

Interim Report

First six months of 2005



Ladies and Gentlemen,

global demand for machine tools developed as expected. Course of business at GILDEMEISTER progressed on schedule over the first six months of 2005.

Sales revenues rose to € 517.8 million (+6%). Order intake increased to € 574.2 million (+6%), confirming the positive trend. EBITDA reached € 34.0 million (previous year: € 31.9 million); EBIT amounted to € 19.4 million (previous year: € 17.0 million). EBT was € 3.8 million (previous year: € 5.0 million). For the six months ended 30 June, the group reported an annual profit of € 1.7 million (previous year: € 0.7 million).

GILDEMEISTER confirms its forecasts for the financial year 2005. We expect fresh stimulus from the EMO 2005 (14 – 21 September) in Hanover, the most important trade fair for machine tools worldwide. Over the entire year we are planning for an order intake of more than € 1,150 million. Based on our good order backlog and the expected “EMO impact”, we expect to increase sales revenues to around € 1.1 billion. For the financial year 2005 we expect EBT to exceed € 25 million and we expect an annual profit of more than € 10 million. If business and performance develop as planned, we intend to resume the distribution of a dividend for the current financial year.

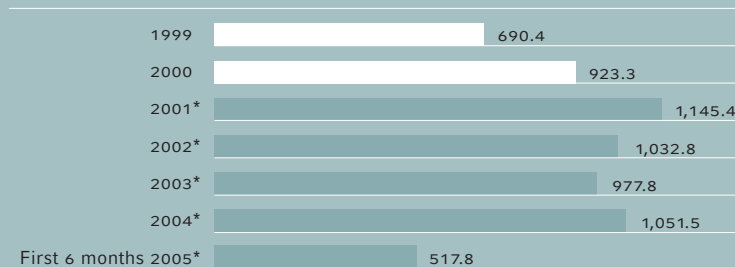
Key Figures

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

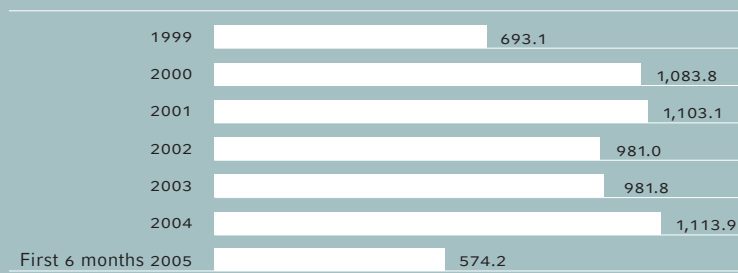
| GILDEMEISTER group | 2005 | 2004 | Changes | |
|--------------------|----------------|----------------|-------------------|-----|
| | First 6 months | First 6 months | 2005 against 2004 | |
| | € M | € M | € M | % |
| Sales revenues | | | | |
| Total | 517.8 | 490.5 | 27.3 | 6 |
| Domestic | 220.3 | 237.6 | -17.3 | -7 |
| International | 297.5 | 252.9 | 44.6 | 18 |
| % International | 57 | 52 | | |
| Order intake | | | | |
| Total | 574.2 | 542.4 | 31.8 | 6 |
| Domestic | 251.5 | 247.4 | 4.1 | 2 |
| International | 322.7 | 295.0 | 27.7 | 9 |
| % International | 56 | 54 | | |
| Order backlog* | | | | |
| Total | 378.2 | 311.3 | 66.9 | 21 |
| Domestic | 144.8 | 117.4 | 27.4 | 23 |
| International | 233.4 | 193.9 | 39.5 | 20 |
| % International | 62 | 62 | | |
| Investments | 11.0 | 11.4 | -0.4 | -4 |
| Personnel costs | 147.5 | 139.7 | 7.8 | 6 |
| Employees | 5,103 | 4,901 | 202 | 4 |
| Plus trainees | 146 | 175 | -29 | -17 |
| Total employees* | 5,249 | 5,076 | 173 | 3 |
| EBITDA | 34.0 | 31.9 | 2.1 | |
| EBIT | 19.4 | 17.0 | 2.4 | |
| EBT | 3.8 | 5.0 | -1.2 | |
| Annual profit | 1.7 | 0.7 | 1.0 | |

* Reporting date 30 June

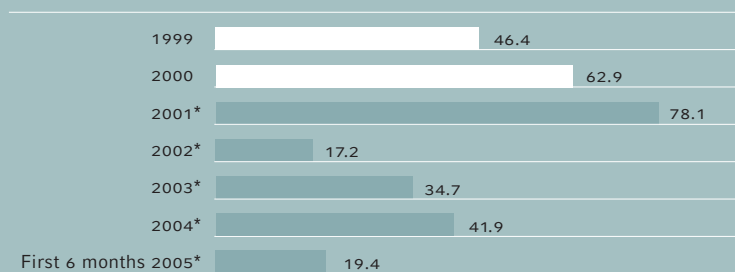
Sales revenues
in € million



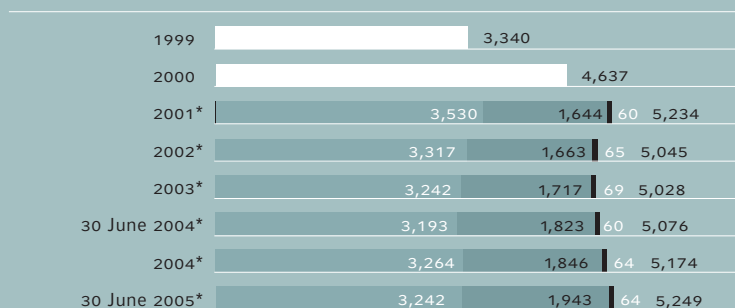
Order intake
in € million



EBIT
in € million




Number of employees
incl. trainees



Machine Tools
Services
Corporate Services

* acc. to IFRS

| | | |
|---|---|---|
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COVER PICTURE

Workpiece: Steel boring head used in the oil industry.

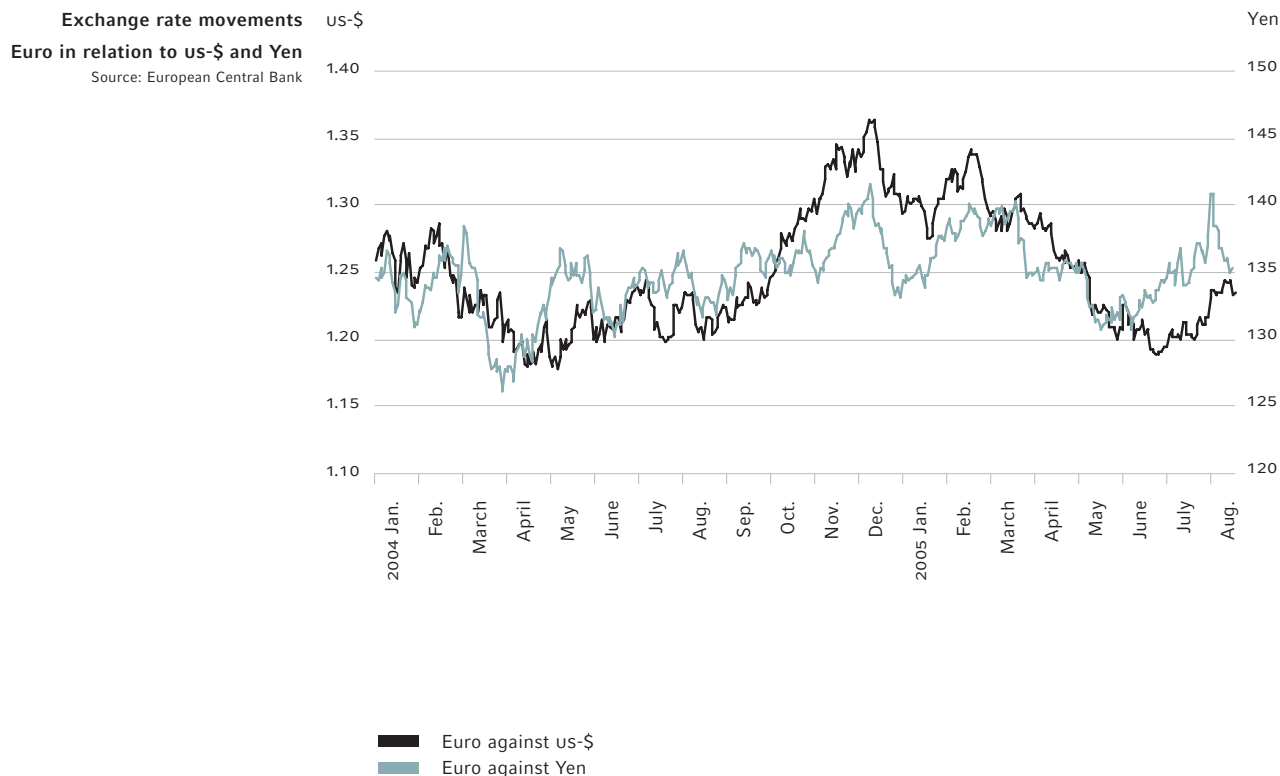
The new **DMU 80 P duoblock®** produced by DMG accommodates up to 60% higher dynamics through high-precision 5-axis machining with permanent precision at the NC swivel turntable.



Overall economic development lost some of its vigour in the first half of the year. This was primarily due to increased oil prices. Nevertheless, the economic situation in the USA and Asia remained buoyant. The strongest growth stimuli continued to come from China. The buoyant forces in the Euro region remained subdued. Germany followed the general trend, but did not achieve the vigour evident in other countries and regions. According to provisional calculations by the German Institute for World Economics (DIW), growth in Germany was 0.9% in the first six months of the year.

Foreign exchange rates of the currencies relevant to us, i. e. the us-Dollar and the Yen, changed as follows over the second quarter of 2005: Following the first quarter, when a clear trend of the Euro was not evident, the Euro lost in value. The average rate in the second quarter amounted to us-Dollar 1.26. The highest rate of us-Dollar 1.31 was recorded on 20 April. Its lowest rate of us-Dollar 1.20 was reached at the end of the quarter. In April the Yen initially lost ground against the Euro. From the end of May to early June this was followed by another clear downward trend. In all, the exchange rate fluctuated between Yen 140 and 131.

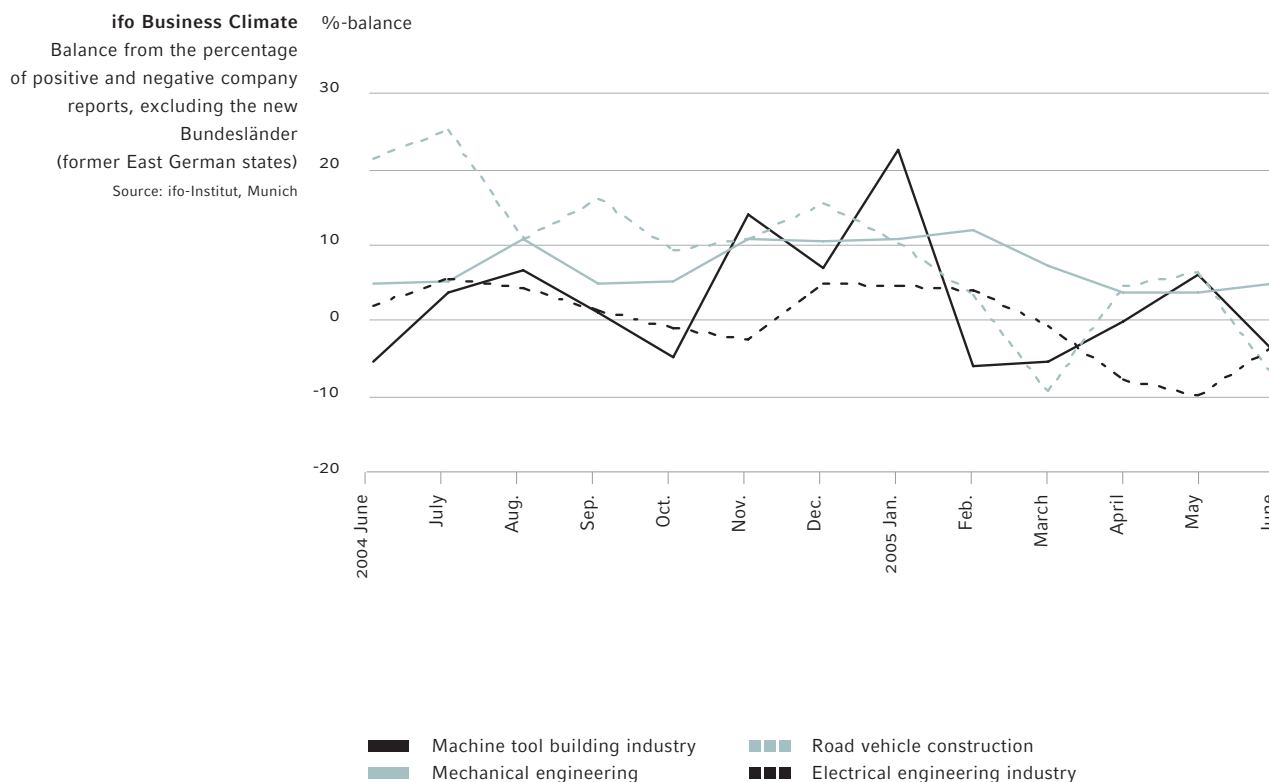
Sources: German Economic Research Institute (diw), Berlin
 Economic Research Institute (ifo), Munich
 Institute for World Economics (IWW), Kiel



The **worldwide market for machine tools** is developing on schedule in 2005. The available statistics from the ten major national machine tools associations representing more than 80% of global production, all indicate an increase in order intake. In this respect the most significant growth stimuli continue to come from Asia. Reliable statements for demand and production development in the individual regions are currently not available. However, according to a survey for the entire year 2005 by the German Association of Machine Tool Factories (VDW) and the ifo Institute, the worldwide market will grow by approximately 8%.

With respect to cutting machines, the **German machine tool industry** reported an increase of 9% in order intake for the first six months compared to the corresponding figure for the previous year. This increase, however, is still exclusively due to international orders, whilst domestic demand has, up to now, continued to decline. This basically optimistic assessment of the economic situation in the machine tool building industry can also be noted in the **business climate index** that, according to surveys carried out by the ifo Institute, has followed a positive trend since the beginning of the year. Setbacks were recorded in February and June.

Source: VDW (Association of German Machine Tool Factories)



8 Business Development at the GILDEMEISTER group

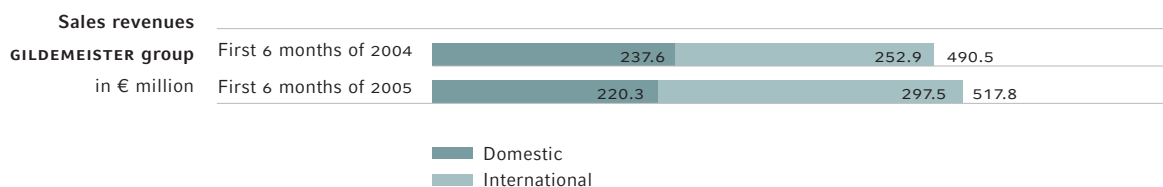
| | | | | | | |
|---|--|--|---|---|--|--|
| GILDEMEISTER Aktiengesellschaft Bielefeld | PRODUCTION PLANTS | | | | | |
| GILDEMEISTER Drehmaschinen GmbH Bielefeld, 100% | GILDEMEISTER Italiana S.p.A. Brembate di Sopra, 100% | GRAZIANO Tortona S.p.A. Tortona, indirect 100% | DECKEL MAHO Pfronten GmbH Pfronten, indirect 100% | DECKEL MAHO Geretsried GmbH Geretsried, indirect 100% | DECKEL MAHO Seebach GmbH Seebach, 100% | |

On 30 June 2005, the GILDEMEISTER group comprised unchanged 63 companies, including GILDEMEISTER Aktiengesellschaft.

The shareholders' structure of GILDEMEISTER Aktiengesellschaft has not changed since the last quarter. The GILDEMEISTER shares continue to be held primarily in diversified holdings. The largest number of shares is held by WestLB AG.

Sales revenues

In the second quarter, sales revenues amounting to € 278.2 million (+16%) exceeded the figures for the first three months (€ 239.6 million) as planned. In the first six months, sales revenues amounted to € 517.8 million, which is 6% above the figure for the previous year (€ 490.5 million). International sales revenues rose by 18% to € 297.5 million. Domestic sales revenues reached € 220.3 million (-7%). Exports were 57% of our total sales (corresponding period of the previous year: 52%).



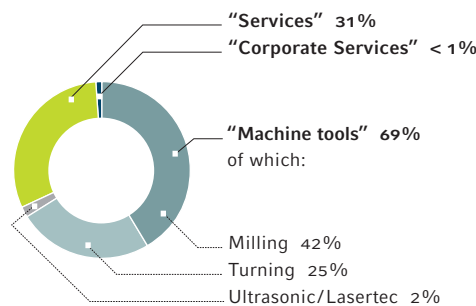
SALES AND SERVICE ORGANISATION

| | | | |
|-------------------------------------|---|--|---|
| FAMOT Pleszew S.A. Pleszew, 100% | SAUER GmbH Idar-Oberstein, Kempten indirect 99% | DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. Shanghai, 100% | DMG Vertriebs und Service GmbH Bielefeld, 100% |
| | | | 59 Sales and Service Organisations worldwide |
| | | | SACO S.p.A. Castelleone, indirect 100% |
| | | | a & f Stahl- und Maschinenbau GmbH Würzburg, indirect 100% |

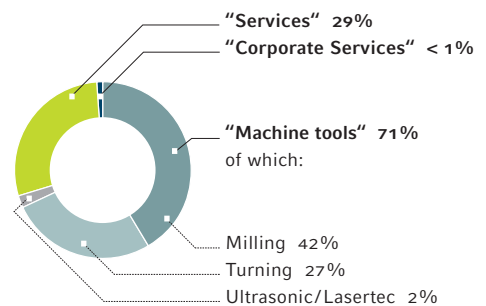
The six domestic and four international production sites of the “Machine Tools” segment contributed 69% (corresponding period of the previous year: 71%) to total sales revenues. The DECKEL MAHO milling technology represented 42% of total sales revenues (corresponding six months of the previous year: 42%), whilst the GILDEMEISTER turning technology represented 25% (corresponding six months of the previous year: 27%). The new SAUER ultrasonic and laser technologies contributed 2% (previous year's six months: 2%). The share in sales revenues contributed by the “Services” segment amounted to 31% (previous year's six months: 29%).

GILDEMEISTER group
Distribution of sales revenues
by segments / divisions

First 6 months 2005: € 517.8 million



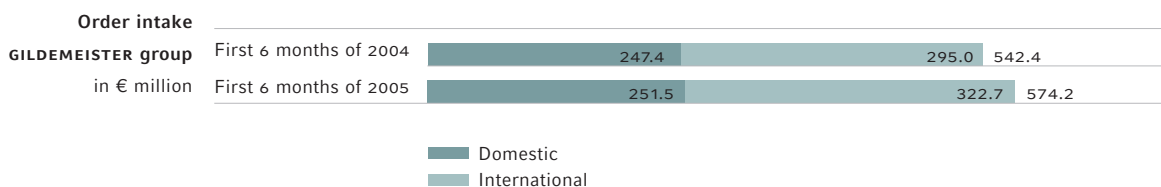
First 6 months 2004: € 490.5 million



For the later quarters of 2005, we expect our sales revenue development to be better than the sales revenues for the previous year's quarters. Based on our good order backlog and the expected "EMO impact", we expect to increase sales revenues to around € 1.1 billion.

Order intake

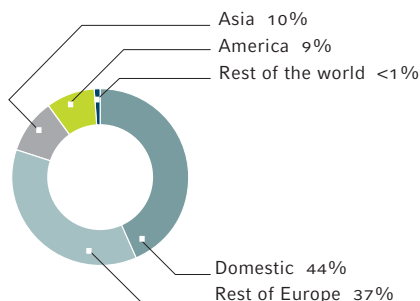
In the second quarter, order intake amounting to € 293.2 million developed according to plan. In the first six months of the year, order intake totalled € 574.2 million, thereby exceeding the figure for the previous year's period (€ 542.4 million) by € 31.8 million or 6%. A good level of international transactions contributed to this development. However, contrary to the current industry trend, we were also able to slightly increase our order intake in Germany.



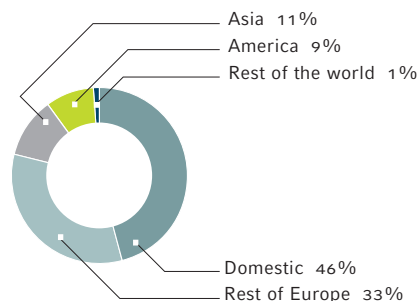
In the reporting period, international orders increased by 9% to € 322.7 million (previous year's six months: € 295.0 million). The international share thereby amounted to 56% (previous year: 54%). Domestic orders amounted to € 251.5 million, which is 2% more than the figure for the corresponding period of the previous year (€ 247.4 million). 72% were attributed to the "Machine Tools" segment (previous year: 73%) and 28% to the "Services" segment (previous year: 27%).

The order intake in each market region developed as follows:

Order intake First 6 months 2005: € 574.2 million
GILDEMEISTER group



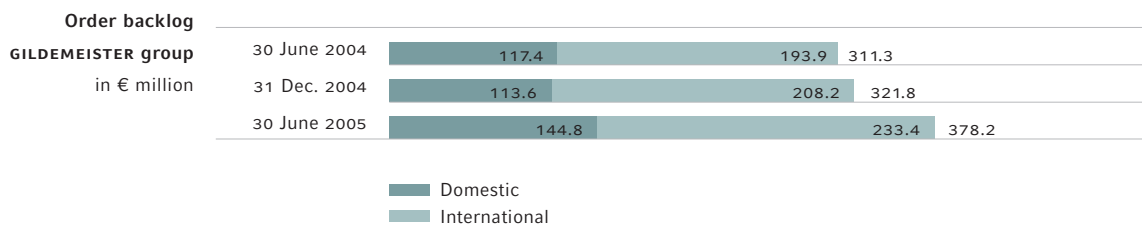
First 6 months 2004: € 542.4 million



We are planning for an order intake of more than € 1,150 million for the entire year. This will be supported by the industry's main event of the year 2005, the EMO in Hanover. At this most important trade fair for machine tools worldwide that will take place in September, GILDEMEISTER will exhibit its production programme featuring all its innovative new products.

Order backlog

On 30 June 2005, the group's order backlog amounted to € 378.2 million. 62% were attributed to international orders (previous year: 62%). When compared to the previous year, the backlog of international orders increased by € 39.5 million (+20%) to € 233.4 million and the domestic order backlog by € 27.4 million (+23%) to € 144.8 million.



Arithmetically, the order backlog represents a range of coverage of production of four months. Due to current trends in demand, the capacity use in production continues to be determined primarily by our technology machines, which require proportionally longer processing times. By the end of the first six months, order backlog pertaining to “Machine Tools” amounted to € 339.0 million, representing a 90% share in total order backlog. € 39.2 million or 10% were attributed to the “Services” segment.

Results of Operations, Net Worth and Financial Position

In the **second quarter**, both EBITDA and EBIT improved when compared with the first quarter and with the corresponding figures for the preceding year. EBITDA was € 21.1 million (previous year: € 20.4 million) and EBIT of € 13.6 million exceeded the figure for the previous year (€ 12.7 million) by € 0.9 million. EBT amounted to € 5.6 million (previous year: € 6.8 million).

At the end of the **first six months** EBITDA reached € 34.0 million (previous year: € 31.9 million); EBIT amounted to € 19.4 million (previous year: € 17.0 million). Due to an increase in financial charges, EBT amounting to € 3.8 million remained below the corresponding figure for the previous year (€ 5.0 million). On 30 June 2005 the group reported an annual profit of € 1.7 million (previous year: € 0.7 million).

In relation to a total work done of € 540.5 million (previous year: € 496.4 million), the materials quota as of 30 June amounted to about 53.2% (previous year: 52.4%). This increase against the corresponding period of the previous year is primarily due to an increase of initial processing. Gross profit improved by € 16.8 million to € 253.1 million (previous year: € 236.3 million); at 46.8% the gross profit margin is below the figure for the previous year (47.6%). Personnel costs increased to € 147.5 million (+ € 7.8 million); the personnel costs quota amounted to 27.3% (previous year: 28.1%). The balance from other income and expenses rose by € 6.9 million to € 71.6 million. Whilst depreciation of € 14.6 million is € 0.3 million below the figure for the corresponding year, the financial result rose by € 3.6 million to € 15.6 million due to an increase in capital tie-up and an increase in interest costs of the group's financing. Tax expenditure amounted to € 2.1 million (previous year: € 4.3 million); the annual profit was € 1.7 million (previous year: € 0.7 million).

| | 30 June 2005 | 31 Dec. 2004 | 30 June 2004 |
|----------------------------|--------------|--------------|--------------|
| | € M | € M | € M |
| Net worth | | | |
| Fixed assets | 259.0 | 262.5 | 267.0 |
| Current assets | 708.0 | 677.5 | 642.4 |
| Equity | 255.6 | 250.5 | 245.7 |
| Outside capital | 711.4 | 689.5 | 663.7 |
| Balance sheet total | 967.0 | 940.0 | 909.4 |

The balance sheet total for the six months ended 30 June 2005 increased by € 27.0 million to € 967.0 million in comparison with the Annual Balance Sheet for 2004. On the assets side, a decrease in fixed assets of € 3.5 million was offset by an increase in current assets of € 30.5 million. This increase in current assets was primarily due to the increase in the supply of raw materials and consumables, a higher level

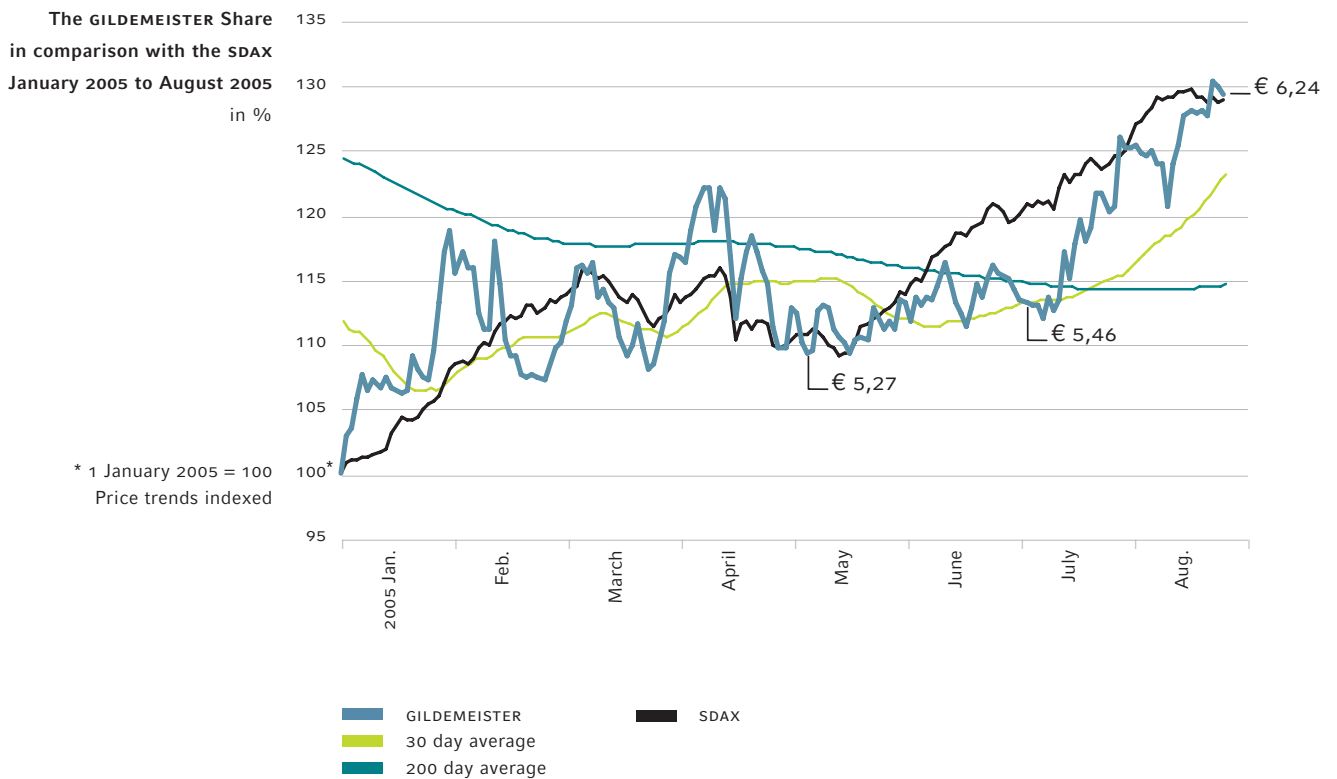
of initial processing of unfinished goods and an increase in finished goods, resulting primarily from spending on materials and services in view of the EMO 2005. The application of IAS 39, which was amended with effect from 1 January 2005, resulted in a balance sheet extension as of 30 June 2005 amounting to € 28.6 million. This corresponds to the statement of discounted bills of exchange, which were previously shown under contingencies. In comparison to 31 December 2004, cash and cash equivalents decreased by € 48.2 million to € 12.1 million.

In the second quarter, the **cash flow** from current operations of € 6.3 million was positive; whilst still showing a loss of € 42.9 million in the first six months. In comparison to the 31 December 2004, appropriation of assets increased substantially by € 33.8 million due to the EMO-related increase in inventories. When compared to 31 December 2004, trade receivables increased by € 6.4 million. The reduction in trade payables of € 13.2 million had a negative impact on cash flow. Cash flow from investment activity amounted to € -9.5 million (previous year: € -10.9 million). In the first six months, cash flow from financing activity amounted to € 1.9 million; the high positive figure of the previous year of € 45.9 million was primarily due to cash received from the capital increase.

| | 2005 | 2004 |
|------------------------------------|----------------|----------------|
| | First 6 months | First 6 months |
| | € M | € M |
| Financial position | | |
| Cash flow from current operations | -42.9 | -28.5 |
| Cash flow from investment activity | -9.5 | -10.9 |
| Cash flow from financing activity | 1.9 | 45.9 |
| Cash and cash equivalents | -48.2 | 5.2 |
| Cash as at 1 January | 60.3 | 11.4 |
| Cash as at 30 June | 12.1 | 16.6 |

The GILDEMEISTER Share

In the second quarter, performance of the GILDEMEISTER share was stable. Its lowest value was quoted at € 5.27 (5 May 2005). At the end of the quarter, its price was € 5.46 (30 June 2005). Our share is currently quoted at € 6.24 (18 August 2005). Up-to-date studies can be viewed on the Internet or requested from our Investor Relations Team.



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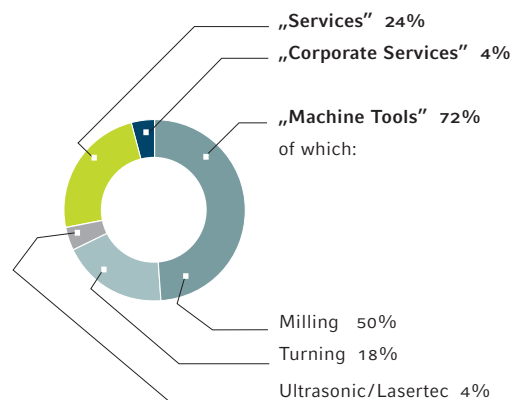
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E-Mail: info@gildemeister.com

Investments

In the first six months of the year, investments amounted to € 11.0 million and were therefore at the same level as the previous year (€ 11.4 million). Overall, GILDEMEISTER carried out 37% of the investments planned for the current financial year (€ 30 million) during the first six months. At € 8.3 million the focal points of investments in tangible and intangible fixed assets included models and fixtures for new machine types and expenditure to maintain operational readiness. In accordance with our planning, capitalised development costs of € 2.7 million were also maintained at the level of the previous year (€ 2.8 million).

Contribution of each segment / **First 6 months 2005: € 11.0 million**
division to investments



Employees

On 30 June 2005, GILDEMEISTER had 5,249 employees, 146 of whom were trainees (31 March 2005: 5,234). The number of employees thereby increased slightly by 15 in the second quarter of the current financial year. Focal point of the staff consolidation was the development and expansion of our newly established sales and service companies in Russia and in Turkey and the continued increase in the number of personnel at our Pleszew production facility. In line with business development, staff adjustment measures were implemented at our Geretsried and Bergamo production sites. In comparison to the end of the financial year 2004, the number of employees increased by 75. This increased personnel requirement arose primarily in the “Services” segment and was due to the increased requirements of our customers throughout the world in line with current demand trends.

At the end of the second quarter, 3,133 employees were working in the national companies and 2,116 in our international companies. The percentage of staff working abroad now amounts to 40% (previous year: 39%). Due to the greater number of staff and increased expenses arising from increases in standard wages and overtime, personnel costs amounted to € 147.5 million (corresponding period of the previous year: € 139.7 million).

Research and Development

In the first six months of 2005, € 21.4 million was invested in research and development, thereby exceeding the figure for the corresponding period of the previous year (€ 18.1 million) by € 3.3 million. 420 employees are currently working on the development of new products; representing 13% of staff.

In the first six months GILDEMEISTER exhibited 12 out of a total of 22 planned new developments at in-house exhibitions and trade fairs. In line with current trends, focal points of these innovations included our technology machines. For example, the DMC-H line of horizontal machining centres was completed with the introduction of three machines for universal, heavy or dynamic applications. The DMU-line of universal milling machines was expanded by three new models that are up to 25% more productive. Along with increased dynamics, these compact machines also offer, among other things, a particularly easy-to-maintain motor spindle or a 3D-collision monitoring option. The SPRINT 65 *linear* and CTV 250 *linear* are able to meet complex productivity and technical performance requirements in the turning division. The GMX line of turning and milling centres for six-sided integrated machining was complemented by the GMX 250 *linear*. GILDEMEISTER expanded its leading position with respect to the new ultrasonic/laser technologies with two innovations produced by SAUER GmbH. The ULTRASONIC 20-3 *linear* is used for the machining of advanced materials, such as glass, metal carbide or precious stones, and the LASERTEC 40 offers a new diode laser, which is able to increase precision, process quality and long-term stability at the same time.

Activities in research and development are targeted at the industry's showcase fair, the EMO in Hanover, in order to secure the expected "EMO impact" with carefully tested innovations available at short notice. At this most important trade fair, which will take place from 14 to 21 September, we will exhibit in Hall 2 all of our 22 newly developed products, including 9 world premières, such as the ULTRASONIC 20-5 *linear*.



Innovative DMG technology:

The **ULTRASONIC 20-5 *linear*** provides flexible motive power engineering in five axes with up to 32 magazine stations for micro and high-precision machining of advanced materials, such as quartz glass.



Segments

“Machine Tools”

| KEY FIGURES | 2005 | 2004 | Changes | |
|------------------|----------------|----------------|-------------------|-----|
| | First 6 months | First 6 months | 2005 against 2004 | |
| | € M | € M | € M | % |
| Sales revenues | | | | |
| Total | 359.5 | 347.1 | 12.4 | 4 |
| Domestic | 139.7 | 164.5 | -24.8 | -15 |
| International | 219.8 | 182.6 | 37.2 | 20 |
| % International | 61 | 53 | | |
| Order intake | | | | |
| Total | 414.1 | 397.6 | 16.5 | 4 |
| Domestic | 166.4 | 169.9 | -3.5 | -2 |
| International | 247.7 | 227.7 | 20.0 | 9 |
| % International | 60 | 57 | | |
| Order backlog* | | | | |
| Total | 339.0 | 276.4 | 62.6 | 23 |
| Domestic | 116.7 | 95.9 | 20.8 | 22 |
| International | 222.3 | 180.5 | 41.8 | 23 |
| % International | 66 | 65 | | |
| Investments | 7.9 | 7.5 | 0.4 | 6 |
| Employees | 3,096 | 3,018 | 78 | 3 |
| Plus trainees | 146 | 175 | -29 | -17 |
| Total employees* | 3,242 | 3,193 | 49 | 2 |
| EBIT | 11.8 | 9.1 | 2.7 | |

* Reporting date 30 June

The “Machine Tools” segment includes the group's new machines business. In the reporting period, **sales revenues** amounted to € 359.5 million, thereby exceeding the figure for the previous year (€ 347.1 million) by € 12.4 million or 4%.

In the first six months of 2005, the “Machine Tools” segment achieved **EBIT** of € 11.8 million (previous year: € 9.1 million).

„Services“

| KEY FIGURES | 2005 | 2004 | Changes | |
|-----------------|----------------|----------------|-------------------|-----|
| | First 6 months | First 6 months | 2005 against 2004 | |
| | € M | € M | € M | % |
| Sales revenues | | | | |
| Total | 158.0 | 143.1 | 14.9 | 10 |
| Domestic | 80.3 | 72.8 | 7.5 | 10 |
| International | 77.7 | 70.3 | 7.4 | 11 |
| % International | 49 | 49 | | |
| Order intake | | | | |
| Total | 159.8 | 144.5 | 15.3 | 11 |
| Domestic | 84.8 | 77.2 | 7.6 | 10 |
| International | 75.0 | 67.3 | 7.7 | 11 |
| % International | 47 | 47 | | |
| Order backlog* | | | | |
| Total | 39.2 | 34.9 | 4.3 | 12 |
| Domestic | 28.1 | 21.5 | 6.6 | 31 |
| International | 11.1 | 13.4 | -2.3 | -17 |
| % International | 28 | 38 | | |
| Investments | 2.7 | 3.3 | -0.6 | -19 |
| Employees* | 1,943 | 1,823 | 120 | 7 |
| EBIT | 16.8 | 14.2 | 2.6 | |

* Reporting date 30 June

The “Services” segment consists primarily of the business operations of DMG Vertriebs und Service GmbH and its subsidiaries. The **Service Support** offers our customers an additional range of services over the entire life cycle of their DMG machines. Along with the traditional maintenance and service activities, this includes installation and initial training, the vocational and further training provided by DMG Trainings Akademie GmbH, the retrofitting of machines and the used machines business.

Our **Service Products** – such as DMG spare parts, DMG Powertools, SACO S.p.A. machine toll components and the setting equipment and tool management of DMG MICROSET GmbH – provide the user with numerous options to further increase the productivity of their DMG machines.

In the reporting period, **sales revenues** in the “Services” segment amounted to € 158.0 million, which is 10% above the figure for the previous year (€ 143.1 million). Profitability improved according to plan and according to the sales revenues development. **EBIT** amounted to € 16.8 million (previous year: € 14.2 million).

“Corporate Services”

| KEY FIGURES | 2005 | 2004 | Changes | |
|------------------|----------------|----------------|-------------------|-----|
| | First 6 months | First 6 months | 2005 against 2004 | |
| | € M | € M | € M | % |
| Sales revenues | 0.3 | 0.3 | 0.0 | 0 |
| Order intake | 0.3 | 0.3 | 0.0 | 0 |
| Investments | 0.4 | 0.6 | -0.2 | -26 |
| Employees | 64 | 60 | 4 | 7 |
| Plus trainees | 0 | 0 | 0 | |
| Total employees* | 64 | 60 | 4 | 7 |
| EBIT | -8.0 | 2.9 | -10.9 | |

* Reporting date 30 June

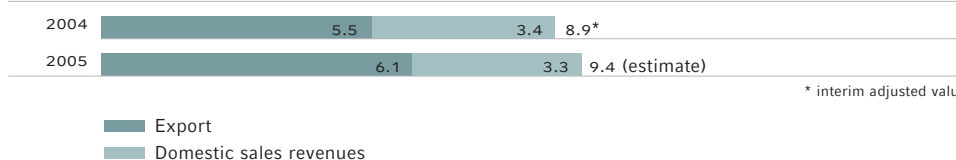
The “Corporate Services” segment is primarily comprised of GILDEMEISTER Aktiengesellschaft, which functions as the management holding company for the group. **EBIT** amounted to € -8.0 million (previous year: € 2.9 million). This change in the result is due primarily to the profit arising from the transfer of the investment of GILDEMEISTER Aktiengesellschaft in DECKEL MAHO Geretsried GmbH to GILDEMEISTER Beteiligungen AG, which took place in the previous year. This effect is offset at group level; its corresponding adjustment is shown in the reconciliation column of the Segmental Reporting (see page 27).

According to forecasts by economic experts, the **global economy** will grow less in 2005 than it did in the previous year. Any movement in oil prices and foreign exchange rates remain factors of uncertainty.

The **worldwide market for machine tools** is developing in line with forecasts. In their latest medium-term forecast, the German Machine Tool Builders' Association (VDW) and the ifo Institute predict respective increases of 8% in global demand and global production. Asia and the USA continue to be seen as regions of growth, whilst in Europe only a slight rise in demand is expected. As regards the German Machine Tool Industry, an increase in production of 5% and in exports of 10% is expected. According to latest figures, this means an estimated production of € 9.4 billion. As before, the forecasted increase is due to international demand.

Machine tools production in Germany

in € billion



Source: vdw (German Machine Tool Builders' Association)
July 2005

GILDEMEISTER confirms its forecasts for the financial year 2005. Over the entire year, we are planning for an order intake of more than € 1,150 million. This will be supported by the EMO in Hanover that will take place in September. This most important of trade fairs worldwide plays a trendsetting role for the machine tool industry and its customers and provides an ideal forum for GILDEMEISTER to present its production programme featuring all its innovative new products. Based on our good order backlog and the expected “EMO impact”, we expect to increase sales revenues to around € 1.1 billion. Due to the optimisation of our cost and process management, we are planning a further strengthening of our profitability. For the financial year 2005 we expect EBT to exceed € 25 million and we expect an annual profit of more than € 10 million. If business and performance develop as planned, we intend to resume the distribution of a dividend for the current financial year.

Notes to the Interim Consolidated Financial Statements

**1 APPLICATION OF
REGULATIONS**

The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft for the six months ending 30 June 2005 were prepared, as were the Interim Consolidated Financial Statements for the six months ending 30 June 2004 and the Consolidated Annual Financial Statements for the year ending 31 December 2004, in accordance with International Financial Reporting Standards (IFRS) applicable on the reporting date and in accordance with the interpretation of the above Standards. The application of the IAS 34 regulations on interim reporting was particularly relevant.

All Interim Financial Statements of those companies that were included in the Interim Consolidated Financial Statements were prepared in accordance with uniform accounting and valuation principles that also formed the basis for the Interim Consolidated Financial Statements as at 30 June 2004 and the Consolidated Annual Financial Statements for the year ending 31 December 2004.

In view of the purpose of interim reporting as an information vehicle based on the Consolidated Financial Statements, and in accordance with IAS 1.103, we refer to the Notes to the Consolidated Annual Financial Statements for the year ending 31 December 2004, which set out in detail the accounting, valuation and consolidation methods applied. These Notes also cover the exercising of election rights according to IFRS.

The accounting and valuation principles and applied consolidation methods have not changed since the reporting period 2004.

In the context of a regular review of the economic value of inventories, it was possible in the second quarter to retransfer valuation allowances made previously for spare parts to a value of € 2.4 million.

As explained in detail in the Notes to the Interim Consolidated Financial Statements as at 31 March 2005, GILDEMEISTER has applied the amendments as a result of the so-called “Improvements Project” of the International Accounting Standards Board (IASB) since 1 January 2005. For GILDEMEISTER, major changes have resulted from the application of IAS 1 “Presentation of Financial Statements” and IAS 39 “Financial Instruments: Recognition and Measurement”. For further details we refer to the Notes to the Interim Consolidated Financial Statements as at 31 March 2005.

2 CONSOLIDATED GROUP

On 30 June 2005, the GILDEMEISTER group comprised unchanged 63 companies, including GILDEMEISTER Aktiengesellschaft, 62 of which were included, as before, in the Interim Financial Statements as part of the full consolidation process.

3 EARNING PER SHARE In accordance with IAS 33, earnings per share are determined by dividing the consolidated earnings by the average number of shares. There were no dilution effects in the reporting periods shown.

| | |
|--|------------|
| Group result excluding profit shares of minority interests | € 1,838 k |
| Number of shares | 43,302,503 |
| Earnings per share | € 0.04 |

4 CONSOLIDATED SEGMENTAL REPORTING The information with respect to segmental reporting is given in accordance with IAS 34 and IAS 14. Further details concerning the course of business are included in the “Segments” chapter.

No changes have occurred in the demarcation of segments or in the determination of the result achieved by each segment when compared with the 31 December 2004.

5 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE No material events have occurred after the date of the Interim Financial Statements.

Consolidated Income Statement

| | 2005 | | 2004 | | Changes | |
|---|-------------------|-------|-------------------|-------|-------------------|-------|
| | 1 April - 30 June | | 1 April - 30 June | | 2005 against 2004 | |
| | € M | % | € M | % | € M | % |
| 2nd quarter | | | | | | |
| Total work done | 280.4 | 100.0 | 253.5 | 100.0 | 26.9 | 10.6 |
| Cost of materials | -148.3 | -52.9 | -127.0 | -50.1 | -21.3 | 16.8 |
| Gross profit | 132.1 | 47.1 | 126.5 | 49.9 | 5.6 | 4.4 |
| Personnel costs | -74.7 | -26.6 | -71.8 | -28.3 | -2.9 | 4.0 |
| Other income and expenses | -36.3 | -12.9 | -34.3 | -13.5 | -2.0 | 5.8 |
| Depreciation of assets | -7.5 | -2.7 | -7.7 | -3.0 | 0.2 | -2.6 |
| Financial result | -8.0 | -2.9 | -5.9 | -2.3 | -2.1 | 35.6 |
| Profit / loss on ordinary activities (EBT) | 5.6 | 2.0 | 6.8 | 2.7 | -1.2 | -17.6 |
| Taxes on profit | -1.2 | -0.4 | -3.9 | -1.5 | 2.7 | -69.2 |
| Annual profit | 4.4 | 1.6 | 2.9 | 1.2 | 1.5 | 51.7 |
| <hr/> | | | | | | |
| Earnings per share | | | | | | |
| acc. to IAS 33 (in Euro) | 0.10 | | 0.15 | | | |

| | 2005 | | 2004 | | Changes | |
|---|------------------|-------|------------------|-------|-------------------|-------|
| | 1 Jan. - 30 June | | 1 Jan. - 30 June | | 2005 against 2004 | |
| | € M | % | € M | % | € M | % |
| First 6 months | | | | | | |
| Total work done | 540.5 | 100.0 | 496.4 | 100.0 | 44.1 | 8.9 |
| Cost of materials | -287.4 | -53.2 | -260.1 | -52.4 | -27.3 | 10.5 |
| Gross profit | 253.1 | 46.8 | 236.3 | 47.6 | 16.8 | 7.1 |
| Personnel costs | -147.5 | -27.3 | -139.7 | -28.1 | -7.8 | 5.6 |
| Other income and expenses | -71.6 | -13.2 | -64.7 | -13.0 | -6.9 | 10.7 |
| Depreciation of assets | -14.6 | -2.7 | -14.9 | -3.0 | 0.3 | -2.0 |
| Financial result | -15.6 | -2.9 | -12.0 | -2.4 | -3.6 | 30.0 |
| Profit / loss on ordinary activities (EBT) | 3.8 | 0.7 | 5.0 | 1.0 | -1.2 | -24.0 |
| Taxes on profit | -2.1 | -0.4 | -4.3 | -0.9 | 2.2 | -51.2 |
| Annual profit | 1.7 | 0.3 | 0.7 | 0.1 | 1.0 | 142.9 |
| <hr/> | | | | | | |
| Earnings per share | | | | | | |
| acc. to IAS 33 (in Euro) | 0.04 | | 0.02 | | | |

Consolidated Statement of Group Equity

| | Subscribed Capital | Capital- provisions | Revenue provisions | Shares to other shareholders | Group equity |
|--|-----------------------|------------------------|-----------------------|---------------------------------|-----------------|
| | € M | € M | € M | € M | € M |
| As at 1 January 2004 | 75.1 | 48.7 | 63.8 | 1.2 | 188.8 |
| Capital increase | 37.5 | 19.6 | 0.0 | 0.0 | 57.1 |
| Annual profit | 0.0 | 0.0 | 0.7 | -0.1 | 0.6 |
| Changes in currency / change in market valuation of derivative financial instruments | 0.0 | 0.0 | 0.2 | 0.0 | 0.2 |
| Consolidation transactions / other changes | 0.0 | 0.0 | -1.0 | 0.0 | -1.0 |
| As at 30 June 2004 | 112.6 | 68.3 | 63.7 | 1.1 | 245.7 |

| | Subscribed Capital | Capital- provisions | Revenue provisions | Shares to other shareholders | Group equity |
|--|-----------------------|------------------------|-----------------------|---------------------------------|-----------------|
| | € M | € M | € M | € M | € M |
| As at 1 January 2005 | 112.6 | 68.3 | 68.6 | 1.0 | 250.5 |
| Annual profit | 0.0 | 0.0 | 1.8 | -0.1 | 1.7 |
| Changes in currency / change in market valuation of derivative financial instruments | 0.0 | 0.0 | 3.4 | 0.0 | 3.4 |
| Consolidation transactions / other changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| As at 30 June 2005 | 112.6 | 68.3 | 73.8 | 0.9 | 255.6 |

Consolidated Cash Flow Statement

| | 2005 | 2004 |
|---|------------------|------------------|
| | 1 Jan. - 30 June | 1 Jan. - 30 June |
| | € M | € M |
| Cash flow from current operations | | |
| 1. Annual profit | 1.7 | 0.7 |
| 2. Depreciation of fixed assets | 14.6 | 14.9 |
| 3. Change in deferred taxes | 0.0 | 1.3 |
| 4. Change in long-term provisions | -0.1 | 0.4 |
| 5. Other income not affecting payments | -0.1 | 0.0 |
| 6. Change in short-term provisions | -3.2 | 2.3 |
| 7. Change in inventories, trade debtors and other assets | -50.0 | -32.4 |
| 8. Change in trade creditors and other liabilities | -5.8 | -15.7 |
| | -42.9 | -28.5 |
| Cash flow from investment activity | | |
| 1. Amounts paid out for investments in intangible and tangible assets | -11.0 | -10.6 |
| 2. Amounts paid out for investments in financial assets | 0.0 | -0.8 |
| 3. Amounts received from the disposal of fixed assets | 1.5 | 0.5 |
| | -9.5 | -10.9 |
| Cash flow from financing activity | | |
| 1. Amounts received from raising (financing) credits / amounts paid out for the repayment of (financing) credits | 1.9 | -14.1 |
| 2. Distribution of dividends to other shareholders | 0.0 | -0.1 |
| 3. Amount received from the capital increase | 0.0 | 60.1 |
| | 1.9 | 45.9 |
| Changes affecting payments | -50.5 | 6.5 |
| Consolidation and exchange rate related changes not affecting payments | 2.3 | -1.3 |
| Liquid funds as at 1 January | 60.3 | 11.4 |
| Liquid funds as at 1 June | 12.1 | 16.6 |

Consolidated Segmental Reporting

| | Machine Tools | Services | Corporate Services | Transitions | Group |
|------------------------------------|------------------|----------|-----------------------|-------------|-------|
| | € M | € M | € M | € M | € M |
| 2nd quarter 2004 | | | | | |
| Sales revenues | 188.7 | 78.9 | 0.2 | | 267.8 |
| EBIT | 6.3 | 10.6 | 5.3 | -9.5 | 12.7 |
| Investments | 3.6 | 1.7 | 0.3 | | 5.6 |
| Employees | 3,193 | 1,823 | 60 | | 5,076 |

| | Machine Tools | Services | Corporate Services | Transitions | Group |
|------------------------------------|------------------|----------|-----------------------|-------------|-------|
| | € M | € M | € M | € M | € M |
| 2nd quarter 2005 | | | | | |
| Sales revenues | 194.0 | 84.0 | 0.2 | | 278.2 |
| EBIT | 7.9 | 11.0 | -4.2 | -1.1 | 13.6 |
| Investments | 3.3 | 1.7 | 0.3 | | 5.3 |
| Employees | 3,242 | 1,943 | 64 | | 5,249 |

| | Machine Tools | Services | Corporate Services | Transitions | Group |
|----------------------------|------------------|----------|-----------------------|-------------|-------|
| | € M | € M | € M | € M | € M |
| First 6 months 2004 | | | | | |
| Sales revenues | 347.1 | 143.1 | 0.3 | | 490.5 |
| EBIT | 9.1 | 14.2 | 2.9 | -9.2 | 17.0 |
| Investments | 7.5 | 3.3 | 0.6 | | 11.4 |
| Employees | 3,193 | 1,823 | 60 | | 5,076 |

| | Machine Tools | Services | Corporate Services | Transitions | Group |
|----------------------------|------------------|----------|-----------------------|-------------|-------|
| | € M | € M | € M | € M | € M |
| First 6 months 2005 | | | | | |
| Sales revenues | 359.5 | 158.0 | 0.3 | | 517.8 |
| EBIT | 11.8 | 16.8 | -8.0 | -1.2 | 19.4 |
| Investments | 7.9 | 2.7 | 0.4 | | 11.0 |
| Employees | 3,242 | 1,943 | 64 | | 5,249 |

| | |
|------------------|--|
| 8 November 2005 | 3 rd Quarterly Report 2005 (1 July to 30 September) |
| 14 February 2006 | Press release on provisional figures for the financial year 2005 |
| 30 March 2006 | Press conference on Financial Statements |
| 30 March 2006 | Publication of Annual Report 2005 |
| 31 March 2006 | Discussion with analysts |
| 19 May 2006 | General meeting of shareholders at 10am in the Town Hall Bielefeld |

Subject to alteration

Bielefeld, 23 August 2005

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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