

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

# Interim Report

First six months of 2006



**GILDEMEISTER**

**Dear Shareholders,**

the worldwide demand for machine tools continues to develop positively and also the German market again shows growth tendencies. In the second quarter, GILDEMEISTER had a healthy order intake and was able to further increase sales revenues and results.

In the first half year, sales revenues rose by 14% to € 591.4 million. Order intake increased by 23% to € 707.2 million. Profitability also developed according to plan: EBITDA reached € 43.5 million (previous year: € 34.0 million), EBIT was € 28.2 million (previous year: € 19.4 million). EBT rose to € 12.5 million (previous year: € 3.8 million). As at 30 June 2006 the group reports an annual profit of € 6.3 million (previous year: € 1.7 million).

GILDEMEISTER assumes that the positive business development will also continue during the second half of the year. Taking into account the autumn trade fairs we now want to achieve an order intake of more than € 1.3 billion in the entire year. In view of our order backlog we are now planning to increase sales revenues to more than € 1.2 billion. For the financial year 2006, we expect an improvement in EBT and the annual profit by more than 40%. We are planning the distribution of a dividend for the current financial year.

## Key Figures

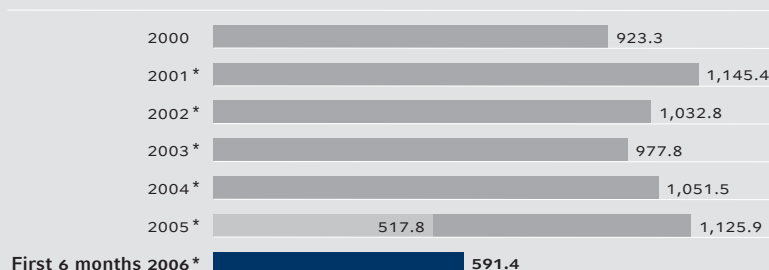
→ The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft were prepared in accordance with the International Financial Reporting Standards (IFRS). The Interim Report has not been audited.

GILDEMEISTER group	2006	2005	Changes	
	First 6 months	First 6 months	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues				
Total	<b>591.4</b>	517.8	73.6	14
Domestic	<b>267.5</b>	220.3	47.2	21
International	<b>323.9</b>	297.5	26.4	9
% International	<b>55</b>	57		
Order intake				
Total	<b>707.2</b>	574.2	133.0	23
Domestic	<b>312.7</b>	251.5	61.2	24
International	<b>394.5</b>	322.7	71.8	22
% International	<b>56</b>	56		
Order backlog*				
Total	<b>448.6</b>	378.2	70.4	19
Domestic	<b>163.9</b>	144.8	19.1	13
International	<b>284.7</b>	233.4	51.3	22
% International	<b>63</b>	62		
Investments	<b>11.4</b>	11.0	0.4	4
Personnel costs	<b>155.1</b>	147.5	7.6	5
Employees	<b>5,152</b>	5,103	49	1
Plus trainees	<b>135</b>	146	-11	-8
Total employees*	<b>5,287</b>	5,249	38	1
EBITDA	<b>43.5</b>	34.0	9.5	
EBIT	<b>28.2</b>	19.4	8.8	
EBT	<b>12.5</b>	3.8	8.7	
Annual profit	<b>6.3</b>	1.7	4.6	

\* Reporting date 30 June

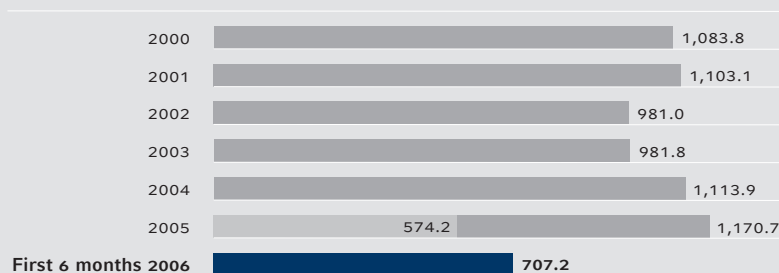
### Sales revenues

in € million



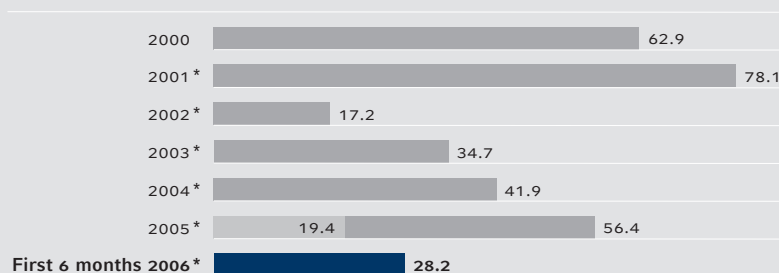
### Order intake

in € million



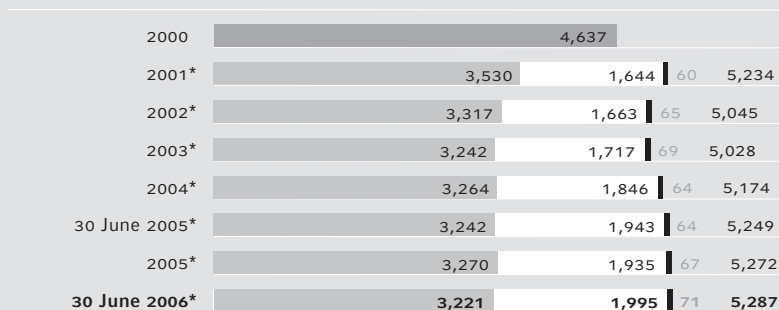
### EBIT

in € million



### Number of employees

incl. trainees



Machine tools  
Services  
Corporate Services

\* in accordance with IFRS

Key figures

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Economic Development

Business Development

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COVER PICTURE

**Workpiece:** Milling head made of highly quenched and tempered steel.

**Application:** The milling head equipped with a clipping bed is used in the car industry for milling large, flat gearbox case surfaces.



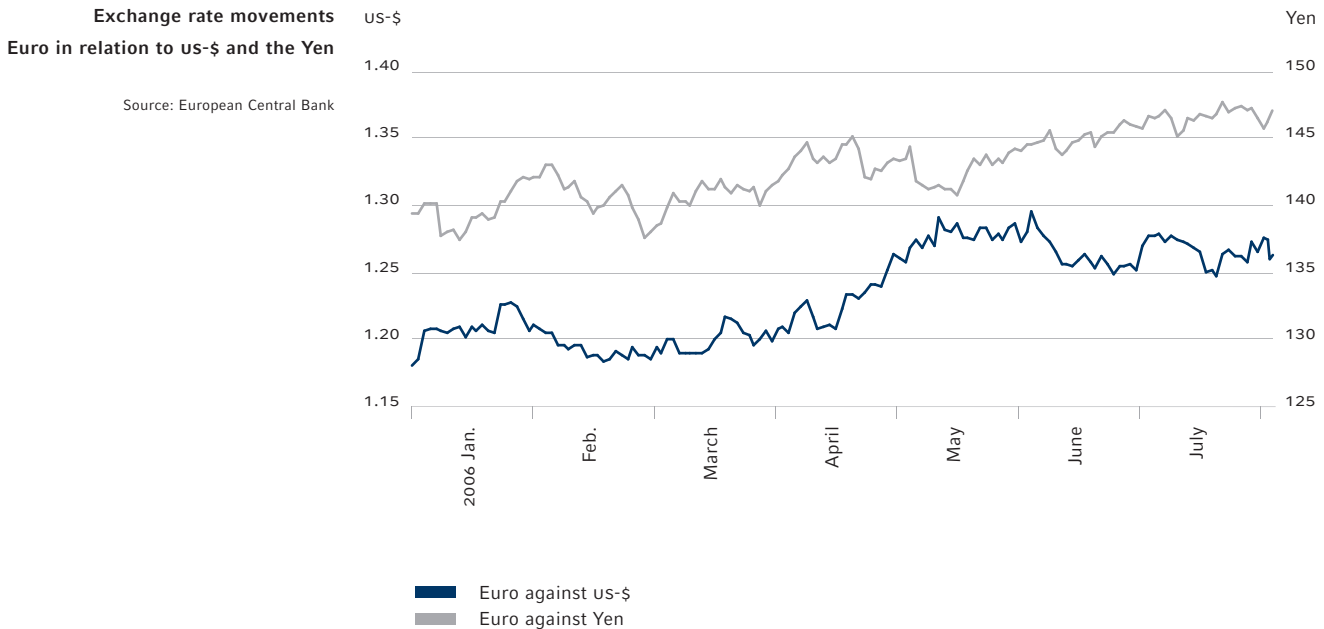
The new **DMU 70** from **DECKEL MAHO Seebach** – one of the highlights for 2006 – mills a steel milling head in 32 minutes. This universal milling machine reduces 40% of machining times by using variable table options, individual controls and digital drives.



**Overall economic development** displayed an upward trend during the first half of 2006. Worldwide, economic activity was stable. Lasting strong stimuli for the positive development came from Asia: The upswing remained stable in Japan, China also continued to expand in a highly dynamic manner. The high growth rate in the USA only slowed down marginally. In Germany it appeared to pick up slightly. According to provisional calculations by the German Economic Research Institute (DIW), the gross domestic product continued to increase by 1.4% compared with the previous year.

**Foreign exchange rates** of the currencies most important for us – the US dollar and the yen – changed during the second quarter of 2006 as follows: The euro continuously increased in value, reaching 1.21 US dollars on 1 April 2006 and its highest exchange rate of 1.30 US dollars (5 June 2006), ending the quarter with an exchange rate of 1.27 US dollars (30 June 2006). Hence the euro gained some 5% compared with the dollar. Parallel to the US dollar, the euro also improved compared with the Chinese renminbi by +5%, and increased to 10.16 Renminbi (30 June 2006). Compared with the yen, the euro has remained in an upward trend. The euro started at an exchange rate of 142.77 Yen (01 April 2006), closing the quarter at a value of 145.75 yen.

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

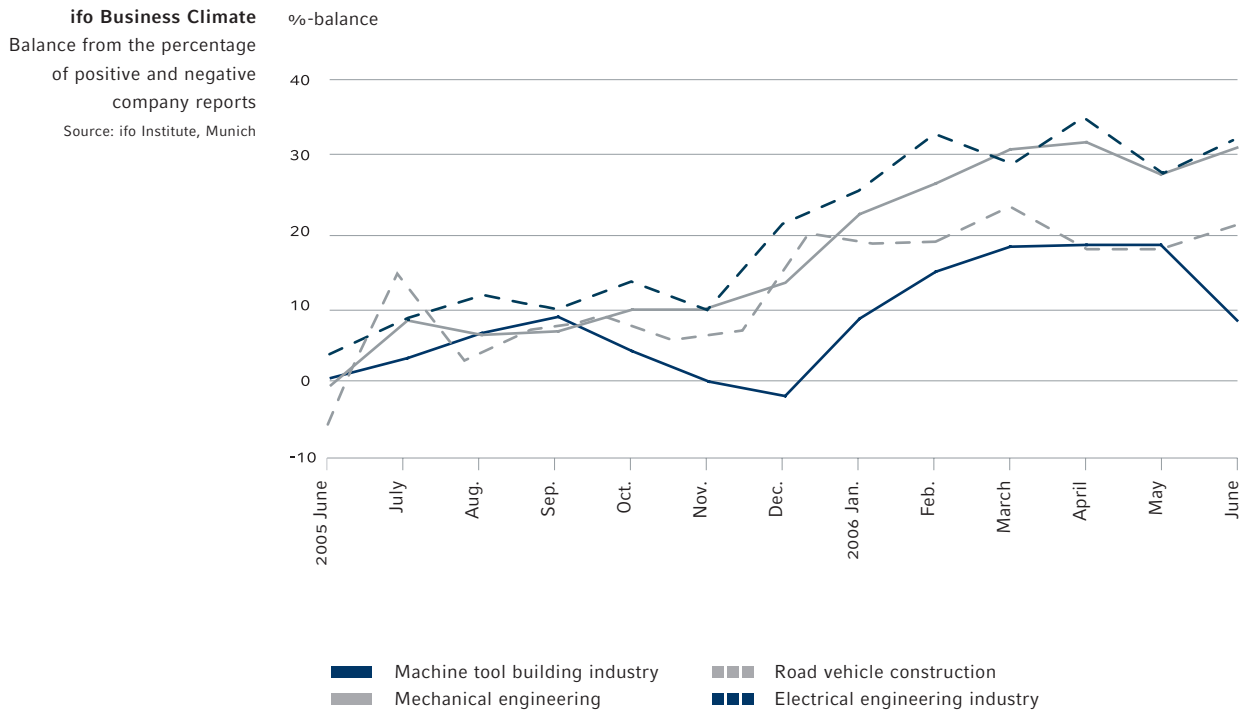


The **worldwide market for machine tools** will continue positively in the year 2006. According to the latest forecast (status: April 2006) the ifo Institute and the German Machine Tool Builders' Association (VDW) assume that both world production and world consumption will each increase by 5% to € 43.8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

Compared with the world market, the **German tool machine industry** still remained restrained. For the year 2006, the vdw and the ifo Institute still expect a growth in production of 2% and an increase in domestic consumption of 3%. The order intake at the start of the year was above the comparative previous year's figure. Especially the domestic growth impulses became stronger; compared with the previous year the order intake rose considerably. Whilst the demand from abroad was still a little lower than the previous year's level at the beginning of the year, it increased towards the middle of the year, exceeding the previous year's values.

The ifo **business climate** demonstrates that the major customer sectors for the German machine tool industry now have a far more optimistic view to the future than they had at the start of the year. This trend is reflected to a large extent in the positive estimates made by the machine tool manufacturers.

Source: vdw (German Machine Tool Builders' Association)

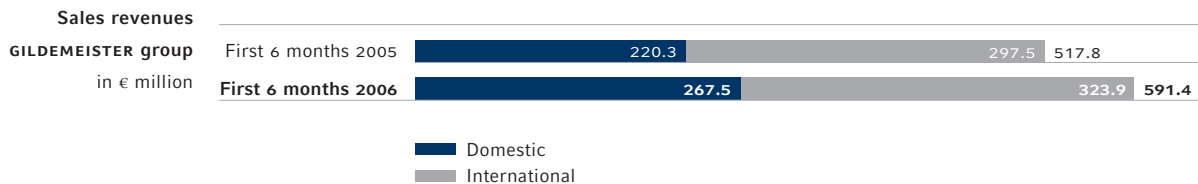


<b>GILDEMEISTER</b> Aktiengesellschaft Bielefeld	<b>Product plants</b> <b>Turning</b>			<b>Product plants</b> <b>Milling</b>		
	GILDEMEISTER Drehmaschinen GmbH Bielefeld	GRAZIANO Tortona S.r.l. Tortona	GILDEMEISTER Italiana S.p.A. Bergamo	DECKEL MAHO Pfronten GmbH Pfronten	DECKEL MAHO Seebach GmbH Seebach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

The GILDEMEISTER group including GILDEMEISTER Aktiengesellschaft still comprised 64 enterprises as at 30 June 2006. The legal company structure has changed as follows: GILDEMEISTER has purchased the remaining 1.2% SAUER GmbH shares, now holding 100% (to date 98.8%).

**Sales revenues**

In the second quarter sales revenues reached € 317.3 million (+16%) as planned the value of the first three months (€ 274.1 million). In the first six months sales revenues reached € 591.4 million and were thus 14% above the value of the previous year (€ 517.8 million). Domestic sales revenues rose by 21% to € 267.5 million. International sales revenues increased by 9% to € 323.9 million. The export rate was 55% (previous year: 57%).



More detailed information on sales revenues development in each segment is included start on page 14.

Based on our order backlog, we are now planning to increase the entire year's sales revenues to more than € 1.2 billion.



Production 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

Economic Development

Business Development

### Order intake

In the second quarter order intake rose by 26% to € 368.0 million (previous year: € 293.2 million). In total, order intake increased during the first six months to € 707.2 million and was thus 23% or € 133.0 million over the previous year (€ 574.2 million). Domestic orders increased by 24% to € 312.7 million (corresponding period of the previous year: € 251.5 million). International orders remained at a high level, increasing by 22% to € 394.5 million (previous year: € 322.7 million). As in the previous year, the international rate was 56%.

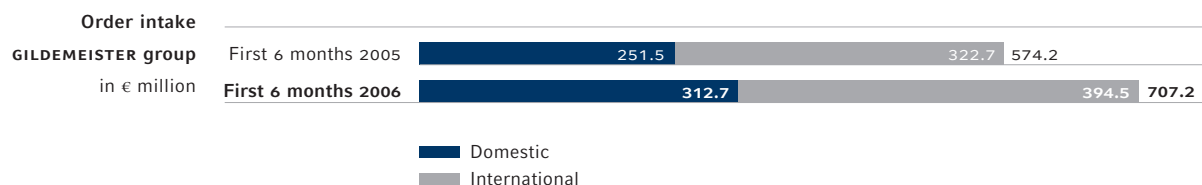
The increase in orders can be attributed to our innovative products and the internationally geared marketing activities as well as successful participation at the important trade fairs. We were able to achieve special success at the leading trade fair for metal processing, the METAV in Düsseldorf, with an order intake of € 37.4 million.

More detailed information on the order intake of each segment is included start on page 15.

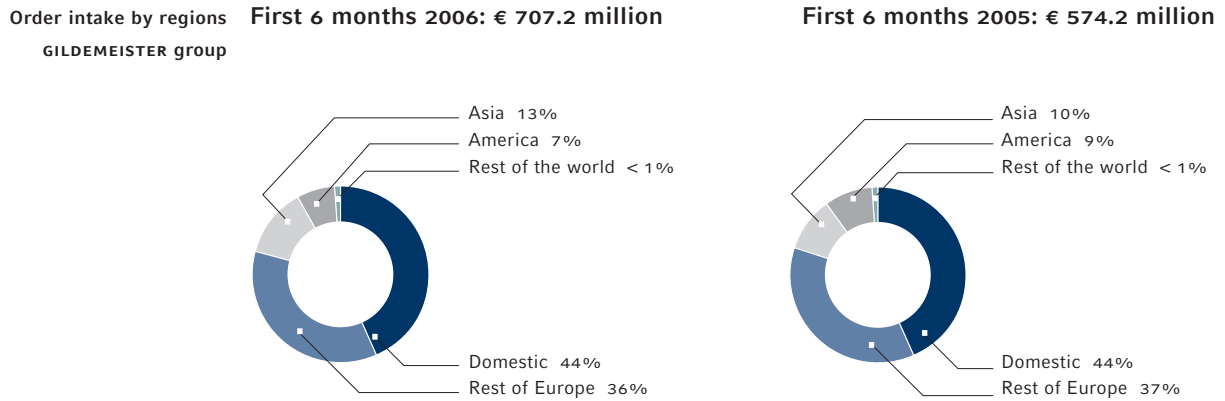
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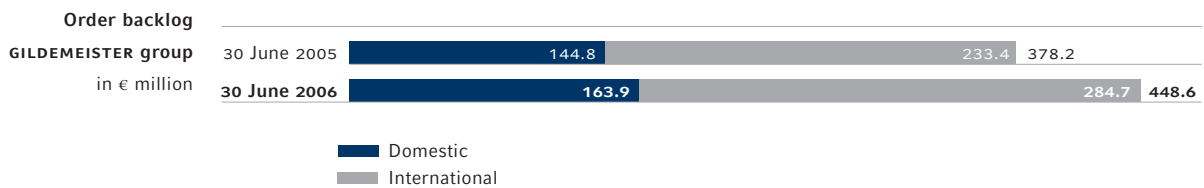
In the individual market regions the order intakes developed as follows:



In particular in Asia, Europe and Germany, order intake developed to our satisfaction during the first six months. Based on their innovative strength and the approaching autumn trade fairs in the large client countries USA, Germany, Italy and Japan GILDEMEISTER is now expecting an order record for the business year 2006. In the entire year we now want to achieve an order intake of more than € 1.3 billion.

**Order backlog**

The order backlog in the group was € 448.6 million on 30 June 2006 (+19%). 63% of the existing orders were attributed to international orders (corresponding date of the previous year: 62%). Compared with the previous year, the backlog of international orders increased by € 51.3 million, the backlog of domestic orders increased by € 19.1 million.



The order backlog signifies a production capacity utilisation of around five months.

## Results of Operations, Net worth and Financial Position

EBITDA and EBIT have improved during the **second quarter** according to plan compared to the first quarter and also compared to the previous year's figures. EBITDA amounted to € 26.0 million (previous year: € 21.1 million). EBIT increased to € 18.4 million (same quarter of the previous year: € 13.6 million).

At the end of the **first six months** EBITDA reached to € 43.5 million (previous year: € 34.0 million); EBIT was € 28.2 million (previous year: € 19.4 million). EBT with € 12.5 million was € 8.7 million over the comparable previous year's figure (€ 3.8 million). After taxes, the group reports an annual profit of € 6.3 million as at 30 June 2006 (previous year: € 1.7 million).

The total work done increased by 13% to € 613.1 million (previous year: € 540.5 million). The share of materials in relation to the total operating revenue was 53.3% (previous year: 53.2%), which corresponds to a cost of materials of € 326.5 million (previous year: € 287.4 million). The gross profit increased by € 33.5 million to € 286.6 million (previous year: € 253.1 million). The personnel expenditure quota was reduced to 25.3% (previous year: 27.3%); the personnel expenditure amounted to € 155.1 million (previous year: € 147.5 million). The balance of the other expenses and income rose to € 88.0 million (previous year: € 71.6 million) due to the increased sales revenues. The depreciation of € 15.3 million was slightly higher than the previous year's value (€ 14.6 million). The financial result was € -15.7 million (previous year: € -15.6 million). The tax ratio was reduced to 49.5% (previous year: 55.0%).

	30 June 2006	31 Dec. 2005	30 June 2005
	€ M	€ M	€ M
<b>Net worth</b>			
Fixed assets	<b>258.4</b>	262.3	259.0
Current assets	<b>754.7</b>	699.1	708.0
Equity	<b>267.5</b>	265.8	255.6
Outside capital	<b>745.6</b>	695.6	711.4
<b>Balance sheet total</b>	<b>1,013.1</b>	961.4	967.0

As at 30 June 2006 the balance sheet total reached € 1,013.1 million (+ € 51.7 million). On the asset-side a reduction of the fixed assets by € 3.9 million faces an increase of the current assets of € 55.6 million. The increased current assets basically result from stocking-up the inventories by € 28.9 million to € 317.7 million, which is especially a result of the planned sales increase during the second half year and the trade receivables which have increased by € 5.3 million to € 293.4 million. On the liabilities-side, the outside capital has increased by € 50.0 million to € 745.6 million. The cause of this increase is higher

financial liabilities. GILDEMEISTER signed a new credit contract in June 2006 for a syndicated loan to the order of € 175.0 million. The credit line due on 30 June 2007 amounting to € 141.0 million has been paid-off early. The refinancing of the syndicated loan will run over a course of five years and serves the objective of further improving the company financing structure. Liabilities to credit institutes thus increased by € 53.7 million to € 195.6 million.

The financial position has improved against comparable values of the previous year according to plan. With € -2.3 million the **cash flow** from the current operations was still slightly negative in the second quarter. In the first six months the cash flow was € -25.2 million and thus improved by € 17.7 million compared to the previous year (€ -42.9 million). The increase of inventories of € 30.5 million, the increase in trade receivables of € 6.9 million and the decrease of the trade payables of € 9.7 million basically influenced the cashflow. Cash flow from investment activity was € -10.2 million (previous year: € -9.5 million). Cash flow from financing activity amounting to € 52.0 million (previous year: € 1.9 million) results with € 56.3 million from changes to the financial liabilities and from dividend payout in May 2006 (€ -4.3 million).

	2006	2005
	First 6 months	First 6 months
	€ M	€ M
<b>Financial position</b>		
Cash flow from the current operations	-25.2	-42.9
Cash flow from investment activity	-10.2	-9.5
Cash flow from financing activity	52.0	1.9
Change in cash	16.3	-48.2
Liquid funds as at 01 January	21.9	60.3
Liquid funds as at 30 June	38.2	12.1

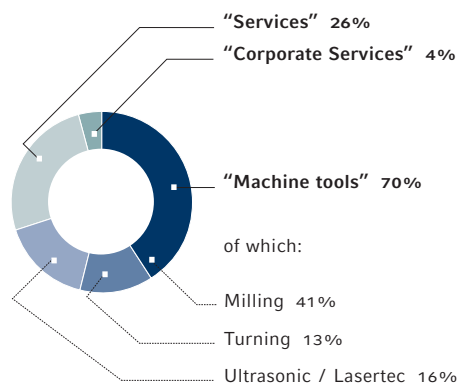
## Investments

The investments in the first six months of 2006 were € 11.4 million and were thus at previous year's level (€ 11.0 million). Overall, GILDEMEISTER transacted 33% of the investments planned for the current financial year (€ 35 million) in the first six months. € 7.1 million of this amount (previous year: € 7.8 million) was spent on tangible assets and € 4.3 million on intangible assets (previous year: € 3.2 million). The main focus of the investments for tangible assets was formed by working funds for new types of machines. In particular, the intangible assets included the capitalised development costs and the goodwill resulting from the acquisition of the remaining SAUER shares.

On 8 June at our Pleszew site, the ground-breaking ceremony for the expansion of our FAMOT production plant and for DMG Polska's new technology centre took place. New production areas (3,100 square meters) will be built on a total area of 5,300 square metres until the middle of 2007 and a representative Technology Centre (2,200 square meters) for our customers. This investment of about € 4.5 million reinforces our position in the growth market Eastern Europe and enables us to profit even better from the regional salary and purchasing advantages.

Contribution of each segment /  
division to investments

First 6 months 2006: € 11.4 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	
	First 6 months	First 6 months	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues				
Total	399.8	359.5	40.3	11
Domestic	166.8	139.7	27.1	19
International	233.0	219.8	13.2	6
% International	58	61		
Order intake				
Total	505.7	414.1	91.6	22
Domestic	208.5	166.4	42.1	25
International	297.2	247.7	49.5	20
% International	59	60		
Order backlog*				
Total	405.8	339.0	66.8	20
Domestic	131.5	116.7	14.8	13
International	274.3	222.3	52.0	23
% International	68	66		
Investments	8.0	7.9	0.1	1
Employees	3,086	3,096	-10	0
plus trainees	135	146	-11	-8
Total employees*	3,221	3,242	-21	-1
EBIT	9.6	11.8	-2.2	

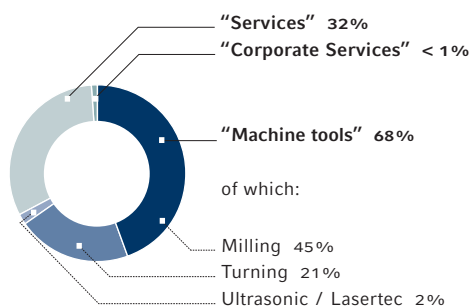
\* Reporting date 30 June

**Sales revenues** amounted to € 399.8 million in the reporting period and were thus € 40.3 million and accordingly 11% above the value of the previous year (€ 359.5 million). The “Machine Tools” segment had a share of 68% of the group sales revenues (previous year: 69%). DECKEL MAHO’S milling technology had a 45% share (previous year’s quarter: 42%). GILDEMEISTER’S turning technology had a 21% share (previous year’s quarter: 25%). The new ultrasonic and laser technologies had a 2% share (corresponding period of the previous year: 2%).

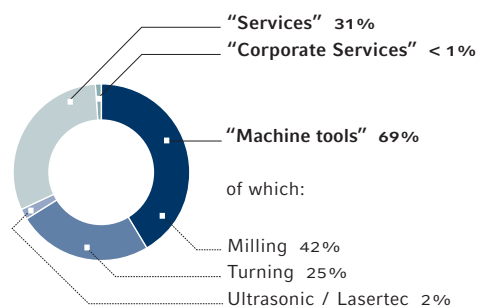
In relation to the sales revenues of the group, "Machine Tools" as well as "Services" and "Corporate Services" held the following shares:

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

First 6 months 2006: € 591.4 million



First 6 months 2005: € 517,8 million



The **order intake** in the "Machine Tools" segment increased by € 91.6 million and accordingly 22% to € 505.7 million (previous year: € 414.1 million). Thus, as in the previous year, 72% of all order intakes within the group were attributable to the "Machine Tools". The product innovations introduced in 2005 and the first quarter of 2006 were accepted well by the market. In connection with targeted marketing measures, the well visited trade fairs and the DMG in-house exhibitions our new products have contributed significantly to the higher order intake.

As at 30 June 2006, **order backlog** amounted to € 405.8 million (previous year: € 339.0 million). In the first half year 2006, GILDEMEISTER achieved an **EBIT** of € 9.6 million (previous year: € 11.8 million) in the "Machine Tools" segment. The increased order intake compared to the previous year has led to higher commission expenditure in the product 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 well received by our customers. It offers worldwide customised 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. The **DMG service products** – such as the spare parts, the DMG Powertools, components of SACO as well as the calibration devices and tool management of MICROSET – enable the user to further increase the productivity of his DMG machine tools. Current service news may be obtained at [www.gildemeister.com](http://www.gildemeister.com).

SEGMENT “SERVICES”	2006	2005	Changes	
	First 6 months	First 6 months	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues				
Total	191.5	158.0	33.5	21
Domestic	100.6	80.3	20.3	25
International	90.9	77.7	13.2	17
% International	47	49		
Order intake				
Total	201.3	159.8	41.5	26
Domestic	104.1	84.8	19.3	23
International	97.2	75.0	22.2	30
% International	48	47		
Order backlog*				
Total	42.7	39.2	3.5	9
Domestic	32.3	28.1	4.2	15
International	10.4	11.1	-0.7	-6
% International	24	28		
Investments	3.0	2.7	0.3	11
Employees*	1,995	1,943	52	3
EBIT	29.1	16.8	12.3	

\* Reporting date 30 June



In the first half year 2006, the demand for qualified service performance continued to run well. Our **DMG Service Solutions** concept again met with good response at the **METAV**.

**Sales revenues** reached € 191.5 million in the first six months and were thus by 21% above the value of the previous year (€ 158.0 million). The “Services” segment had a share of 32% of the group sales revenues (previous year: 31%). Order intake increased to € 201.3 million (previous year: € 159.8 million). Thus, 28% of all order intakes were attributable to “Services”. The **order backlog** was € 42.7 million. The income position has improved according to plan in accordance with the sales revenues development as well as the increased procurement services. **EBIT** was € 29.1 million (previous year: € 16.8 million).

### “Corporate Services”

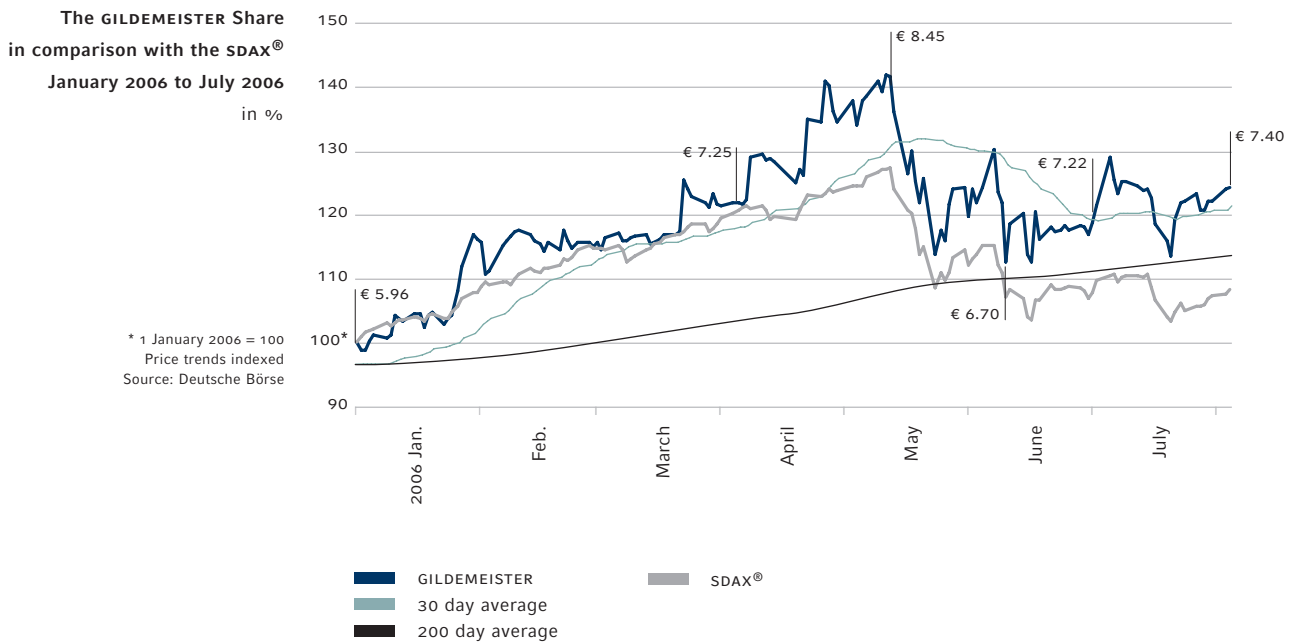
SEGMENT “CORPORATE SERVICES”	2006	2005	Changes	
	First 6 months	First 6 months	2006 against 2005	
	€ M	€ M	€ M	%
Sales revenues	0.1	0.3	-0.2	-67
Order intake	0.1	0.3	-0.2	-67
Investments	0.4	0.4	0.0	0
Employees*	71	64	7	11
EBIT	-10.1	-8.0	-2.1	

\* Reporting date 30 June

The “Corporate Services” segment essentially includes **GILDEMEISTER** Aktiengesellschaft with its group-wide holding functions. **EBIT** was € -10.1 million (previous year: € -8.0 million). The significant change in result came from expenses for the early repayment of the syndicated credit.

**GILDEMEISTER Share**

The GILDEMEISTER share followed the SDAX development in the second quarter. After having a price of € 7.25 on 3 April 2006, the share price increased to the highest level this year so far, € 8.45 on 10 May 2006. After this, it followed the market decline, reaching its lowest level of € 6.70 on 8 June. At the end of the half year, the share was quoted at € 7.22 (30 June 2006). At present, the share is listed at € 7.40 (1 August 2006). Current studies may be found on the Internet or requested from our Investor Relations Team.



The GILDEMEISTER shares are exclusively in free float. Based on a total number of 43.3 million shares, the shares were transferred 0.3 times during the second quarter (previous year: 0.1 times). The structure of shareholders has not changed significantly compared with 31 March 2006.

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### Research and development

The expenses for research and development were € 21.3 million and were thus at a similar level to the previous year (€ 21.4 million). 403 staff members (13% of the workforce at the plants) work on the development of our new products.

GILDEMEISTER presented four new developments at in-house exhibitions and trade fairs in the first half year. The METAV in Düsseldorf with three new products was one of those focal points at: The **GMX 200 s linear** covers the area of 3D-graphically supported workshop programming for the field of turning and milling centres. The integration of the ShopTurn Programming System in the Siemens SolutionLine controller enables flexible manufacturing of complex workpiece geometries for small to medium-sized lot sizes. The **SPEED 32-10 linear** realigns the boundaries of the product programme of the SPEED model series for flexible and highly-productive automatic turning. The combination of Swisstype construction form and linear drive technology guarantees high accuracy and dynamics, processing the workpiece with up to three tools maximises productivity at the same time. The universal milling machine **DMU 70** uses the proven machine concept from the successful **DMU 50**. The use of digital drives and direct measurement systems enables high processing accuracy and improved surface quality.



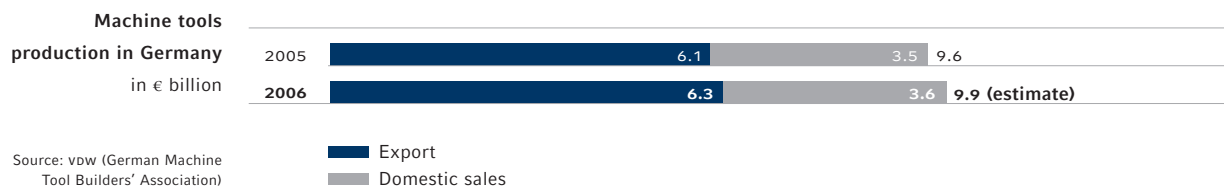
#### Innovative DMG technology

The **GMX 200 s linear** – provides an integrated ShopTurn Programming System, thus enabling for the first time graphically supported workshop programming at the turning and milling centres.

### Employees

As at 30 June 2006, GILDEMEISTER had 5,287 employees, of which 135 were trainees, (31 March 2006: 5,270). The number of employees has slightly increased by 17. At the end of the first quarter, 3,134 staff members (59%) worked at the domestic and 2,153 staff members (41%) at the foreign companies. The personnel expenditure was € 155.1 million (same quarter of the previous year: € 147.5 million). The personnel expenditure quota was reduced to 25.3% (previous year: 27.3%).

The **world economy** will pick-up considerably again during the current business year. The main driving forces are still China and the USA. However, the individual countries and regions will participate to various extents in this development. The previously released forecasts for the **machine tools** continue to assume growth. An increase in the worldwide demand by a further 5% is forecast by the association of German Machine Tools 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 member states of the EU, growth is expected, while in Europe all together only minimal growth is expected. For Germany, the study assumes a production increase of 2% and increased consumption of 4%. An increase in German exports by 2% is expected; the domestic sales should increase by 3%.



**GILDEMEISTER** assumes that the good business development will also continue in the second half of the year. Our planning is based on innovative product development, lasting optimisation of our global market presence and stable use of tool machines in Asia – especially in China and Japan – and further growth tendencies on the domestic market. Taking into account autumn trade fairs we now want to achieve an order intake of more than € 1.3 billion in the entire year. In view of our order backlog we are now planning to increase sales revenues to more than € 1.2 billion. For the financial year 2006, we expect an improvement in EBT and annual profit by more than 40%. We are planning the distribution of a dividend for the current financial year.

## Consolidated Income Statement

	2006		2005		Changes	
	1 April - 30 June		1 April - 30 June		2006 against 2005	
2 <sup>nd</sup> Quarter	€ M	%	€ M	%	€ M	%
<b>Sales revenues</b>	<b>317.3</b>	<b>100.0</b>	<b>278.2</b>	<b>99.2</b>	<b>39.1</b>	<b>14.1</b>
Change in finished goods and work in progress	-1.6	-0.5	0.8	0.3	-2.4	300.0
Other capitalised payments	1.5	0.5	1.4	0.5	0.1	7.1
<b>Total work done</b>	<b>317.2</b>	<b>100.0</b>	<b>280.4</b>	<b>100.0</b>	<b>36.8</b>	<b>13.1</b>
Cost of materials	-166.1	-52.4	-148.3	-52.9	-17.8	12.0
<b>Gross profit</b>	<b>151.1</b>	<b>47.6</b>	<b>132.1</b>	<b>47.1</b>	<b>19.0</b>	<b>14.4</b>
Personnel costs	-78.8	-24.8	-74.7	-26.6	-4.1	5.5
Other income and expenses	-46.3	-14.6	-36.3	-12.9	-10.0	27.5
Depreciation	-7.6	-2.4	-7.5	-2.7	-0.1	1.3
<b>Financial result</b>	<b>-8.1</b>	<b>-2.5</b>	<b>-8.0</b>	<b>-2.9</b>	<b>-0.1</b>	<b>1.3</b>
<b>EBT</b>	<b>10.3</b>	<b>3.3</b>	<b>5.6</b>	<b>2.0</b>	<b>4.7</b>	
Taxes on profits	-5.1	-1.6	-1.2	-0.4	-3.9	
<b>Annual profit</b>	<b>5.2</b>	<b>1.7</b>	<b>4.4</b>	<b>1.6</b>	<b>0.8</b>	

Earnings per share

acc. to IAS 33 (in Euro) 0.12 0.10

	2006		2005		Changes	
	1 Jan. - 30 June		1 Jan. - 30 June		2006 against 2005	
First 6 months	€ M	%	€ M	%	€ M	%
<b>Sales revenues</b>	<b>591.4</b>	<b>96.5</b>	<b>517.8</b>	<b>95.8</b>	<b>73.6</b>	<b>14.2</b>
Change in finished goods and work in progress	19.1	3.1	19.8	3.7	-0.7	3.5
Other capitalised payments	2.6	0.4	2.9	0.5	-0.3	10.3
<b>Total work done</b>	<b>613.1</b>	<b>100.0</b>	<b>540.5</b>	<b>100.0</b>	<b>72.6</b>	<b>13.4</b>
Cost of materials	-326.5	-53.3	-287.4	-53.2	-39.1	13.6
<b>Gross profit</b>	<b>286.6</b>	<b>46.7</b>	<b>253.1</b>	<b>46.8</b>	<b>33.5</b>	<b>13.2</b>
Personnel costs	-155.1	-25.3	-147.5	-27.3	-7.6	5.1
Other income and expenses	-88.0	-14.3	-71.6	-13.2	-16.4	22.9
Depreciation	-15.3	-2.5	-14.6	-2.7	-0.7	4.8
<b>Financial result</b>	<b>-15.7</b>	<b>-2.6</b>	<b>-15.6</b>	<b>-2.9</b>	<b>-0.1</b>	<b>0.6</b>
<b>EBT</b>	<b>12.5</b>	<b>2.0</b>	<b>3.8</b>	<b>0.7</b>	<b>8.7</b>	
Taxes on profits	-6.2	-1.0	-2.1	-0.4	-4.1	
<b>Annual profit</b>	<b>6.3</b>	<b>1.0</b>	<b>1.7</b>	<b>0.3</b>	<b>4.6</b>	

Earnings per share

acc. to IAS 33 (in Euro) 0.15 0.04

## Consolidated Balance Sheet

	30 June 2006	31 Dec. 2005	30 June 2005
	€ M	€ M	€ M
<b>Assets</b>			
<b>Long-term assets</b>			
Intangible assets	100.5	100.9	97.2
of which goodwill	70.3	67.9	67.9
Tangible assets	157.6	161.2	161.6
Financial assets	0.3	0.2	0.2
Trade debtors	1.2	1.3	0.4
Other long-term assets	9.5	10.9	4.9
Deferred taxes	28.7	27.7	25.3
	<b>297.8</b>	<b>302.2</b>	<b>289.6</b>
<b>Short-term assets</b>			
Inventories	317.7	288.8	310.4
Trade debtors	292.2	286.8	287.7
Other short-term assets	67.2	61.6	67.1
Cash and securities	38.2	22.0	12.2
	<b>715.3</b>	<b>659.2</b>	<b>677.4</b>
	<b>1,013.1</b>	<b>961.4</b>	<b>967.0</b>

	30 June 2006	31 Dec. 2005	30 June 2005
	€ M	€ M	€ M
<b>Total equity and liabilities</b>			
<b>Equity</b>			
Subscribed capital	112.6	112.6	112.6
Capital provisions	68.3	68.3	68.3
Revenue provisions	86.7	85.0	73.8
Shares of other shareholders	-0.1	-0.1	0.9
	<b>267.5</b>	<b>265.8</b>	<b>255.6</b>
<b>Long-term liabilities</b>			
Long-term financial liabilities	315.9	266.5	289.0
Pension provisions	28.0	27.5	27.7
Other long-term provisions	22.5	22.3	20.7
Trade creditors	0.9	1.8	0.3
Other long-term liabilities	5.1	8.1	10.9
Deferred taxes	10.5	8.0	4.5
	<b>382.9</b>	<b>334.2</b>	<b>353.1</b>
<b>Short-term liabilities</b>			
Short-term financial liabilities	48.6	43.8	65.9
Other short-term provisions	80.5	75.6	71.7
Payments received on account	45.7	32.5	28.9
Trade creditors	134.8	143.1	126.9
Liabilities from bills of exchange	21.4	16.8	25.4
Other short-term liabilities	31.7	49.6	39.5
	<b>362.7</b>	<b>361.4</b>	<b>358.3</b>
	<b>1,013.1</b>	<b>961.4</b>	<b>967.0</b>

## Consolidated Cash Flow Statement

	2006	2005
	1 Jan. - 30 June	1 Jan. - 30 June
	€ M	€ M
<b>Cash flow from current operations</b>		
Earnings before taxes (EBT)	12.5	3.8
Taxes on profits	-6.2	-2.1
Depreciation of assets	15.3	14.6
Changes in deferred taxes	1.5	0.0
Changes in long-term provisions	0.7	-0.1
Other non-cash expense/income	1.9	-0.1
Changes in short-term provisions	4.9	-3.2
Changes in inventories, trade debtors and other assets	-41.4	-50.0
Changes in trade payables and other liabilities	-14.4	-5.8
	-25.2	-42.9
<b>Cash flow from investment activity</b>		
Amounts paid out for investments in intangible and tangible assets	-10.0	-11.0
Amounts paid out for investments in financial assets	-1.4	0.0
Amounts received from the disposal of fixed assets	1.2	1.5
	-10.2	-9.5
<b>Cash flow from financing activity</b>		
Amounts received from raising (financing) credits	56.3	1.9
Distribution of dividends to shareholders	-4.3	0.0
	52.0	1.9
Changes affecting payments	16.6	-50.5
Consolidation and exchange rate related changes not affecting payments	-0.3	2.3
Liquid funds as at 1 January	21.9	60.3
Liquid funds as at 30 June	38.2	12.1

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## 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 result	0.0	0.0	6.3	0.0	6.3
Changes in currency / Change in market valuation of derivative financial instruments	0.0	0.0	-0.3	0.0	-0.3
Consolidation transactions / Other changes	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	-4.3	0.0	-4.3
<b>As at 30 June 2006</b>	<b>112.6</b>	<b>68.3</b>	<b>86.7</b>	<b>-0.1</b>	<b>267.5</b>

	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 result	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
Dividend	0.0	0.0	0.0	0.0	0.0
<b>As at 30 June 2005</b>	<b>112.6</b>	<b>68.3</b>	<b>73.8</b>	<b>0.9</b>	<b>255.6</b>



## Consolidated Segmental Reporting

	Machine tools	Services	Corporate Services	Transitions	Group
	€ M	€ M	€ M	€ M	€ M
<b>2<sup>nd</sup> quarter 2006</b>					
Sales revenues	216.3	101.0	0.0		317.3
EBIT	6.8	17.9	-5.8	-0.5	18.4
Investments	5.1	1.9	0.1		7.1
Employees	3,221	1,995	71		5,287

	Machine tools	Services	Corporate Services	Transitions	Group
	€ M	€ M	€ M	€ M	€ M
<b>2<sup>nd</sup> quarter 2005</b>					
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
<b>First 6 months 2006</b>					
Sales revenues	399.8	191.5	0.1		591.4
EBIT	9.6	29.1	-10.1	-0.4	28.2
Investments	8.0	3.0	0.4		11.4
Employees	3,221	1,995	71		5,287

	Machine tools	Services	Corporate Services	Transitions	Group
	€ M	€ M	€ M	€ M	€ M
<b>First 6 months 2005</b>					
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

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## Notes to the Interim Consolidated Financial Statements

**1 APPLICATION OF REGULATION** The Group Accounting Statements of GILDEMEISTER Aktiengesellschaft as at 30 June 2006 have, like the Group Accounting Statements as at 31 December 2005, been drawn up in conformity with the International Financial Reporting Standards (IFRS) valid on the reporting date and their 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 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. There we have stated in detail the methods of statement presentation, valuation and consolidation applied and we have also gone into the exercise of the option rights contained in the IFRS.

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. For further explanation, please refer to the Group Notes dated 31 December 2005.

**2 CONSOLIDATED GROUP** The consolidated group has not changed compared with 31 December 2005.

**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.

Group result excluding profit share to other shareholders	€ 6,334 K
Average weighted number of shares	43,302,503
Earnings per share acc. to IAS 33	€ 0.15

There were no dilution effects in the shown reporting period.

**4 CONSOLIDATED SEGMENTAL REPORTING** No change in the delimitation of the segments and accordingly in the determination of the segment results compared with 31 December 2005 took place. Further details of the course of business may be found in the chapter "segments".

**5 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE** Significant events have not occurred after the reporting date of the interim accounts.

26 September 2006	German Investment Conference
07 November 2006	3 <sup>rd</sup> Quarterly Report 2006 (1 July to 30 September)
14 February 2007	Press release on provisional figures for the financial year 2006
29 March 2007	Press conference on Financial Statements
29 March 2007	Publication of Annual Report 2006
30 March 2007	DVFA-Analysts' Conference
25 May 2007	General Meeting of shareholders at 10 am in the Town Hall Bielefeld

Subject to alteration

Bielefeld, 4 August 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

**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 period 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](http://www.gildemeister.com). Further copies as well as additional informative literature about GILDEMEISTER are available free of charge on request.

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