity (exc. cash flow from financial investments)	€ million	– 3.7	– 6.4	3.2	74.8	84.8	60.1	– 100.5	– 267
Investments	€ million	36.4	21.8	26.8	37.2	53.1	50.2	57.8	15
Share & valuation									
Market capitalisation	€ million	237.4	225.2	253.8	414.0	801.1	339.9	516.4	52
Company value = Market capitalisation + bank liabilities + bond liabilities / borrowers' note + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	643.8	609.8	636.0	698.3	1.071.4	552.6	846.3	53
Earnings per share [2)] = result after minority interests / number of shares	€	– 0.13	0.15	0.32	0.63	1.16	1.87	0.10	– 95
Price-to-earnings ratio (P / E) = market capitalisation / EBT		23.1	18.7	10.0	8.7	9.6	2.7	72.6	2.609
Company value-EBITDA-ratio = company value / EBITDA		9.1	8.6	7.1	6.1	6.8	2.9	13.9	374
Company value-EBIT-ratio = company value / EBIT		18.6	14.6	10.8	8.5	8.5	3.5	26.6	661
Company value sales ratio = company value / sales		0.7	0.6	0.6	0.5	0.7	0.3	0.7	147

1) Under HGB incl. minority interests; under IFRS excl. minority interests, from 2004 incl. minority interests.
2) Under HGB in acc. with DVFA / SG; the share capital was split 1:10 in 1999; the figures for the previous years were adjusted accordingly.
3) Without consideration of the capital increased accomplished at 16 June 2004

Commercial Glossary

ABS transaction
The asset backed securities (ABS) convert previously non-liquid assets into negotiable securities. Specific financial assets of the company are bought, usually by a special-entity company, and placed in a 'pool of receivables'. The special-entity company refinances the sales price via the capital market by issuing securities.

Borrower's note loan (Schuldscheindarlehen)
Form of long-term borrowing. The borrower is granted a loan by the lender, which is confirmed by a promissory note. The note certifies that a debt exists.

Cash flow
Changes in liquid funds in a reporting period.

Cashflow statement
View of liquidity development / payment flows taking into account the sources and application of funds effects.

Corporate bond
A bond issued by a company with a fixed term and usually fixed regular coupon for the purpose of procuring a large volume of long-term external capital on the domestic and foreign markets.

Corporate Governance
The responsible management and control of companies geared towards the creation of long-term value.

Covenants
Additional or supplementary stipulations in credit agreements. The borrower agrees to observe specific indices. If these are breached the agreement may be terminated.

Deferred taxes
Inter-period differences between calculated taxes on profit or loss from a commercial and tax balance sheet, with the object of showing tax expenditure in accordance with the correct commercial result.

Derivative financial instruments
Contractual obligations whose value depends on the exchange rates or prices of a base object. These may be options, swaps or forward contracts.

D&O insurance
The Directors' and Officers' insurance insures the risk arising from liability of executive board members, supervisory board members and managers.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBIT
Earnings before interest and taxes.

EBT
Earnings before taxes

Factoring
The sale of receivables to a third party.

Free Cash flow
Free funds that are available to the company, arising from the cash flow balance from current operations and investment activity. Investments in the financial assets are not taken into account in this respect.

Free Float
Part of the share capital in portfolio investments.

Gearing
Percentage ratio of net financial debt to owners' equity capital before non-controlling interests.

Goodwill
Percentage of the purchase price of a company which exceeds the value of the assets calculated as fractional values

Hedging Transactions
Safeguarding or hedging interest or currency risks of one or more underlying transactions; derivative financial instruments may be used.

IFRS / IAS
International Financial Reporting Standards. Internationally applicable accounting standards to ensure international comparability of group accounts and to meet the information requirements of investors and other readers of annual accounts by providing a high degree of transparency. The individual sections of the IFRS are called IAS (International Accounting Standards).

Local Content
Percentage of goods purchased in the country of the production plant (in contrast to imported components) in the value of a product

LTI
Long-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board(Long Term Incentive).

Market capitalisation
This is the current price of a listed company. It is determined by the share's market value multiplied by the total number of shares.

Merger
The joining together of two or more entities, which, until that time, had been legally and economically independent entities, into a single entity, whereby at least one of the entities loses its legal independence.

Natural Hedge
Form of safeguarding against risk, in which fluctuations in exchange rates are avoided by purchasing or selling in local currency.

ROCE
Return on capital employed: EBIT to equity, provisions and net indebtedness.

SD-KPIS
Sustainable Development Key Performance Indicators).

Swap
Derivative financial instrument to hedge risks. One type of swap is an interest rate swap by which two contractual parties agree to exchange interest payments. Usually a fixed interest rate is exchanged for a variable interest rate.

STI
Short-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board(Short Term Incentive).

Syndicated loan
A loan granted by several banks (syndicate), where the total risk (e.g. from credit standing, capital tie-up) is distributed among the banks and the credit limit applicable to each bank is not exceeded.

Value added statement
The value added statement presents the difference between the company's output and the consumption of products and services in terms of value. The contribution statement shows the contribution of those participating in the value-added processes – employees, companies, lenders, shareholders / minority interests and government.

WACC / Cost of capital
The WACC (weighted average cost of capital) is calculated as a weighted average of the cost of equity and of borrowing. The cost of equity is initially calculated after taxes. In doing so, for 2009 we used a risk-free interest rate of 3.9%, a market risk premium of 5.0% and a beta-factor of 1.0. The cost of borrowing rate amounted to 4.1% after taxes. The tax rate in the pre-tax view used was applied at a lump sum rate of 28.8%. The equity / borrowing ratio (at the carrying amount) lies at 33:67.

Technical Glossary

Advanced Materials (engl.)

Materials with special characteristics, such as abrasion resistance, resistance to heat or chemicals etc., which makes them suitable for the use in a wide variety of applications. Advanced materials include technical ceramics (zirconium oxide, silicon carbide, aluminium oxide), glass (quartz glass, Zerodur, Macor), composites (carbon or mineral fibre), metal carbide, hardened steel (hardness > 53 / 54 HRC) or precious stones such as ruby or sapphire. However, the economic machining of these materials usually requires the use of special technologies, e.g. ultrasonic or laser technology.

*co*Supply®

*co*Supply® represents the comprehensive partnership approach for powerful supply partnerships at GILDEMEISTER, characterised by the three functions: "communication", "cooperation" and "competence" and a striving for enhanced competitiveness.

Cross-Training

This training method serves to ensure uniform improvement of assembly capability of our employees on different types of machine. Through gradually increasing capability within the assembly chain and for all machines, it creates maximum deployment flexibility.

CTX

The CTX product line provides a differentiated programme of CNC universal lathes with a variety of innovative options for numerous machining tasks.

DMC H

The DMC H product line provides horizontal machining centres with high dynamics and precision for a wide range of uses, from fast serial production to heavy cutting with highest precision.

DMC U / FD

The DMC U / FD product line provides universal CNC machining centres equipped with a pallet switching system for 5-sided / 5-axis machining in fully automated serial production of complex parts.

DMC V

The DMC V product line has vertical machining centres with high dynamics and precision for high demands in both the tools manufacture and mould making industries and for small-lot and medium-sized serial production.

DMF

The DMF product range offers travelling column milling machines with high power and precision for demanding production. The thermo symmetrical travelling column construction allows precise machining with large travels.

DMU

The DMU product range with its well developed programme of CNC universal milling machines for 5-sided machining offers a good starting point for modern milling.

ECOLINE series

ECOLINE machines offer reasonably priced net technologically first-rate entry to CNC turning or milling. The universal lathing and milling machines are characterised by their low acquisition cost, their cost-effectiveness and their flexibility and are primarily intended for the Asian, American and eastern European markets.

Entry machines

In turning and milling, the entry machines market segment is served primarily by high precision robust machine tools for small and medium batch production. Entry machines stand out because of their economic efficiency, flexibility and low purchase price.

ERP-System BaaN

Standard application software for Enterprise Resource Planning (for example SAP / R3, BaaN). It is intended to be used in, and adapted to, a variety of organisational conditions and business processes in various industries and companies. It continuously supports processes, for example in materials and merchandise management or finances.

GMC / GM

The GMC / GM product line includes CNC multi-spindle turning centres and multi-spindle automatic lathes. GMC machines offer the latest control technology with 3D programming and integrated spindle motors, and can be fitted as required with linear drives in the X-axis for the highest dynamics and accuracy.

Laser technology

Laser technology or laser beam machining is an eroding process for machining metallic materials and materials that are not easily machinable, such as high-tech ceramics, silicon or metal carbide. It uses a spot-beam with a high energy level. With this process it is possible to create filigree contours and the finest cavities, and to perform laser fine cutting or drilling tasks in the 2D and 3D areas.

Lasertec

Machines in the Lasertec series permit the fast and economic machining of filigree workpieces and the finest cavities even in workpieces that are difficult to chip. The modular design of this line allows for a wide variety of applications for 3D laser erosion, laser fine cutting and laser drilling and for a combined production with high-speed milling machining.

NEF

The NEF product line offers an operator-friendly entry-level CNC universal lathe to be used in using modern turning technology at an affordable price. Thanks to their universal design, the machines are suitable for piece part manufacture and small-lot production.

PULL

PULL stands for Produktions- und Logistik-Leistung (performance of production and logistics) and has represented GILDEMEISTER production system since June 1998. In line with examples from the motor industry (Toyota production system, TPS) it combines different components and individual measures with the aim of increasing efficiency in production and in the production-related areas, such as materials planning, receipt of goods and stock of goods, in one continual improvement process.

PULLplus

The GILDEMEISTER value-added system PULLplus is the improvement of the production system PULL. It combines the idea of waste minimisation with a value-added based approach to all areas of the company. The adaptation to best-practice methods is carried out in a continuous improvement process.

Quality control loop

Quality planning, checking, control and improvement together form an operational and evolutionary control loop. In the operational control loop, any deviations detected will lead to controls of the manufacturing process in order to prevent errors developing or to stop any other errors occurring.

Ultrasonic

The Ultrasonic product line offers machines for ultrasound-supported, economic machining of 'advanced materials'. The ultrasonic assisted main spindles interfere with the traditional machining process (for example milling) through a high-frequency oscillating motion. Compared with traditional machining processes, this machine design results in a productivity that is up to five times higher, longer tool life and, at the same time, better surface quality and, with regard to the processed workpiece geometries, substantially higher flexibility.

Workflow

Work flows are organisation-wide processes based on a division of labour, where the required tasks are coordinated by either people or software systems.

Financial Calendar

18 March 2010	Press Conference on the balance sheet, Bielefeld
18 March 2010	Publication of Annual Report 2009
19 March 2010	Society of Investment Professionals in Germany (DVFA) Analysts' Conference, Frankfurt
04 May 2010	First Quarterly Report 2010 (1 January to 31 March)
14 May 2010	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld
17 May 2010	Distribution of Dividend
29 July 2010	Second Quarterly Report 2010 (1 April to 30 June)
09 November 2010	Third Quarterly Report 2010 (1 July to 30 September)
09 February 2011	Press release on provisional figures for the financial year 2010
13 May 2011	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld

Subject to alteration

Statements relating to the future

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

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

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

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

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