

The Technology Group: Turning, Milling, Ultrasonic/Lasertec and Services

Interim Report

1st Quarter 2006

GILDEMEISTER

Dear Shareholders,

the worldwide demand for machine tools continued to develop positively. Course of business at GILDEMEISTER developed according to plan in the first quarter.

Sales revenues rose to € 274.1 million (+14%); the order intake increased to € 339.2 million (+21%). The profit developed according to plan: EBITDA reached € 17.5 million (previous year: € 12.9 million), EBIT increased to € 9.8 million (previous year: € 5.8 million). EBT was € 2.2 million (previous year: € -1.8 million). As at 31 March 2006 the group reports an annual profit of € 1.1 million (previous year: € -2.7 million).

GILDEMEISTER assumes the announced overall positive business development in 2006. In the entire year, we expect an order intake of more than € 1.2 billion. In view of the order backlog, we assume that our sales revenues will increase following the order intake. For the financial year 2006, we expect an improvement in EBT and the annual profit of more than 30%. Due to the positive business and performance prospects, we are planning the distribution of a dividend for the current financial year.

Key Figures

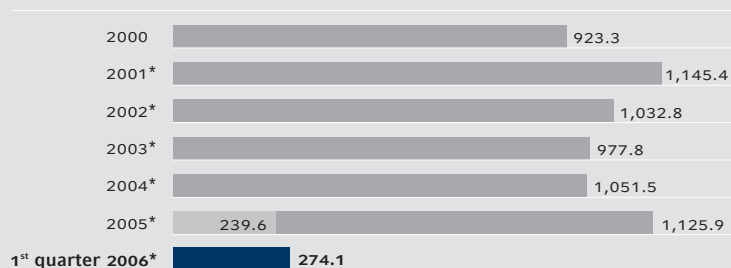
➔ The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft were prepared in accordance with the International Financial Reporting Standards (IFRS). The Interim Report has not been audited.

GILDEMEISTER group	2006	2005	Changes	
	1 st quarter	1 st quarter	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues				
Total	274.1	239.6	34.5	14
Domestic	120.4	98.1	22.3	23
International	153.7	141.5	12.2	9
% International	56	59		
Order intake				
Total	339.2	281.0	58.2	21
Domestic	156.1	123.1	33.0	27
International	183.1	157.9	25.2	16
% International	54	56		
Order backlog*				
Total	397.8	363.3	34.5	10
Domestic	153.4	138.6	14.8	11
International	244.4	224.7	19.7	9
% International	61	62		
Investments	4.3	5.7	-1.4	-25
Personnel costs	76.3	72.8	3.5	5
Employees	5,134	5,090	44	1
plus trainees	136	144	-8	-6
Total employees*	5,270	5,234	36	1
EBITDA	17.5	12.9	4.6	
EBIT	9.8	5.8	4.0	
EBT	2.2	-1.8	4.0	
Annual result	1.1	-2.7	3.8	

* Reporting date 31 March

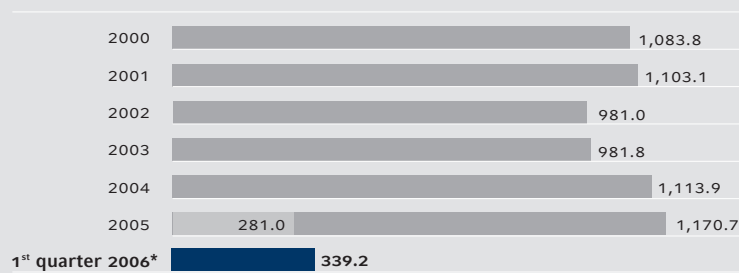
Sales revenues

in € million



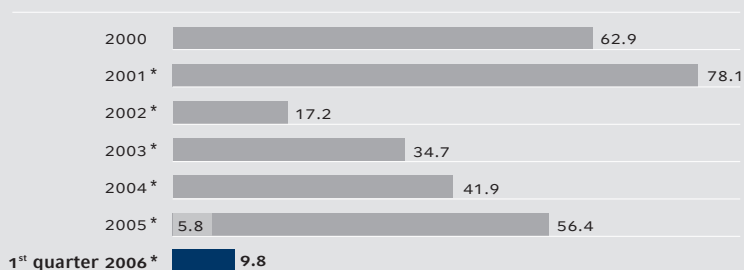
Order intake

in € million



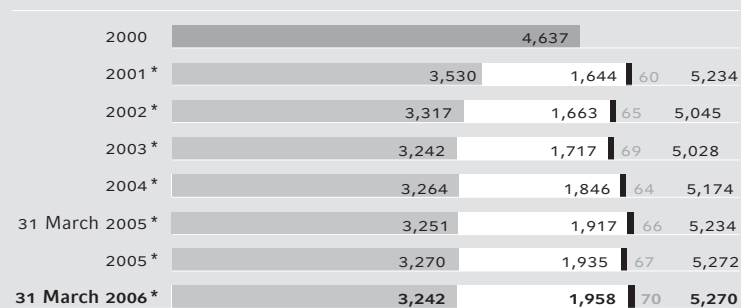
EBIT

in € million



Number of employees

incl. trainees



Machine tools
Services
Corporate Services

* in accordance with IFRS

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COVER PICTURE

Workpiece: Drive component made of stainless steel with radial nuts for the tacting of a cutting and sorting machine for the food industry.

The new **GMX 400 linear** by GILDEMEISTER Drehmaschinen GmbH integrates the most modern turning and milling technologies for the complete processing on 6 sides, thus enabling up to 40% shorter individual component production times.



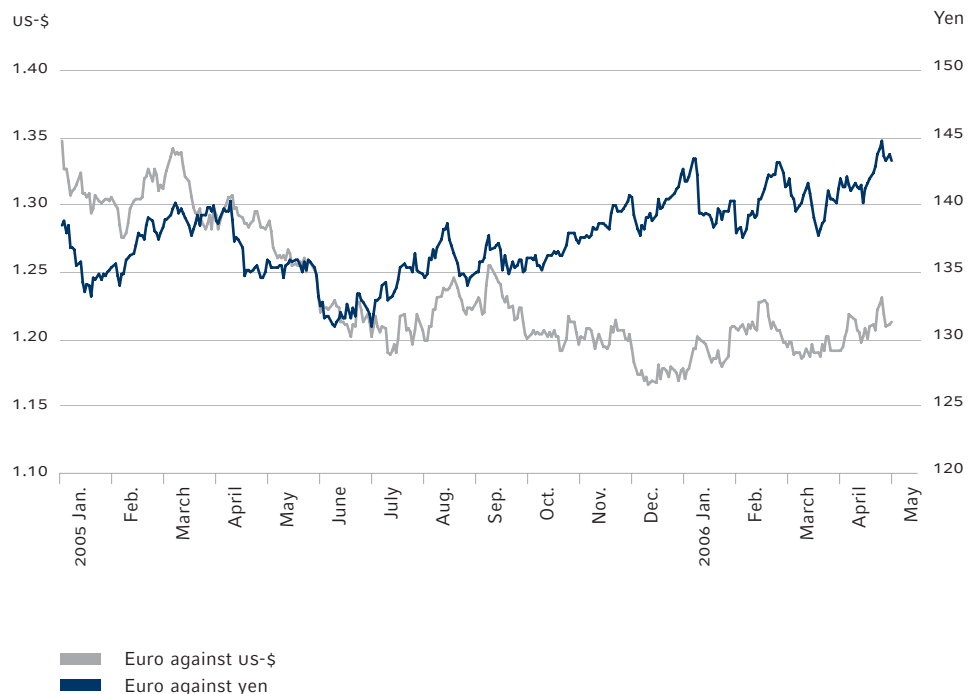
Overall, the economy continued to be geared towards growth in the first three months of the current year. The high economic vigour in Asia continued: In Japan and above all in China the economic situation continued to develop vigorously. In the USA a slight setback was indicated. In Germany it appeared to pick up slightly. According to provisional calculations by the Institute for World Economics (IfW), the gross domestic product continued to increase by 0.3% compared with the previous quarter.

The **foreign exchange rates** of the currencies most important for us – the us dollar and the yen – changed in the first quarter as follows: The euro started at \$ 1.18 at the beginning of the year (2 January 2006) and reached its highest rate of \$ 1.23 on 25 January 2006. In February the euro continued to lose value against the dollar, yet increased until the end of March. Overall, the euro gained 2% compared with the us dollar. The average value in the first quarter was at \$ 1.20 below the value of the previous year of \$ 1.31. The Chinese renminbi improved compared with the euro by 1.7% to 9.70 renminbi in the first quarter. Compared with the yen, the euro has seen itself in an upward trend since June 2005. From 1 January 2006 (yen 139.56) to 31 March 2006 (yen 142.42), it increased by 2%. The average rate was at yen 140.51 in the first quarter (same quarter of the previous year: yen 136.99).

Sources: German Economic Research Institute (diw), Berlin
 Economic Research Institute (ifo), Munich
 Institute for World Economics (IfW), Kiel

Exchange rate movements
euro in relation to us-\$ and yen

Source: European Central Bank,
 German Central Bank

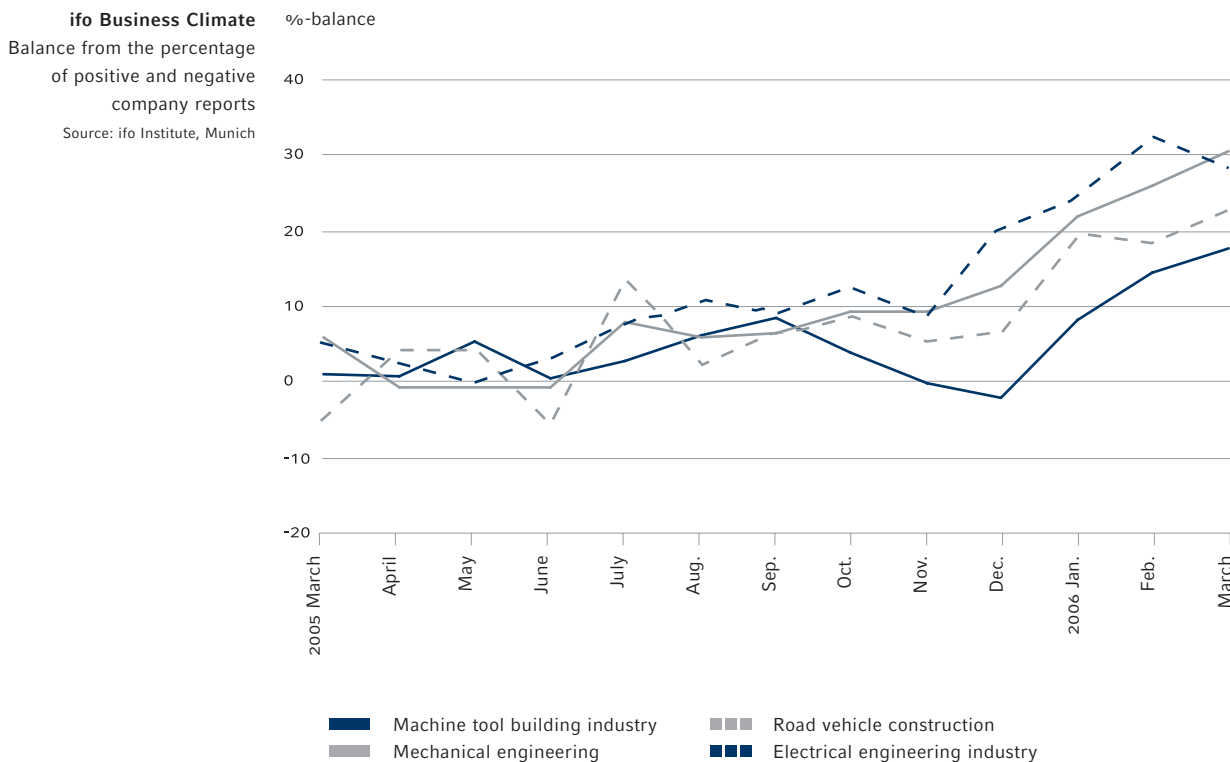


The **worldwide market for machine tools** will continue to develop positively in the year 2006. The most recent forecast (position: April 2006) by the ifo Institute and the German Machine Tool Builders' Association (VDW) continues to assume that world production and world consumption will each increase by 5% to € 43.8 billion.

Compared with the world market, the **German machine tool industry** picked up only slightly. For the year 2006, the VDW and the ifo Institute expected a growth in production of 2% and an increase in consumption by 4%. The order intake at the start of the year was below the high comparative figure of the previous year. In this, the growth stimuli came from Germany.

The ifo **business climate** for trade and industry increased in March 2006 for the fourth time in succession. The main consumer sectors for machine tools also demonstrated optimism.

Source: vdw (German Machine Tool Builders' Association)



GILDEMEISTER Aktiengesellschaft Bielefeld	Product plants			Product plants		
	Turning			Milling		
	GILDEMEISTER Drehmaschinen GmbH Bielefeld	GRAZIANO Tortona S.r.l. Tortona	GILDEMEISTER Italiana S.p.A. Bergamo	DECKEL MAHO Pfronten GmbH Pfronten	DECKEL MAHO Seebach GmbH Seebach	DECKEL MAHO Geretsried GmbH Geretsried

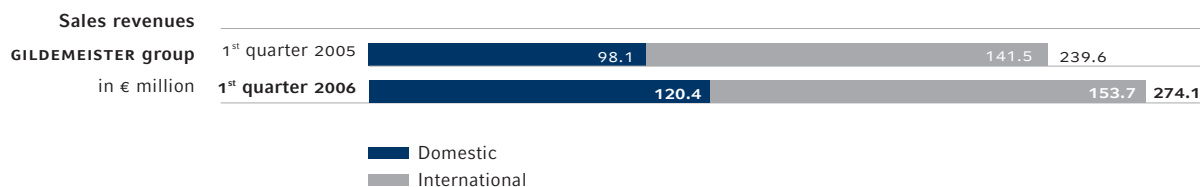
The GILDEMEISTER group including GILDEMEISTER Aktiengesellschaft comprised 64 enterprises as at 31 March 2006. The consolidated group has not changed compared with 31 December 2005.

A further measure in the reorganisation of the legal corporate structure was taken in February 2006. The direct investments of GILDEMEISTER Aktiengesellschaft in the production facilities at GILDEMEISTER Drehmaschinen GmbH, GILDEMEISTER Italiana S.p.A., FAMOT Pleszew S.A. as well as DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. were transferred to GILDEMEISTER Beteiligungen AG through a non-cash contribution.

The GILDEMEISTER shares are held exclusively in free float. The structure of shareholders has not changed significantly compared with 31 December 2005.

Sales revenues

Sales revenues reached € 274.1 million in the first quarter and were thus 14% above the value of the previous year (€ 239.6 million). Domestic sales revenues increased by 23% to € 120.4 million. International sales revenues increased by 9% to € 153.7 million. The export rate share was 56% (previous year: 59%).



Product plant Ultrasonic/Lasertec	Production plants		Sales and Service Organisation
SAUER GmbH Idar-Oberstein, Kempten	FAMOT Pleszew S.A. Pleszew	DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. Shanghai	DMG Vertriebs und Service GmbH Bielefeld
			59 Sales and Service Sites worldwide
			DMG MICORSET GmbH Bielefeld
			SACO S.p.A. Castelleone
			a & f Stahl- und Maschinenbau GmbH Würzburg

More detailed information on sales revenues development in each segment start on page 13.

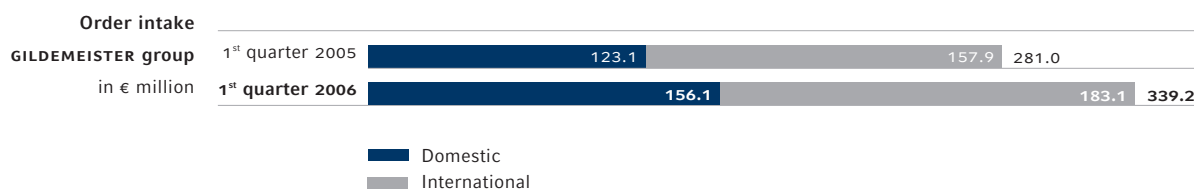
In view of the order backlog, we assume that our sales revenues will increase following the order intake.

Order intake

In the first quarter the order intake increased by 21% to € 339.2 million (previous year: € 281.0 million). Domestic orders increased by 27% to € 156.1 million (previous year's quarter: € 123.1 million). International orders increased by 16% to € 183.1 million (previous year's quarter: € 157.9 million). International sales revenues were thus 54% (previous year's quarter: 56%).

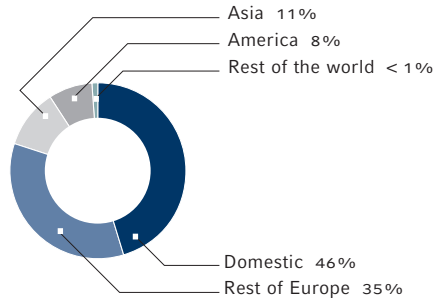
The positive development of order intake is due both to an increase in the orders for our innovative machine tools and the success of our new service concept.

More detailed information on the order intake of each segment start on page 14.

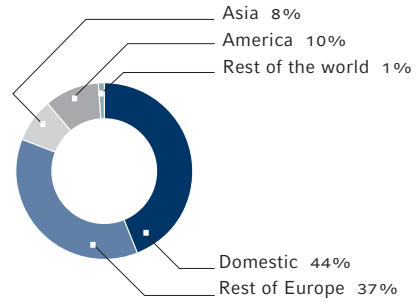


In the individual market regions the order intakes developed as follows:

Order intake by regions
GILDEMEISTER group
1st quarter 2006: € 339.2 million



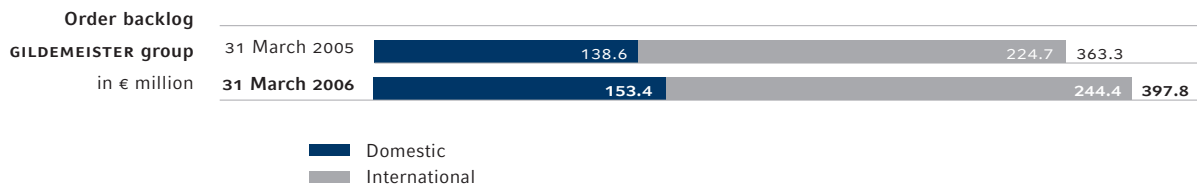
1st quarter 2005: € 281.0 million



In particular in Asia and Germany, the order intake increased to our great satisfaction at the start of the year. In the entire year, we expect an order intake of more than € 1.2 billion. Our market and customer-oriented product programme and the innovative services should contribute to this.

Order backlog

The order backlog in the group was € 397.8 million (+10%) on 31 March 2006. 61% of the orders received consisted of international orders (previous year: 62%). Compared with the previous year, the backlog of international orders increased by € 19.7 million, the backlog of domestic orders increased by € 14.8 million. During the current review of the order backlog we have carried out a corresponding adjustment.



For computing purposes, the order backlog signifies a production capacity utilisation of around four months and thus a good starting point for the current financial year.

Results of Operations, Net Worth and Financial Position

The development of earnings continued according to plan in the first quarter. **EBITDA** reached € 17.5 million (previous year: € 12.9 million), **EBIT** increased to € 9.8 million (previous year: € 5.8 million). **EBT** was € 2.2 million (previous year: € -1.8 million). The income position thus continued to improve compared with the previous year. After taxes, GILDEMEISTER reports an **annual profit** of € 1.1 million (previous year: € -2.7 million).

The total operating revenue increased by 13.8% to € 295.9 million (previous year: € 260.1 million). The share of materials in relation to the total operating revenue was 54.2% (previous year: 53.5%), which corresponds to a cost of materials of € 160.4 million (previous year: € 139.1 million). The gross profit increased by € 14.5 million to € 135.5 million (previous year: € 121.0 million) in the first quarter. The share of personnel costs improved to 25.8% (previous year: 28.0%). The personnel costs amounted to € 76.3 million (previous year: € 72.8 million). The balance of the other expenses and income was € 41.7 million (previous year: € 35.3 million) among other things due to higher distribution costs and increased rents and leasing expenses. The depreciations increased by € 0.6 million to € 7.7 million (previous year: € 7.1 million). The financial result was at € -7.6 million on the same level as the previous year (€ -7.6 million). The tax expenditure was € 1.1 million (previous year: € 0.9 million).

	31 Mar. 2006	31 Dec. 2005	31 Mar. 2005
	€ M	€ M	€ M
Net worth			
Fixed assets	259.6	262.3	261.1
Current assets	704.1	699.1	696.0
Equity	268.4	265.8	248.9
Outside capital	695.3	695.6	708.2
Balance sheet total	963.7	961.4	957.1

The balance sheet total as at 31 March 2006 increased by € 2.3 million to € 963.7 million compared with the annual balance sheet 2005. On the assets-side, the increase of the stocks by € 27.7 million to € 316.5 million compared with the decrease of the trade receivables by € 26.0 million to € 260.8 million. On the liabilities-side, the trade payables decreased by € 21.5 million to € 123.4 million. The long-term liabilities increased by € 19.1 million to € 353.3 million, the short-term liabilities were reduced by € 19.4 million to € 342.0 million.

The **cash flow** from the current operations improved compared with the same quarter of the previous year (€ -49.2 million) by € 26.3 million, but was still negative in the first quarter at € -22.9 million. The backlog of the trade receivables was reduced by € 25.1 million and contributed positively to the development of the cash flow. The increase in the inventories by € 27.6 million, the decrease of the trade payables by € 21.3 million as well as the changes of other assets in the amount of € 4.1 million and other liabilities by € 9.3 million had a negative effect on the cash flow.

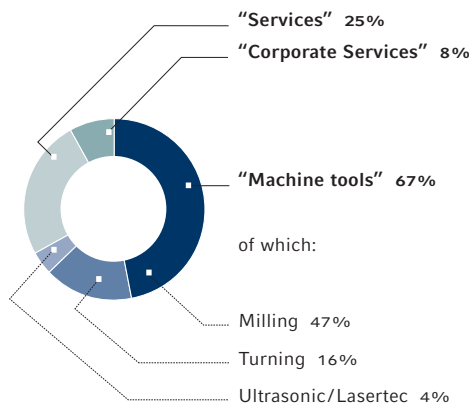
	2006	2005
	1 st quarter	1 st quarter
	€ M	€ M
Financial position		
Cashflow from the current operations	-22.9	-49.2
Cashflow from investment activity	-3.9	-5.4
Cash flow from financing activity	21.7	20.0
Change in cash	-4.8	-34.0
Liquid funds as at 1 January	21.9	60.3
Liquid funds as at 31 March	17.1	26.3

Investments

The investments in the first quarter were € 4.3 million and were thus below the previous year (€ 5.7 million). Overall, GILDEMEISTER transacted 12% of the investments planned for the current financial year (€ 35 million) in the first three months. The main focus of the investments for tangible fixed assets and intangible assets was formed by operating funds for new types of machines as well as capitalised development costs.

Contribution of each segment / division to investments

1st quarter 2006: € 4.3 million



Segments

“Machine tools”

The “Machine Tools” segment includes the group’s new machines business. It includes the turning, milling and ultrasonic/lasertec divisions. We have combined our development and technology expertise at five product plants.

SEGMENT “MACHINE TOOLS”	2006	2005	Changes	
	1 st quarter	1 st quarter	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues				
Total	183.5	165.1	18.4	11
Domestic	71.9	59.2	12.7	22
International	111.6	105.9	5.7	5
% International	61	64		
Order intake				
Total	239.2	205.6	33.6	16
Domestic	101.1	83.8	17.3	21
International	138.1	121.8	16.3	13
% International	58	59		
Order backlog*				
Total	355.5	325.0	30.5	9
Domestic	119.0	114.7	4.3	4
International	236.5	210.3	26.2	12
% International	67	65		
Investments	2.9	4.6	-1.7	-37
Employees	3,106	3,107	-1	0
plus trainees	136	144	-8	-6
Total employees*	3,242	3,251	-9	0
EBIT	2.8	3.9	-1.1	

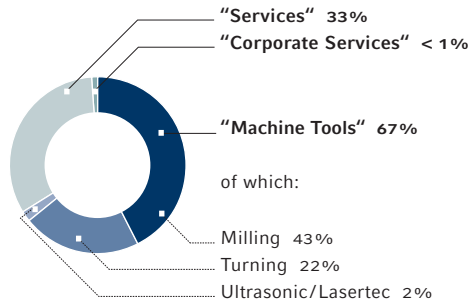
* Reporting date 31 March

The **sales revenues** in the reporting period amounted to € 183.5 million and were around € 18.4 million and accordingly 11% above the value of the previous year (€ 165.1 million). The “Machine Tools” segment had a share of 67% of the group sales revenues (previous year: 69%). DECKEL MAHO’s milling technology had a 43% share (previous year’s quarter: 41%). GILDEMEISTER’s turning technology had a 22% share (previous year’s quarter: 26%). The new ultrasonic and laser technologies had a 2% share (previous year’s quarter: 2%).

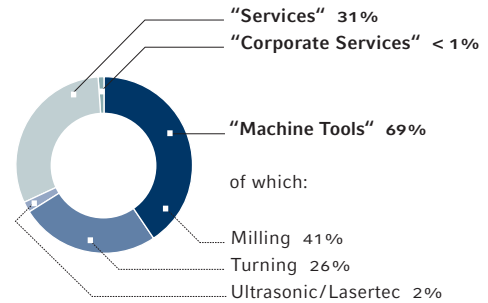
In relation to the sales revenues of the group, “Machine Tools” as well as “Services” and “Corporate Services” held the following shares:

Distribution of sales revenues by segments / divisions within the GILDEMEISTER group

1st quarter 2006: € 274.1 million



1st quarter 2005: € 239.6 million



The **order intake** in the “Machine Tools” segment increased by € 33.6 million and accordingly 16% to € 239.2 million (previous year’s quarter: € 205.6 million). Thus, 71% of all order intakes in the group were attributable to the “Machine Tools” (previous year’s quarter: 73%).

The product innovations introduced at the EMO last autumn were well received by the market. In connection with targeted marketing activities, the well visited spring trade fairs and the DMG ideal home exhibitions have contributed significantly to the higher order intake.

The **order backlog** amounted to € 355.5 million (previous year: € 325.0 million). In the first quarter, GILDEMEISTER achieved an **EBIT** of € 2.8 million (previous year: € 3.9 million) in the “machine tools” segment. Increased order intake has led to higher commission expenditure at the production plants.

“Services”

The “Services” segment mainly includes the corporate activity of DMG Vertriebs und Service GmbH and its subsidiaries. Our new **DMG Service Solutions** service concept was first introduced at the EMO 2005. It offers the customers worldwide specifically tailored service solutions and service products throughout the entire lifespan of the DMG machine tools. The **service solutions** include services by our highly qualified service staff, whose worldwide network guarantees direct customer contact and rapid availability. Besides the traditional preventive maintenance and after-sales services, this includes putting into operation and orientation, the training and further education by DMG Trainings-Akademie GmbH as well as the refitting of machines and the used machines business. Through the DMG service, our customers are additionally now also attended to by specialists outside of the usual business hours. The **service products** – such as the DMG spare parts, the DMG Powertools, the machine tools components of SACO S.p.A. as well as the calibration devices and tool management of DMG MICROSET GmbH – enable the user to further increase the productivity of its DMG machine tools. Current service news may be obtained at www.gildemeister.com.

SEGMENT “SERVICES”	2006	2005	Changes	
	1 st quarter	1 st quarter	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues				
Total	90.5	74.4	16.1	22
Domestic	48.5	38.8	9.7	25
International	42.0	35.6	6.4	18
% International	46	48		
Order intake				
Total	99.9	75.3	24.6	33
Domestic	54.9	39.2	15.7	40
International	45.0	36.1	8.9	25
% International	45	48		
Order backlog*				
Total	42.3	38.3	4.0	11
Domestic	34.4	24.0	10.4	44
International	7.9	14.3	-6.4	-45
% International	19	37		
Investments	1.1	1.0	0.1	5
Employees*	1,958	1,917	41	2
EBIT	11.2	5.8	5.4	

* Reporting date 31 March

In the first quarter of 2006, we started well in the “Services” segment: the demand for skilled after-sales services remains high. With the new concept of our DMG Service Solutions we meet service requirements at the highest level. The concept has been well received by our customers.

Sales revenues increased to € 90.5 million in the reporting period and were thus 22% above the previous year (€ 74.4 million). The “Services” segment had a total share of 33% of the sales revenues of the group (previous year: 31%). The **order intake** increased to € 99.9 million (previous year’s quarter: € 75.3 million). Thus, 29% of all order intakes were attributable to “Services”. The **order backlog** was € 42.3 million. The income position has improved according to plan in accordance with the sales development as well as the increased procurement services. **EBIT** was € 11.2 million (previous year: € 5.8 million).

“Corporate Services”

SEGMENT “CORPORATE SERVICES”	2006	2005	Changes	
	1 st quarter	1 st quarter	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues	0.1	0.1	0.0	0
Order intake	0.1	0.1	0.0	0
Investments	0.3	0.1	0.2	
Employees*	70	66	4	6
EBIT	-4.3	-3.8	-0.5	

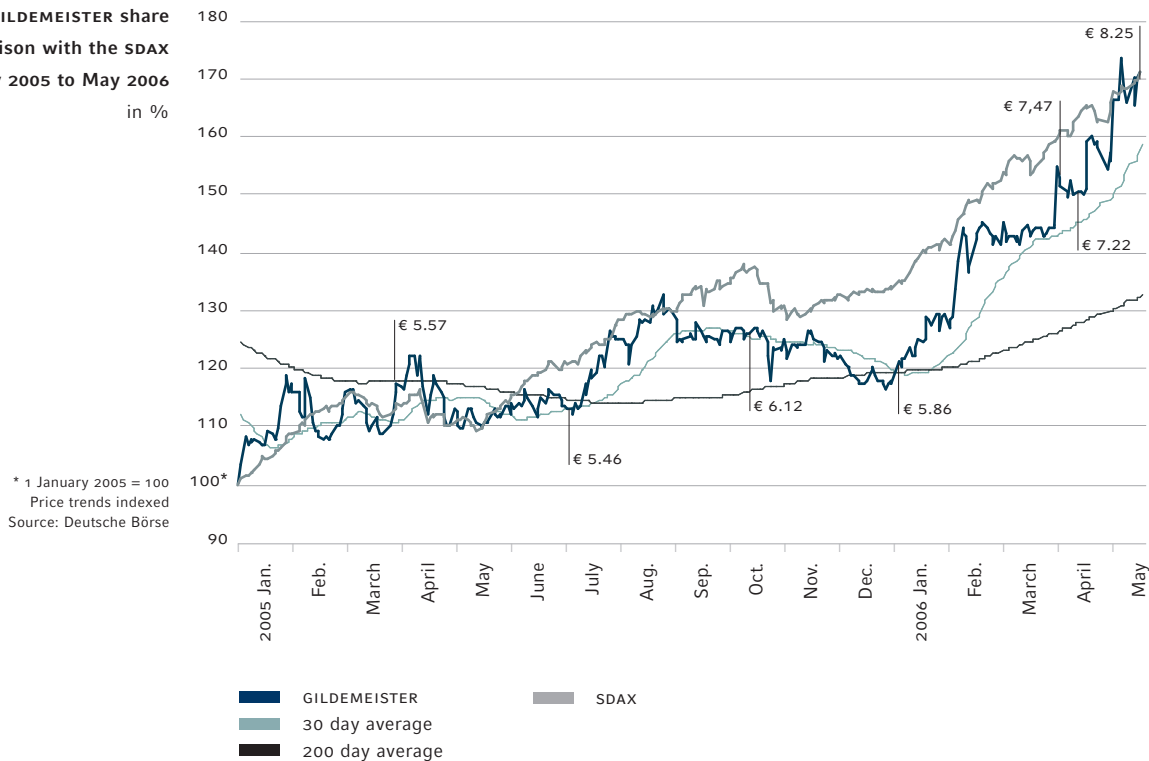
* Reporting date 31 March

The “Corporate Services” segment essentially includes GILDEMEISTER Aktiengesellschaft with its group-wide holding functions. **EBIT** was € -4.3 million (previous year: € -3.8 million).

GILDEMEISTER Share

The GILDEMEISTER share achieved a performance of 21% in the first quarter. After a price of € 5.96 on the first day of trading (2 January 2006) and the highest level of € 7.47 (22 March 2006), the share closed at the end of the last day of trading at € 7.22 (31 March 2006). At present, the price is listed at € 8,25 (5 May 2006). Current studies may be found in the Internet or requested from our investor relations team.

**The GILDEMEISTER share
in comparison with the SDAX
January 2005 to May 2006
in %**

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Research and development

The expenses for research and development were € 10.2 million in the first three months and were thus around the same level as the previous year (€ 9.9 million). 397 staff members (13% of the workforce at the plants) work on the development of our new products.

At the traditional home exhibition in Pfronten, we presented the first of the total of 16 new innovations planned for the reporting year. The new HSC 20 *linear* realigns the boundaries of the product line of ultrasonic machines and thus expands the spectrum of application for our customers. We are continuing our innovation-oriented product strategy and present the further new developments from the three divisions of Turning, Milling and Ultrasonic/Lasertec in the course of the year at 34 national and international trade fairs, such as METAV Nord in Düsseldorf, IMTS in Chicago, AMB in Stuttgart and JIMTOF in Tokyo as well as at the home exhibitions in our technology centres.



Innovative technology of SAUER GmbH:

The HSC 20 *linear* – combines the ultrasonic technology with conventional high speed milling machines in one machine. The water-cooled USB 40 processing spindle with up to 40,000 min⁻¹ opens a broad spectrum of applications.

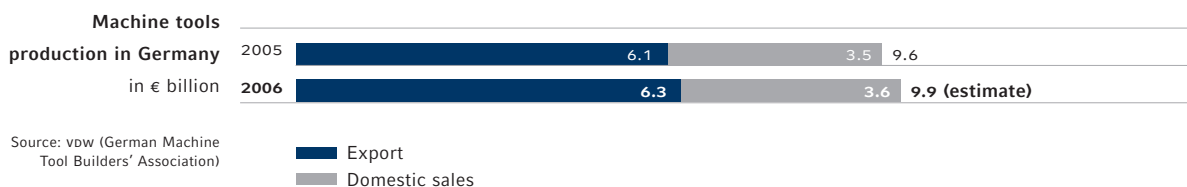


Employees

On 31 March 2006, 5,270 staff members, of which 136 were trainees, were employed (31 December 2005: 5,272). Compared with the end of year 2005, the number of staff remained virtually unchanged.

At the end of the first quarter, 3,120 staff members (59%) worked at the German and 2,150 staff (41%) at the foreign companies. The personnel expenditure was € 76.3 million (same quarter of the previous year: € 72.8 million). The personnel expenditure quota was reduced to 25.8% (same quarter of the previous year: 28.0%).

The **world economy** – driven by China and the USA – will again increase in the current financial year. However, the individual countries and regions will participate to various extents in this development. The most recent forecasts for the **machine tools** continue to assume growth. An increase in the worldwide demand by 5% is forecast by the German Machine Tool Builders' Association (VDW) and the ifo Institute in their most recent study for the year 2006. In this, the demand will continue especially in Asia and the USA. Also for the new EU member states, growth is expected; while overall in Europe this is increasing only slightly. For Germany, the study assumes an increase in production by 2% and an increase in consumption by 4%. The production is still based on the demand from abroad. An increase in German exports by 2% is expected; the domestic sales should increase by 3%.



GILDEMEISTER assumes an overall positive business development in 2006. Growth stimuli are again coming from Asia – particularly China and Japan. India will gain in importance. In the entire year, we expect an order intake of more than € 1.2 billion. In view of the order backlog, we assume that our sales revenues will increase following the order intake. For the financial year 2006, we expect an improvement in EBT and in the annual profit of more than 30%. Due to the positive business and performance prospects, we are planning the distribution of a dividend for the current financial year.

Consolidated Income Statement

	2006		2005		Changes	
	1 Jan. - 31 Mar.		1 Jan. - 31 Mar.		2006 against 2005	
	€ M	%	€ M	%	€ M	%
Sales revenues	274.1	92.6	239.6	92.1	34.5	14.4
Change in stock level of finished and unfinished products	20.7	7.0	19.0	7.3	1.7	8.9
Other payments capitalised	1.1	0.4	1.5	0.6	-0.4	26.7
Total operating revenue	295.9	100.0	260.1	100.0	35.8	13.8
Cost of materials	-160.4	-54.2	-139.1	-53.5	-21.3	15.3
Gross profit	135.5	45.8	121.0	46.5	14.5	12.0
Personnel costs	-76.3	-25.8	-72.8	-28.0	-3.5	4.8
Other income and expenses	-41.7	-14.1	-35.3	-13.6	-6.4	18.1
Depreciation	-7.7	-2.6	-7.1	-2.7	-0.6	8.5
Financial result	-7.6	-2.5	-7.6	-2.9	0.0	0.0
EBT	2.2	0.8	-1.8	-0.7	4.0	
Taxes on profits	-1.1	-0.4	-0.9	-0.3	-0.2	
Annual result	1.1	0.4	-2.7	-1.0	3.8	
<hr/>						
Earnings per share						
acc. to IAS 33 (in Euro)	0.02		-0.06			

Consolidated Balance Sheet

	31 Mar. 2006	31 Dec. 2005	31 Mar. 2005
	€ M	€ M	€ M
Assets			
Long-term assets			
Intangible assets	100.3	100.9	98.2
of which goodwill	68.9	67.9	67.9
Tangible assets	159.1	161.2	162.7
Financial assets	0.2	0.2	0.2
Trade debtors	1.1	1.3	0.4
Other long-term assets	9.2	10.9	2.4
Deferred taxes	32.0	27.7	25.1
	301.9	302.2	289.0
Short-term assets			
Inventories	316.5	288.8	311.0
Trade debtors	260.8	286.8	260.3
Other short-term assets	67.4	61.6	70.4
Cash and securities	17.1	22.0	26.4
	661.8	659.2	668.1
	963.7	961.4	957.1
Total equity and liabilities			
Equity			
Subscribed capital	112.6	112.6	112.6
Capital provisions	68.3	68.3	68.3
Revenue provisions	87.5	85.0	67.0
Shares to other shareholders	0.0	-0.1	1.0
	268.4	265.8	248.9
Long-term liabilities			
Long-term financial liabilities	287.0	266.5	318.1
Pension provisions	27.7	27.5	27.7
Other long-term provisions	20.2	22.3	20.5
Trade creditors	1.0	1.8	0.4
Other long-term liabilities	6.5	8.1	13.0
Deferred taxes	10.9	8.0	4.0
	353.3	334.2	383.7
Short-term liabilities			
Short-term financial liabilities	44.3	43.8	56.4
Other short-term provisions	84.3	75.6	73.0
Payments received on account	43.5	32.5	24.3
Trade creditors	122.4	143.1	126.0
Liabilities from bills of exchange	20.4	16.8	17.9
Other short-term liabilities	27.1	49.6	26.9
	342.0	361.4	324.5
	963.7	961.4	957.1

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Consolidated Cash Flow Statement

	2006	2005
	1 Jan. - 31 Mar.	1 Jan. - 31 Mar.
	€ M	€ M
Cash flow from current operations		
Earnings before taxes (EBT)	2.2	-1.8
Taxes on profits	-1.1	-0.9
Depreciation of assets	7.7	7.1
Change in deferred taxes	-1.4	-0.3
Change in long-term provisions	-2.1	-0.3
Other non-cash expense/income	0.6	-0.2
Change in short-term provisions	8.6	-2.0
Change in inventories, trade receivables and other assets	-6.7	-21.7
Change in trade payables and other liabilities	-30.7	-29.1
	-22.9	-49.2
Cash flow from investment activity		
Amounts paid out for investments in intangible assets and tangible assets	-4.3	-5.7
Amounts received from the disposal of fixed assets	0.4	0.3
	-3.9	-5.4
Cash flow from financing activity		
Amounts received from raising (financing) credits	21.7	20.0
Distribution of dividends to other shareholders	0.0	0.0
	21.7	20.0
Changes affecting payments	-5.1	-34.6
Consolidation and exchange rate related changes not affecting payments	0.3	0.6
Liquid funds as at 1 January	21.9	60.3
Liquid funds as at 31 March	17.1	26.3

Statement of Changes in Group Equity

	Subscribed capital	Capital-provisions	Revenue provisions	Shares to other shareholders	Group equity
	€ M	€ M	€ M	€ M	€ M
As at 1 Jan. 2006	112.6	68.3	85.0	-0.1	265.8
Annual profit / loss	0.0	0.0	1.0	0.1	1.1
Changes in currency / Change in market valuation of derivative financial instruments	0.0	0.0	1.5	0.0	1.5
Consolidation transactions / Other changes	0.0	0.0	0.0	0.0	0.0
As at 31 March 2006	112.6	68.3	87.5	0.0	268.4

	Subscribed capital	Capital-provisions	Revenue provisions	Shares to other shareholders	Group equity
	€ M	€ M	€ M	€ M	€ M
As at 1 Jan. 2005	112.6	68.3	68.6	1.0	250.5
Annual profit / loss	0.0	0.0	-2.6	-0.1	-2.7
Changes in currency / Change in market valuation of derivative financial instruments	0.0	0.0	1.0	0.0	1.0
Consolidation transactions / other changes	0.0	0.0	0.0	0.1	0.1
As at 31 March 2005	112.6	68.3	67.0	1.0	248.9

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Consolidated Segmental Reporting

	Machine tools	Services	Corporate Services	Transitions	Group
1st quarter 2006	€ M	€ M	€ M	€ M	€ M
Sales revenues	183.5	90.5	0.1		274.1
EBIT	2.8	11.2	-4.3	0.1	9.8
Investments	2.9	1.1	0.3		4.3
Employees	3,242	1,958	70		5,270

	Machine tools	Services	Corporate Services	Transitions	Group
1st quarter 2005	€ M	€ M	€ M	€ M	€ M
Sales revenues	165.1	74.4	0.1		239.6
EBIT	3.9	5.8	-3.8	-0.1	5.8
Investments	4.6	1.0	0.1		5.7
Employees	3,251	1,917	66		5,234

Notes to the Interim Consolidated Financial Statements

1 APPLICATION OF REGULATION The Group Accounting Statements of GILDEMEISTER Aktiengesellschaft as at 31 March 2006 have, like the Group Accounting Statements as at 31 March 2005 and the Annual Consolidated Financial Statements as at 31 December 2005, been drawn up in conformity with the International Financial Reporting Standards (IFRS) valid on the reporting date and its interpretations. In particular, the regulations of IAS 34 on interim reporting were applied.

All Accounting Statements of the enterprises included in the Group Accounting Statement were drawn up in accordance with uniform principles of statement presentation and valuation, on which the Group Accounting Statement as at 31 March 2005 and the Annual Consolidated Financial Statement as at 31 December 2005 were also based.

Bearing in mind the sense and purpose of the interim reporting as an instrument of information based upon the Consolidated Financial Statements and with due regard to IAS 1.103, we refer to the Notes to the Annual Consolidated Financial Statement as at 31 December 2005, in which we have stated in detail the methods of statement presentation, valuation and consolidation applied. In particular, we have also gone into the exercise of the option rights contained in the IFRS there.

The principles of statement presentation and valuation as well as the methods of consolidation applied were retained compared with the financial year 2005. Since 1 January 2006, new standards and interpretations of the IFRS accounting rules have come into force, whose application to the present Consolidated Financial Statements was compulsory. The new regulations have no significant effect on the GILDEMEISTER Consolidated Financial Statements. For further explanatory notes, we refer to the Notes to the Consolidated Interim Financial Statements as at 31 December 2005.

2 CONSOLIDATED GROUP The consolidated group has not changed compared with 31 December 2005, with the result that the comparability with the Consolidated Financial Statements of the previous year is not adversely affected.

3 EARNINGS PER SHARE In accordance with IAS 33, earnings per share are determined by dividing the consolidated earnings by the average weighted number of shares, as follows:

Group result excluding profit share to other shareholders	€ 969 K
Average weighted number of shares	43,302,503
Earnings per share acc. to IAS 33	€ 0.02

There were no dilution effects in the shown reporting period.

- 4 CONSOLIDATED SEGMENTAL REPORTING** The data on the segment reporting are reported in connection with IAS 34 and IAS 14. Further details of the course of business may be found in the chapter “Segments”. No change in the delimitation of the segments and accordingly in the determination of the segment results compared with 31 December 2005 took place.
- 5 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE** In April 2006, GILDEMEISTER Aktiengesellschaft acquired the remaining 1.2% shares in SAUER GmbH. In addition, no significant events occurred after the reporting date of the interim accounts.

19 May 2006	General meeting of shareholders at 10am in the Town Hall Bielefeld
22 May 2006	Dividend payout
4 August 2006	2nd Quarterly Report 2006 (1 April to 30 June)
7 November 2006	3rd Quarterly Report 2006 (1 July to 30 September)
14 February 2007	Press release on provisional figures for the financial year 2006
25 May 2007	General meeting of shareholders at 10am in the Town Hall Bielefeld

Subject to alteration

Bielefeld, 9 May 2006

Yours faithfully,
GILDEMEISTER Aktiengesellschaft
The Executive Board

Supervisory Board:
Hans Henning Offen, Chairman
Gerhard Dirr, Deputy Chairman

Executive Board:
Dipl.-Kfm. Dr. Rüdiger Kapitza, Chairman
Prof. Dr.-Ing. Raimund Klinkner, Deputy Chairman
Dipl.-Kfm. Michael Welt

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Statements relating to the future

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

This report is available in German and in English; both versions are also available in the Internet for downloading at www.gildemeister.com. Further copies as well as additional informative literature about GILDEMEISTER are available free of charge on request.

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