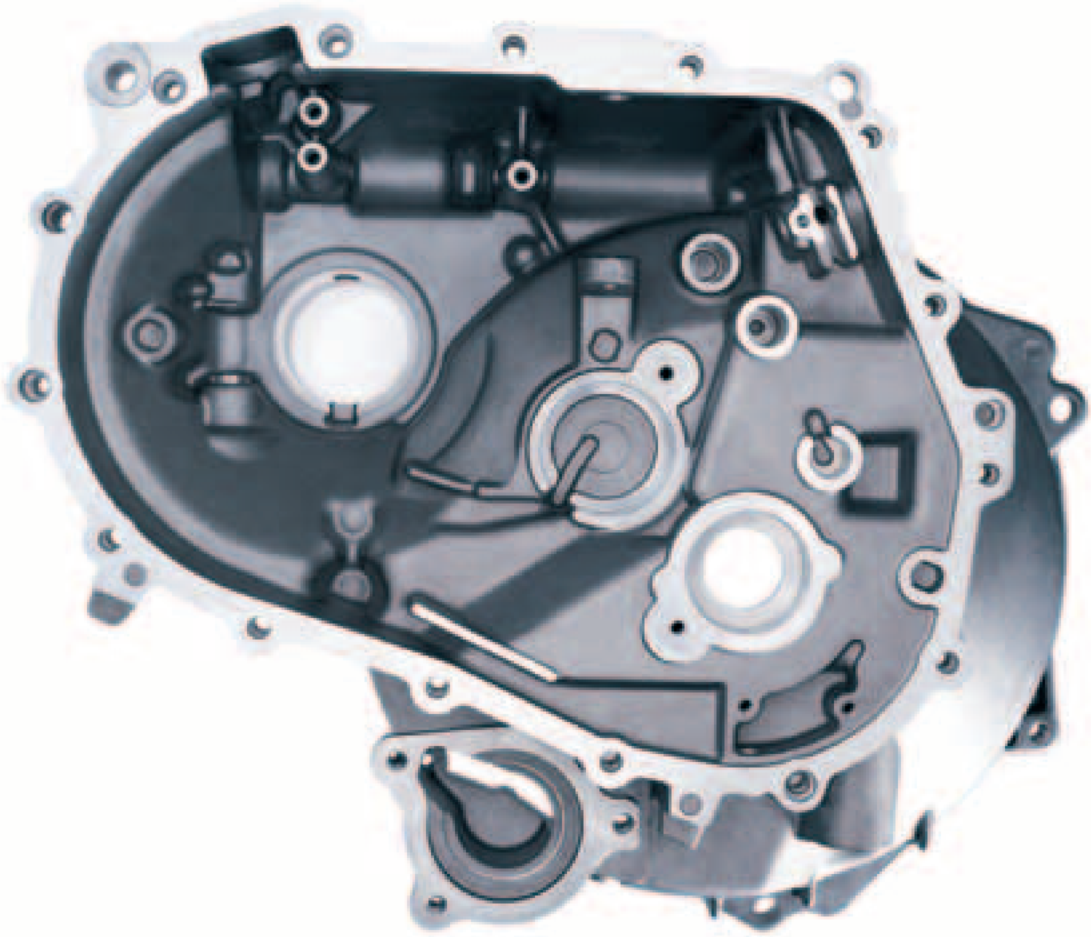
The Technology Group: Turning, Milling, Ultrasonic / Lasertec and Services

# Interim Report

3rd Quarter 2005



GILDEMEISTER

**Ladies and Gentlemen,**

gobal demand for machine tools is running at a high level. Course of business at GILDEMEISTER in the third quarter included the successful EMO and continued the trend of the first half year.

As at 30 September sales revenues rose to € 792.6 million (+8%). Order intake increased to € 873.8 million (+8%). The profit situtation further improved – EBITDA reached € 52.5 million (previous year: € 42.7 million); EBIT amounted to € 30.8 million (previous year: € 20.4 million). EBT was € 7.3 million (previous year: € -1.4 million). In the third quarter we have achieved a result swing. As at 30 September the group reported an annual profit of € 3.5 million (previous year: € -4.9 million).

As expected, fresh stimulus was given at the end of the third quarter by the EMO in Hanover, the most important trade fair for machine tools worldwide. With an order volume of € 87.4 million and 451 machines sold it has given an impetus to the group. Post-trade fair business will have a positive impact on the fourth quarter. Furthermore, for the entire year 2005 we expect an order intake of more than € 1,150 million and we expect sales revenues to be at approximately € 1.1 billion. We expect an EBT of around € 25 million and 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.

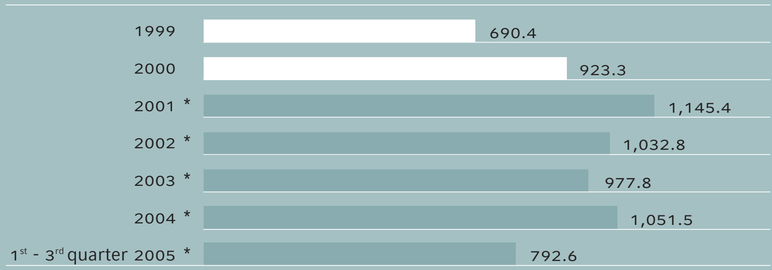
## Key Figures

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

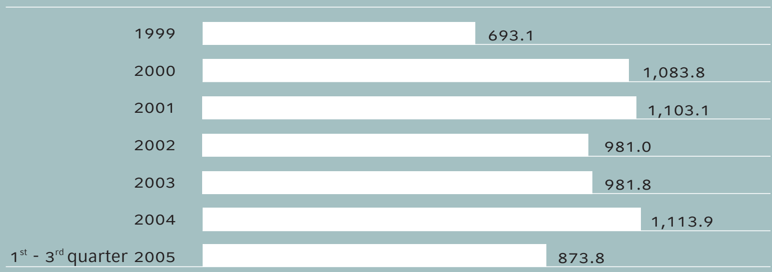
| | 2005<br>1st - 3rd quarter | 2004<br>1st - 3rd quarter | Changes<br>2005 against 2004 | |
|---|---|---|---|---|
| GILDEMEISTER group | € M | € M | € M | % |
| Sales revenues | | | | |
| Total | 792.6 | 735.1 | 57.5 | 8 |
| Domestic | 355.9 | 355.7 | 0.2 | 0 |
| International | 436.7 | 379.4 | 57.3 | 15 |
| % International | 55 | 52 | | |
| Order intake | | | | |
| Total | 873.8 | 811.8 | 62.0 | 8 |
| Domestic | 395.3 | 381.3 | 14.0 | 4 |
| International | 478.5 | 430.5 | 48.0 | 11 |
| % International | 55 | 53 | | |
| Order backlog* | | | | |
| Total | 383.1 | 336.1 | 47.0 | 14 |
| Domestic | 149.5 | 133.2 | 16.3 | 12 |
| International | 233.6 | 202.9 | 30.7 | 15 |
| % International | 61 | 60 | | |
| Investments | 16.1 | 16.2 | -0.1 | -1 |
| Personnel costs | 217.6 | 207.7 | 9.9 | 5 |
| Employees | 5,082 | 4,976 | 106 | 2 |
| Plus trainees | 184 | 193 | -9 | -5 |
| Total employees* | 5,266 | 5,169 | 97 | 2 |
| EBITDA | 52.5 | 42.7 | 9.8 | |
| EBIT | 30.8 | 20.4 | 10.4 | |
| EBT | 7.3 | -1.4 | 8.7 | |
| Annual profit / loss | 3.5 | -4.9 | 8.4 | |

* Reporting date 30 September

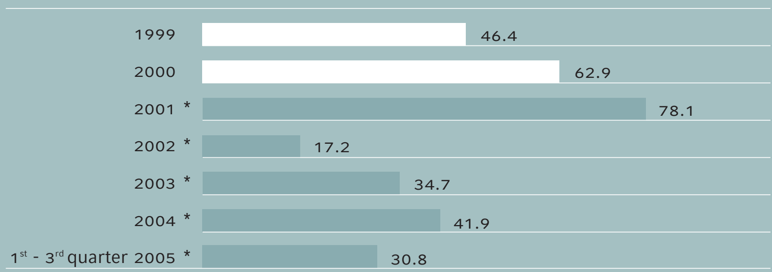
## Sales revenues
in € million



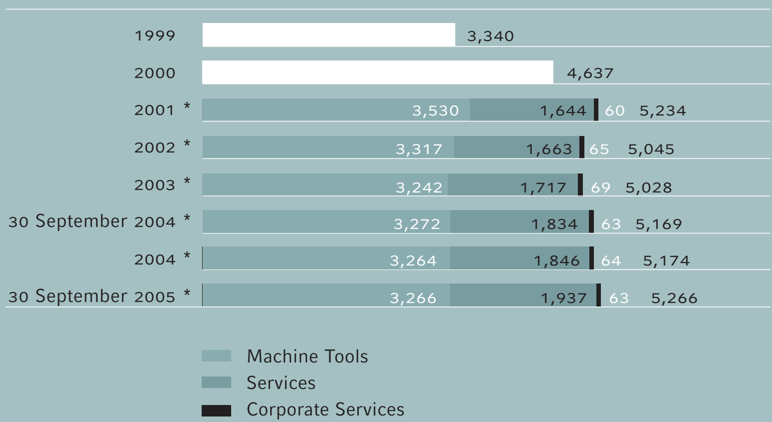

## Order intake
in € million




## EBIT
in € million




## Number of employees
incl. trainess



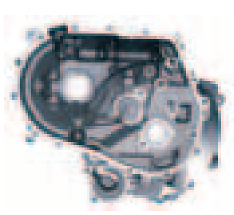

* acc. to IFRS

# Table of Contents









COVER PICTURE

**Workpiece:** Cast aluminium gearbox housing used in the car industry.

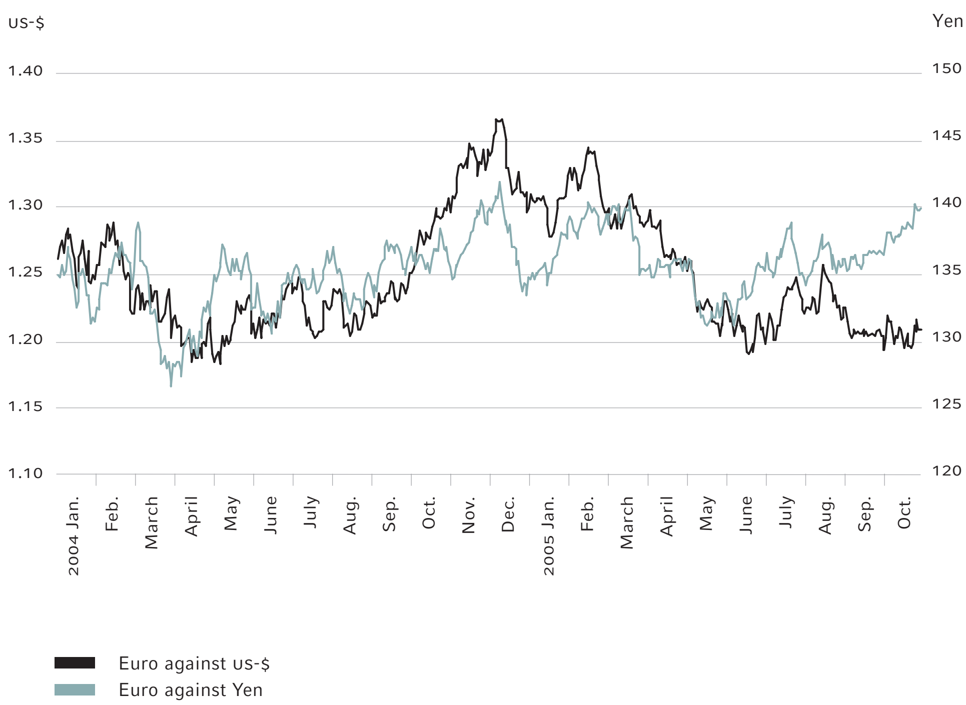
The new DMC 80 H *linear* produced by DMG enables 30 operations in just 20 seconds due to its highly dynamic linear drives in all axes.

**Overall economic development** showed an upward trend in the third quarter against a background of continuing high prices for raw materials and energy. Growth stimuli continued to come from the USA. Sustained strong growth in China was a driving force in the continuing world-wide expansion. Japan and Europe also showed signs of expansion, even if distinctly weaker. The economic situation in Germany remained subdued. It is still difficult to assess the effect of the Bundestag election on the political situation. In September the ifo Business Climate Index rose, indicating that the German economy might pick up to a greater extent than previously expected.

**Foreign exchange rates** of the currencies relevant to us i.e. the US-Dollar and the Yen, changed as follows over the third quarter of 2005: overall a clear trend of the Euro was not evident. It fluctuated between US-Dollar 1.19 and US-Dollar 1.25. On average it was US-Dollar 1.22. The average rate in the second quarter amounted to US-Dollar 1.26. In the third quarter the Yen initially gained ground against the Euro. The Yen reached its highest value at 138 on 8 August. It then fluctuated upwards and downwards, the exchange rate finally stabilising at approximately Yen 136. In July the exclusive linking of the Chinese currency, the Renminbi, to the US-Dollar was terminated. Following an initial upward revaluation of 2% the Renminbi continued to track the US-Dollar.

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

**Exchange rate movements Euro in relation to US-$ and Yen**
Source: European Central Bank



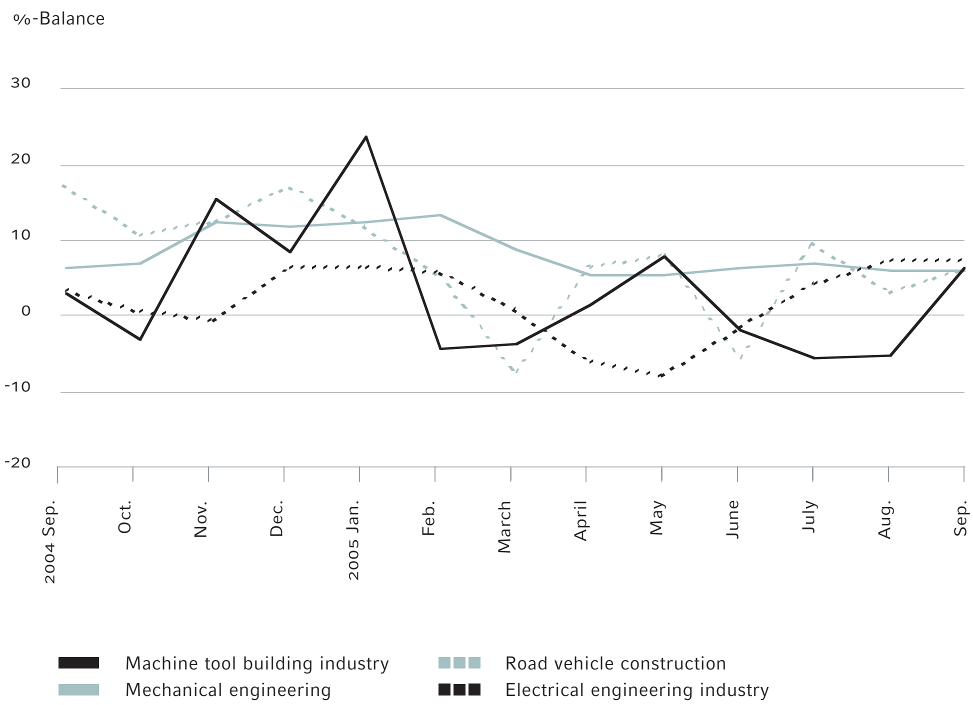
The **worldwide market for machine tools** is developing on schedule and is continuing its course of expansion. The ten largest production countries, which manufacture over 80% of the world production of machine tools, have recorded overall growth. The strongest growth stimuli continue to come from Asia. The German Machine Tool Builders' Association (VDW) and the Economic Research Institute (ifo) have raised their last forecast of 8% for growth in the world market. In their most recent study an increase of 12% is now even considered possible.

With respect to cutting machines, the **German machine tool industry** reported an increase of 5% in order intake compared to the corresponding figure for the previous year. This increase, however, is still exclusively due to international orders, which at 14% were clearly higher than the previous year. The downward trend of domestic demand has halted – following a drop of 13% in the middle of the year the change in the first three quarters amounted to -9%. With regard to the expected trend in the coming months it appears that domestic demand has turned the corner.

The development of order intake was substantially affected by the EMO. The better mood is also reflected in the **business climate** of the ifo Institute, which showed an improvement in September, particularly for machine tools. Future prospects are also looking up in the main consumer sectors for machine tools – the relevant account balances at mid-year exceed the estimates.

Source: VDW (German Machine Tool Builders' Association)

**ifo Business Climate**
Balance from the percentage of positive and negative company reports, excluding the new Bundesländer (former East German states)
Source: ifo-Institut, Munich



| 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 September 2005 the GILDEMEISTER group comprised 62 companies. The consolidated group has reduced by one company in comparison to the first half year of 2005. DMG Service BAZ GmbH, Geretsried, was integrated, retrospectively from 1 January 2005, into the Central Service companies in Pfronten and Seebach. This ensured that the organisation of Central Services was in accordance with the new product line responsibility of the supply plants.

WestLB AG sold its shareholdings of slightly more than 5% in GILDEMEISTER Aktiengesellschaft. The shares were placed with German institutional investors. The GILDEMEISTER shares are now held exlusively in free float owned by diverse shareholders.

## Sales revenues

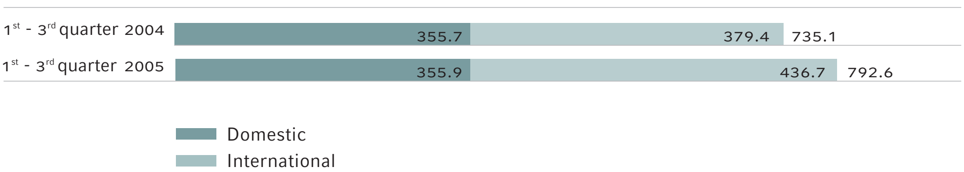
In the third quarter, sales revenues amounting to € 274.8 million (+12%) exceeded the comparable figure for the previous year (€ 244.6 million). In the first nine months, sales revenues amounted to € 792.6 million, which is 8% above the figure for the previous year (€ 735.1 million). International sales revenues rose by 15% to € 436.7 million. Domestic sales revenues reached € 355.9 million, at the level of the previous year. Exports were 55% of our total sales (previous year: 52%).

The ten production sites of the “Machine Tools” segment contributed 69% (previous year: 70%) to total sales revenues. The DECKEL MAHO milling technology represented 42% of total sales revenues (previous year: 41%), whilst the GILDEMEISTER turning technology represented 25% (previous year: 27%). The new SAUER ultrasonic and laser technologies contributed 2% (previous year: 2%). This share in sales revenues contributed by the “Services” segment continued to increase to 31% (previous year: 30%).

**SALES AND SERVICE ORGANISATION**

| | | | |
|---|---|---|---|
| FAMOT Pleszew S.A.<br>Pleszew, 100% | SAUER GmbH<br>Idar-Oberstein / Kempten, indirect 99% | DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd.<br>Shanghai, 100% | DMG Vertriebs und Service GmbH<br>Bielefeld, 100% |
| | | | 58 Sales and Service sites<br>worldwide |
| | | | SACO S.p.A<br>Castelleone, indirect 100% |
| | | | a & f Stahl- und Maschinenbau<br>Würzburg, indirect 100% |

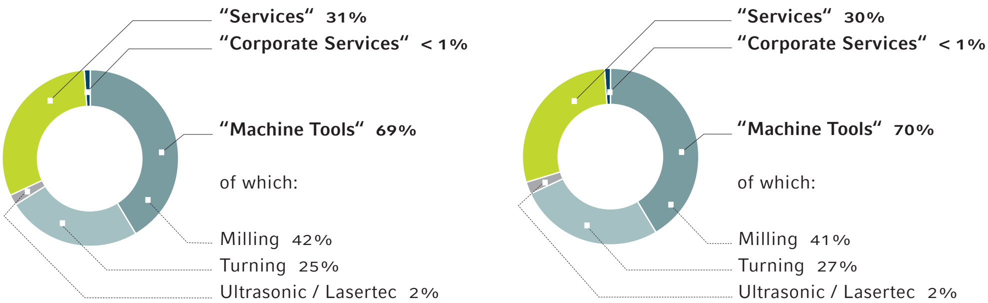
**Sales revenues**
**GILDEMEISTER group**
in € million




For the fourth quarter of 2005 we expect our sales revenue development to be better than the sales revenues for the previous year's fourth quarter (€ 316.4 million). Based on good international demand and the EMO impact we expect sales revenues to be at approximately € 1.1 billion.

**GILDEMEISTER group**
**Distribution of sales revenues by segments / divisions**

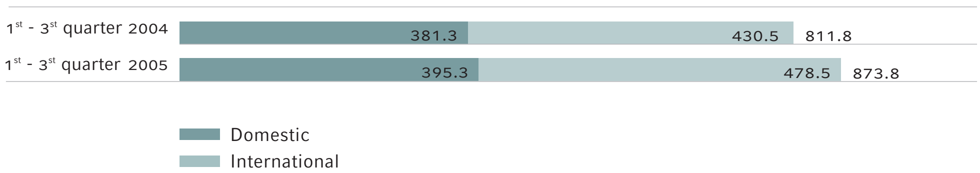
**1st - 3rd quarter 2005: € 792.6 million** **1st - 3rd quarter 2004: € 735.1 million**



## Order intake

The EMO fully met our expectations. The third quarter showed a positive trend with an order intake of € 299.6 million, thereby exeeding the figure for the previous year's period (€ 269.4 million) by € 30.2 million (11%). In the first nine months of the year, order intake increased to € 873.8 million, which amounted to € 62.0 million or 8% above the figure for the previous year's period (€ 811.8 million). As in the previous quarters international transactions contributed in particular to this.

**Order intake**
**GILDEMEISTER group**
in € million



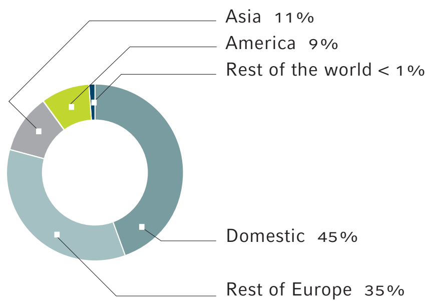

International orders increased by € 48.0 million or 11% to € 478.5 million (previous year: € 430.5 million). The international share thereby amounted to 55% (previous year: 53%). Domestic orders amounted to € 395.3 million, which is € 14.0 million or 4% more than the figure for the corresponding period of the previous year (€ 381.3 million).

72% of all orders were attributed to the "Machine Tools" segment (pervious year: 73%) and 28% to the "Services" segment (previous year: 27%).

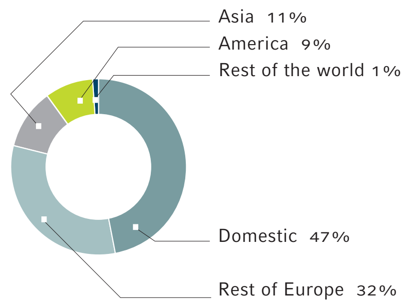
The order intake in each market region developed as follows:

**Order intake by region**
**GILDEMEISTER group**

**1st - 3rd quarter 2005: € 873.8 million**




**1st - 3rd quarter 2004: € 811.8 million**



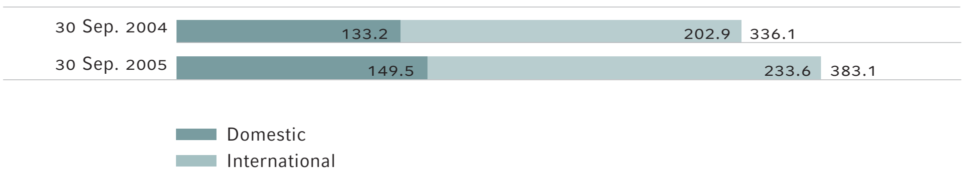

The increased order intake was mainly due to the success of the EMO – we sold 451 machines and with a figure of € 87.4 million achieved our best trade fair result in our company history. Based on the demand triggered by the EMO we expect orders for the fourth quarter to develop at the level of the previous quarter. We are planning for an order intake of more than € 1,150 million for the entire year.

Economic Development
Business Development
Segments
Forecast
Interim Consolidated Financial Statements
Financial Calendar

**Order backlog**

On 30 September 2005, the group's order backlog amounted to € 383.1 million. 61% were attributed to international orders (previous year: 60%). When compared to the previous year, the backlog of international orders increased by € 30.7 million (+15%) to € 233.6 million and the domestic order backlog by € 16.3 million (+12%) to € 149.5 million. When assessing our order backlog we made adjustments to values, based on international currency effects and cancellations of individual projects. Arithmetically, the order backlog represents a range of coverage of production of over four months.

**Order backlog**
GILDEMEISTER **group**
in € million




At the end of the reporting period, order backlog pertaining to "Machine Tools" amounted to € 333.8 million, representing a 87% share in total order backlog (previous year: 90%). Of these orders, 67% were from abroad (previous year: 64%). € 49.3 million or 13% were attributed to the "Services" segment.

**Results of Operations, Net Worth and Financial Position**

In the **third quarter**, EBITDA, EBIT and EBT further improved when compared with the corresponding figures of the previous year. EBITDA was € 18.5 million (previous year: € 10.8 million); EBIT reached € 11.4 million (previous year: € 3.4 million), and EBT amounted to € 3.5 million (previous year: € -6.4 million), an improvement of € 9.9 million in quarterly comparison.

On **30 September** EBITDA reached € 52.5 million (previous year: € 42.7 million); EBIT amounted to € 30.8 million (previous year: € 20.4 million). EBT amounted to € 7.3 million (previous year: € -1.4 million). On 30 September 2005 the group reported an annual profit of € 3.5 million (previous year: € -4.9 million).

In relation to a total work done of € 823.3 million (previous year: € 751.8 million) the materials quota amounted to about 53.6%, which is slightly above the previous year (53.2%). This increase is primarily due to the continuing high level of intial processing and to the higher material costs associated with start-up for some of the new machine types. Gross profit increased by € 29.8 million to € 381.7 million (previous year: € 351.9 million). The gross profit margin reached 46.4% (previous year: 46.8%). Personnel costs amounted to € 217.6 million (€ +9.9 million); the personnel costs quota decreased to 26.4% (previous year: 27.6%). The balance from other income and expenses rose by € 10.1 million to € 111.6 million. This increase resulted mainly from cost increases associated with sales revenues. Depreciation, reduced by € 0.6 million to € 21.7 million had a counter-effect. Financial results were influenced by higher interest costs; net financial expenditure increased by € 1.7 million to € 23.5 million. Tax expenditure amounted to € 3.8 million, which corresponds to an overall tax ratio of 52%. The annual profit is € 3.5 million (previous year: € -4.9 million).

| | 30 Sep. 2005 | 31 Dec. 2004 | 30 Sep. 2004 |
|---|---|---|---|
| | € M | € M | € M |
| **Net worth** | | | |
| Fixed assets | 257.0 | 262.5 | 263.9 |
| Current assets | 708.9 | 677.5 | 671.7 |
| Equity | 257.1 | 250.5 | 240.9 |
| Outside capital | 708.8 | 689.5 | 694.7 |
| **Balance sheet total** | 965.9 | 940.0 | 935.6 |

The balance sheet total at 30 September 2005 increased by € 25.9 million to € 965.9 million in comparison with the Annual Balance Sheet for 2004. On the **assets side**, a decrease in fixed assets of € 5.5 million was offset by an increase in current assets of € 31.4 million. This increase in current assets was due to the higher allocation of raw materials and consumables, a higher level of initial processing of unfinished goods and an increase in finished goods, according to the line of business, from seasonal fluctuations and from initial processing in the fourth quarter, traditionally the strongest for sales revenues. Debt claims decreased by € 5.1 million in comparison with the year-end.

The application of IAS 39, which was amended with effect from 1 January 2005, resulted in a balance sheet extension as of 30 September 2005 amounting to € 27.0 million. This corresponds to the statement of discounted bills of exchange, which were previously shown under contingencies in the consolidated year-end accounts 2004. In comparison to 31 December 2004, cash and cash equivalents decreased by € 44.7 million to € 15.7 million.

On the **liabilities side**, equity capital amounted to € 257.1 million, an increase of € 6.6 million in comparison to the position at 31 December 2004. Outside capital increased by € 19.3 million to € 708.8 million. Increased financial liabilities, bills payable and an increase in prepayments received for orders were off-set by fewer trade creditors. It is our aim to reduce the working capital and to strengthen our **liquidity** in the fourth quarter by a lower tying-up of funds in stock value.

The **cash flow** from current operations of € 13.4 million in the third quarter was positive; whilst still showing a loss of € -29.5 million in the first nine months. The annual profit and depreciation had a positive effect on the cash flow. In comparison to 31 December 2004, tying-up of funds increased substantially by € 43.3 million due to the seasonally affected increase in inventories. When compared to 31 December 2004, trade receivables decreased by € 5.1 million and had a positive impact on the cashflow. The reduction in trade payables of € 12.4 million had a negative impact on cash flow.

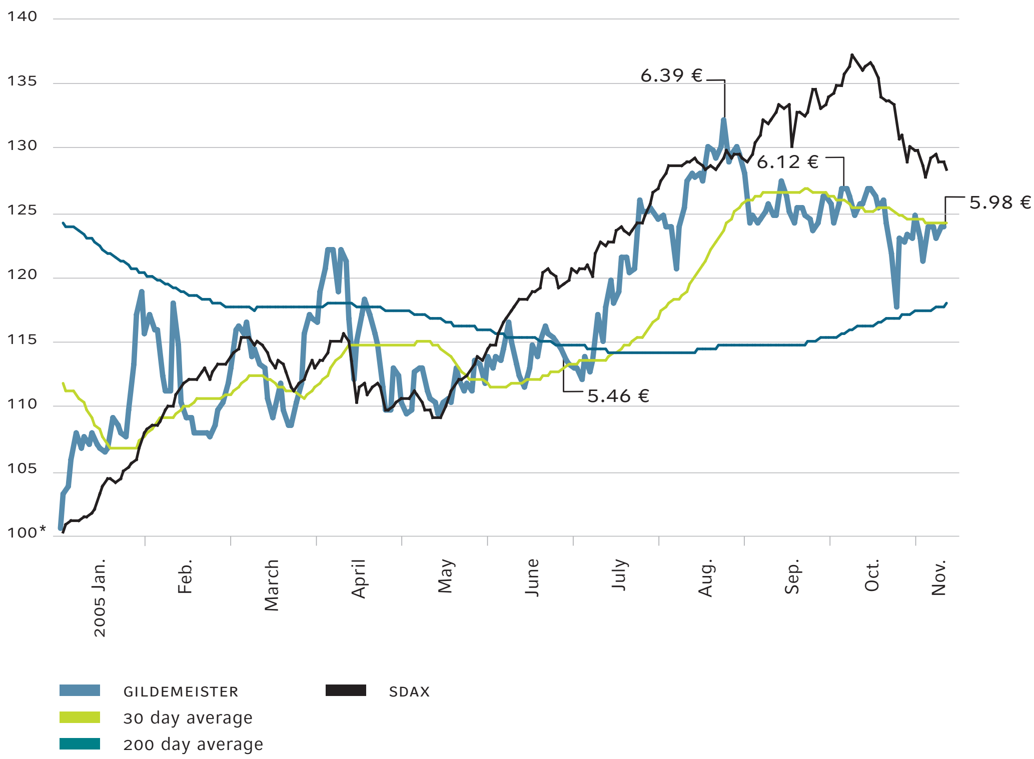
Cash flow from investment activity amounted to € -14.4 million (previous year: € -14.9 million). In the first nine months cash flow from financing activity amounted to € -2.5 million; the high positive figure of the previous year of € 66.9 million was primarily due to cash received from the capital increase. In line with our planning we assume a positive trend for our cash flow for the fourth quarter shows a positive trend, which should primarily be due to less funds being tied up in inventories and due to the positive result for the year.

| | 2005 1st - 3rd quarter € M | 2004 1st - 3rd quarter € M |
|---|---|---|
| **Financial position** | | |
| Cash flow from current operations | -29.5 | -23.8 |
| Cashflow from investment activity | -14.4 | -14.9 |
| Cash flow from financing activity | -2.5 | 66.9 |
| Change in cash | -44.6 | 27.7 |
| Cash as at 1 January | 60.3 | 11.4 |
| Cash as at 30 September | 15.7 | 39.1 |

## The GILDEMEISTER Share

In the third quarter, the GILDEMEISTER share gained in value and followed the general trend of the capital market. At the beginning of the quarter its value was quoted at € 5.46; at the end of the quarter, it was € 6.12. It reached its highest value on 22 August at € 6.39. Our share is currently quoted at € 5.98 (4 November 2005). Up-to-date studies can be viewed on the Internet or requested from our Investor Relations Team.

**The GILDEMEISTER Share in comparison with the SDAX January 2005 to November 2005**
in %




* 1 January 2005 = 100
Price trends indexed

**Your contact to the GILDEMEISTER Public- / Investor-Relations-Team:**

GILDEMEISTER Aktiengesellschaft
Gildemeisterstraße 60
D-33689 Bielefeld

| | | |
|---|---|---|
| Phone: | + 49 (0) 52 05 / 74 - 3001 | Tanja Figge |
| | + 49 (0) 52 05 / 74 - 3004 | Nadja Lüdke |
| Fax: | + 49 (0) 52 05 / 74 - 3081 | |
| Internet: | www.gildemeister.com | |
| E-Mail: | ir@gildemeister.com | |

## Risk reporting

**Risk management system:** Risks that are associated with our entrepreneurial activities are continually monitored by the GILDEMEISTER risk management system. As far as possible, we have taken precautions against those business risks that could substantially affect the company's net worth, financial and profit situation.

Every quarter of the year responsible employees identify relevant facts in the individual company divisions, and their risk potentials are analysed and assessed using statistical parameters. The Executive Board and the Supervisory Board are regularly informed about the risk situation of each group company.

**General economic risks:** Substantial risks for business development of the GILDEMEISTER group arise mainly from general economic influences on the markets which are relevant to us and on rising purchasing prices of raw materials. Other risk potentials include natural catastrophes,which could result in rising energy costs and delays in supplies. In general, and from today's perspective, there are no risks arising from overal economic development that could jeopardise GILDEMEISTER's existence.

**Sector risks:** GILDEMEISTER counteracts risks arising from cyclical trends in the industry with the technological superiority proved at EMO, attractive product range and our broad customer base. We do not therefore expect any major adverse effects in our net worth, financial and earnings position. Risks are still arising from the agressive pricing policy of Asian suppliers. The ongoing consolidation phase in the machine tool industry will entail further international restructuring. No specific risks from sector-related concentration are foreseeable.

**Risks from operational tasks:** The continued heavy competition for our products in the international markets is counteracted by reduced costs, enhanced production processes and optimised product start-ups. Limiting financial and economic risks is one of the main operational tasks of GILDEMEISTER Aktiengesellschaft. We monitor and control the group's liquidity with the aid of financial-planning and financial-analysis instruments, which we have continued to develop. Deferred tax assets resulting from accummulated losses brought forward can be adversely affected by tax rate changes and the future profitability of the companies concerned.

IT risks exist due to the increasing networking of our systems, some of which are complex. We are counteracting these information technology risks by regular investment in hard- and software. Risks arising from these areas are therefore controllable.

Personnel risks arise primarily due to the fluctuation of employees in key positions and in personnel recruitment, development and lay-off. GILDEMEISTER limits these risks by intensive further training and programmes for the training of junior staff, as well as performance related pay, resource management and succession planning.

**Overall risk**: No major changes have occurred in the risk situation of the GILDEMEISTER group since the publication of our last report. An obvious trend in the development of exchange rates (Euro against US-Dollar and Yen) can still not be seen. Exchange rate relations increase currency and price risks, which could consequently restrict the sales of our products and services. Overall, the risks can be controlled and the future of the GILDEMEISTER group is currently not jeopardised. We are currently not expecting any fundamental changes in the group's risk situation.

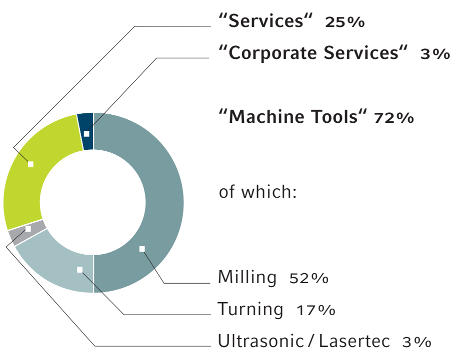
## Investments

In the first three quarters of the year, investments amounted to € 16.1 million (previous year: € 16.2 million). Overall, GILDEMEISTER carried out 54% of the investments planned for the current financial year (€ 30 million) during the first nine months. Consistent management enabled us to reduce the planned volume of investments.

Focal points of investments in the third quarter included capitalised development costs and investments in models and fixtures to maintain operational readiness. A total of € 11.2 million (previous year: € 11.7 million) was invested in tangible fixed assets and intangible assets. In accordance with our planning, capitalised development costs of € 4.9 million were also maintained at the level of the previous year (€ 4.5 million).

**Contribution of each segment / division to investments**

**1st - 3rd quarter 2005: € 16.1 million**



**Production and Logistics, Products and Services**

Activities in the **production and logistics** area were focused in particular on the EMO. The preparation and implementation of production starts and new developments 2005 ensured the ability to supply following trade fair transactions.

We have continued to optimise the production combination of product plants and production plants. Focussing on the respective core expertise of each site has resulted for example in the decision to expand the production of entry machines at the Shanghai site in 2006. Towards the end of the third quarter this plant, for the first time, produced and delivered machines for export.

In addition, capacity in mechanical production was optimised from the perspectives of economy, technical production and quality orientation. Besides establishing a central manufacture coordination unit the machine park was also specifically modernised. In particular, to improve the efficiency of production capacity at the Seebach and Pleszew sites we installed modern DMC and DMU machines for processing large and high-precision individual parts.

We have fundamentally revised our **PULL** production system, in order to better co-ordinate the numerous activities and projects for the continuous adjustment and optimisation of production sequences in the production and logistics area. Further development of the **PULLplus**-added value system extends the optimisation of the business and support processes, focussed on the customer and added value, to the whole company. Comprehensive methods, equipment and training tools, which are individual to the company and which inter-coordinate are available to the employees. The set of rules and regulations was expanded and more standards were established. The continuous optimisation process can now be more forcefully decentralised and accelerated.

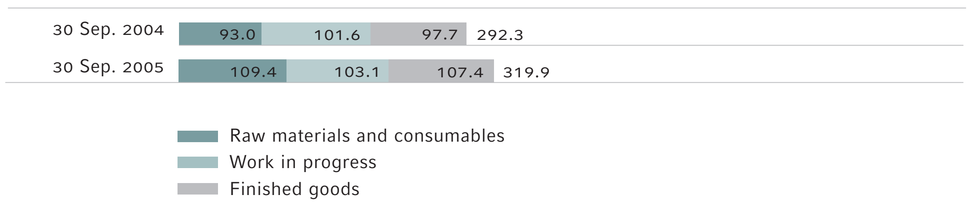
In the **procurement** area the activities of the ***co*Supply®** campaign were intensified. This was shown in the successful completion of various projects on the protection of goods procurement and the improvement of the quality of start materials. These were initiated and implemented jointly with our suppliers. This included the further development and improvement of the continuous online suppliers' evaluation ("www.coSupply.de") in the area of the institution and evaluation of measures.

The materials quota was about 53.6%, which is slightly above the corresponding figure for the previous year (53.2%). The increase on the previous year's figure is primarily due to the still unchanged high level of initial processing and the high material costs associated with start-up for some of the new types of machines. **Standardisation** of modules and components throughout the group yielded positive effects. In various projects (for example, in the materials sections of chip conveyors, motor spindles, hydraulics) we were able to perceptibly reduce the number of suppliers and variants concerned. Continued improvement of the management of the materials sections was the underlying reason for the increase in global procurement.

These various improvements and ongoing negotiations with our suppliers have resulted in overall savings of € 4 million, thereby absorbing to a large extent the increase in procurement prices – for example, in the cost of raw materials. The structure of costs and procurement prices has not changed significantly in comparison to the previous year.

At € 319.9 million **inventories** have exceeded the previous year's figure (€ 292.3 million) by € 27.6 million or 9% due to the high level of initial processing and to the strong increase in international trade and the accompanying longer transport times.

**Inventories of the GILDEMEISTER group**
in € million




The GILDEMEISTER group will further base its product policy on the innovation-orientated strategy of technological supremacy in cutting machine tools. We have therefore pushed on with the development of our new **products and services** and have presented 65 High-tech machines at the EMO, of which 9 are world premières. By the end of the year new developments will replace a total of 28 machine types and variants from the supply programme to date. Further details are set out in the "Research and Development" chapter on page 19.

## Employees

As at 30 September 2005, GILDEMEISTER had 5,266 employees, 184 of whom were trainees (30 June 2005: 5,249). This increase in the number of employees by 17 in comparison to the figure at the half-year is due in particular to taking on trainees at the beginning of the new trainee year. We are maintaining our training standard at a high level so that in the future we can also recruit many of our qualified and executive employees from our own ranks. In comparison to the end of the financial year 2004 the number of employees has increased by 92. This increase in personnel has been mainly in the "Services" area and has resulted from the increased demand and requirements of our customers throughout the world.

At the end of the third quarter 3,153 employees (60%) worked for the national companies and 2,113 (40%) for our international companies. Personnel costs were € 217.6 million (corresponding period of the previous year: € 207.7 million) due to the higher number of employees and the increased expenditure on increases on standard wages and overtime. The personnel costs quota decreased to 26.4% (previous year: 27.6%).

**Research and Development**

In the first nine months of 2005, € 33.4 million was invested in research and development, thereby exceeding the figure for the corresponding period of the previous year (€ 27.8 million) by € 5.6 million or 20%. 414 employees are currently working on the development of new products, representing an unchanged percentage of 13% of staff.

Activities in research and development targeted at the EMO resulted in the exhibition of 9 world premières at this showcase fair. A total of 22 products newly developed in 2005 were exhibited, highlighting the "know-how" of the company and the success of our innovation-orientated strategy. In accordance with our focus on customer requirements all our innovations are targeted at demand and represent new and further developments of tried and tested lines.

The universal milling machine division saw the introduction of the DMU monoBLOCK® line with the completely revised models DMU 60, 80 and 100. This division was also expanded by a machine in the patented duoBLOCK® construction. The DMU line was completed by the DMU 50 eVo, which is fitted with a highly efficient linear motor and which can now also work on negative angles.

The DMC H line of horizontal machining centres was completed with the introduction of three machines in the patented duoBLOCK® construction. These compact machines are designed for universal, heavy or dynamic applications and along with increased dynamics offer, among other things, a particularly easy-to-maintain motor spindle.

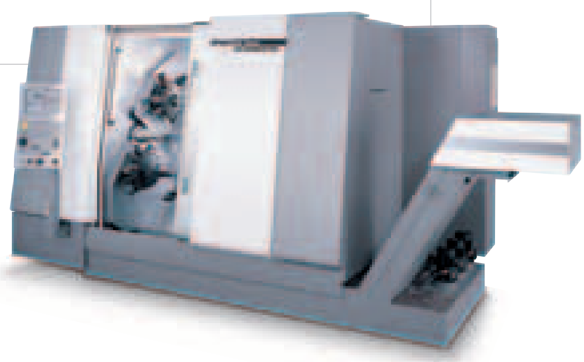
A total of four machines were introduced to the DMC V line in 2005. The introduction of the DMC 635 V series produced an entire new generation in this product segment, accompanied by increased productivity of up to 35%. The C frame method of construction offers optimum accessibility and at the same time significantly improved chip fall. The new developments, 13 in total, in the milling division were completed with the DMF 220 *linear* with B-axis.

The new developments of the SPRINT 65 *linear* and the CTV 250 *linear* are able to meet complex productivity and technical performance requirements in the turning division.

Using market requirements as a starting point, completely new product variants were developed for the CTX line and introduced at the EMO, significantly expanding the application fields of these successful turning machines. With the NEF 600, also introduced as a world première at the EMO, GILDEMEISTER is continuing the successful NEF principle of the fourth generation and by doing so offering a distinctly broader range of performance.

GILDEMEISTER has demonstrated and expanded its leading position with respect to the new ultrasonic / laser technologies at the EMO with three new innovations – of which two are world premières – the ULTRASONIC 20-5 *linear* and the ULTRASONIC 50 are used for the machining of advanced materials, such as for example, glass, metal carbide or precious stones. The LASERTEC 40 offers a new diode laser, which is able to simultaneously increase precision, process quality and long-term stability.

**Innovative DMG Technology:**
The **SPRINT 65** ***linear*** of DMG with 36 driven tools and a no-wear linear motor provides short cycle times for processing complex workpieces.



## Segments

### “Machine tools“

| KEY FIGURES | 2005 1st - 3rd quarter € M | 2004 1st - 3rd quarter € M | Changes 2005 against 2004 € M | % |
|---|---|---|---|---|
| Sales revenues | | | | |
| Total | 548.0 | 514.5 | 33.5 | 7 |
| Domestic | 230.0 | 241.7 | -11.7 | -5 |
| International | 318.0 | 272.8 | 45.2 | 17 |
| % International | 58 | 53 | | |
| Order intake | | | | |
| Total | 625.8 | 589.6 | 36.2 | 6 |
| Domestic | 259.7 | 259.9 | -0.2 | 0 |
| International | 366.1 | 329.7 | 36.4 | 11 |
| % International | 59 | 56 | | |
| Order backlog* | | | | |
| Total | 333.8 | 301.0 | 32.8 | 11 |
| Domestic | 109.3 | 108.7 | 0.6 | 1 |
| International | 224.5 | 192.3 | 32.2 | 17 |
| % International | 67 | 64 | | |
| Investments | 11.6 | 10.9 | 0.7 | 6 |
| Employees | 3,082 | 3,079 | 3 | 0 |
| Plus trainees | 184 | 193 | -9 | -5 |
| Total employees* | 3,266 | 3,272 | -6 | 0 |
| EBIT | 17.0 | 11.9 | 5.1 | |

* Reporting date 30 September

The “Machine Tools” segment includes the group’s new machines business. In the reporting period, **sales revenues** amounted to € 548.0 million, thereby exceeding the figure for the previous year (€ 514.5 million) by € 33.5 million or 7%.

In the first nine months of 2005, the “Machine Tools” segment achieved **EBIT** of € 17.0 million (previous year: € 11.9 million).

## “Services“

| KEY FIGURES | 2005 1st - 3rd quarter € M | 2004 1st - 3rd quarter € M | Changes 2005 against 2004 € M | % |
|---|---|---|---|---|
| Sales revenues | | | | |
| Total | 244.2 | 220.2 | 24.0 | 11 |
| Domestic | 125.5 | 113.6 | 11.9 | 10 |
| International | 118.7 | 106.6 | 12.1 | 11 |
| % International | 49 | 48 | | |
| Order intake | | | | |
| Total | 247.5 | 221.8 | 25.7 | 12 |
| Domestic | 135.2 | 121.0 | 14.2 | 12 |
| International | 112.3 | 100.8 | 11.5 | 11 |
| % International | 45 | 45 | | |
| Order backlog* | | | | |
| Total | 49.3 | 35.1 | 14.2 | 41 |
| Domestic | 40.2 | 24.5 | 15.7 | 64 |
| International | 9.1 | 10.6 | -1.5 | -14 |
| % International | 19 | 30 | | |
| Investments | 4.0 | 4.1 | -0.1 | -2 |
| Employees* | 1,937 | 1,834 | 103 | 6 |
| EBIT | 25.9 | 20.1 | 5.8 | |

* Reporting date 30 September

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 instruction, vocational and further training 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 tool components and the setting equipment and tool management of DMG MICROSET GmbH – provide the user with many options for further increasing the productivity of their DMG machines.

In the reporting period, **sales revenues** in the “Services” segment amounted to € 244.2 million, thereby exceeding the corresponding figure for the previous year (€ 220.2 million) by € 24.0 million or 11%. Profitability improved according to plan. **EBIT** amounted to € 25.9 million (previous year: € 20.1 million).

## “Corporate Services“

| KEY FIGURES | 2005 1st - 3rd quarter € M | 2004 1st - 3rd quarter € M | Changes 2005 against 2004 € M | % |
|---|---|---|---|---|
| Sales revenues | 0.4 | 0.4 | 0.0 | 0 |
| Order intake | 0.4 | 0.4 | 0.0 | 0 |
| Investments | 0.5 | 1.2 | -0.7 | -58 |
| Employees | 63 | 63 | 0 | 0 |
| Plus trainees | 0 | 0 | 0 | |
| Total employees* | 63 | 63 | 0 | 0 |
| EBIT | -11.8 | -2.1 | -9.7 | |

* Reporting date 30 September

The “Corporate Services” segment is primarily comprised of GILDEMEISTER Aktiengesellschaft, which functions as the management holding company for the group. **EBIT** amounted to € -11.8 million (previous year: € -2.1 million). This change in the result is primarily due to the profit arising from 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 34).

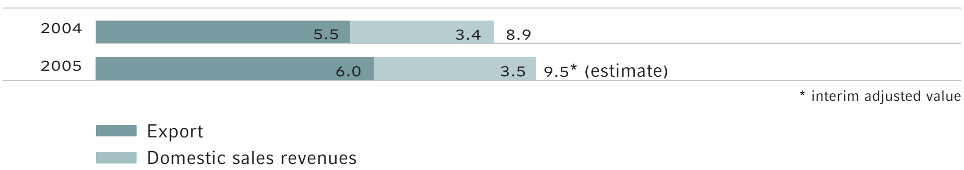
According to forecasts by economic experts, the **global economy** will continue to grow in the current year. The Kiel Institute for World Economy (IfW) expects a global increase in the gross domestic product (GDP) of 4.1% for 2005 and 2006 respectively. In **Asia** the economy remains stable. The above-average rates of growth could fall slightly in the future. Growth rates are also predicted to return to normal in China – although at a continued high level. Growth in Japan is expected to be 1.9% for this year and 1.8% for next year. The **USA** could see a slight slowing down of the economy. The IfW is forecasting an increase in the gross domestic product of 3.6 or 3.4% for the United States. In **Europe** the GDP will slightly increase according to forecasts by economic experts. The growth forecast of the IfW is 1.2% (2005) and 1.7% (2006). According to the forecast, the upwards trend in **Germany** will be moderate. Up-to-date surveys indicate, however, that economic stimulation should be more pronounced than assumed until recently. Fresh impetus continues to come in the first instance from exports. Growth in Germany, according to the estimates of the Institute, will be between 0.7 and 1.0% this year. Next year they could reach 1.1 to 1.4%.

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

The **worldwide market for machine tools** continues to run at a high level. In their latest medium-term forecast, the German Machine Tool Builders' Association (VDW) and the ifo Institute now consider it possible that in 2005 the world market will increase by 12% (up to now, 8%). Asia and the USA continue to be the regions of the largest growth. The forecast assumes further growth of the world market by up to 5% for 2006. The majority of this increase will continue to be due to the Asian markets and the USA. Above-average growth is also expected in the new EU member states.

**Machine tools production in Germany**
in € billion

Source: VDW (German Machine Tool Builders' Association) October 2005



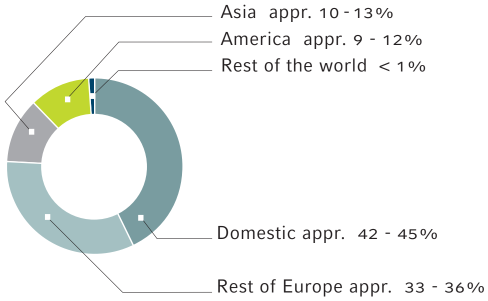

The **German Machine Tool Industry** is developing better than expected in 2005. The production forecast for the entire year has increased from 4% at the beginning of the year and 5% at mid-year to a figure now of 6% (€ 9.5 billion). The forecast is based on the successful outcome of the EMO, which should also have a favourable effect on the coming months. Against this background the VDW and the ifo Institute are now assuming an increase in the consumption of machine tools in Germany, which is 4% higher than the stagnation last forecast. In an initial estimate for 2006 the Association (VDW) considered a further increase in consumption, although slight, to be likely.

**GILDEMEISTER** expects continued positive development for the fourth quarter due to the demand recently triggered by the EMO. Over the entire year of 2005 we are expecting an **order intake** of more than € 1,150 million. For the **financial year 2006** we are planning to increase our order intake by around 5% to over € 1.2 billion.

The pressure on **selling prices** continues to remain high – particularly for standard machines. The increase in the costs of raw materials and persistently high competitive pressure are responsible for this. In the financial year 2006 we will adjust our individual prices in accordance with the market and the product.

We expect **sales revenues** for the fourth quarter to exceed the corresponding figure for the previous year (€ 316.4 million). Based on good international demand and the EMO impact sales revenues over the entire year will be at approximately € 1.1 billion. For the **financial year 2006** we are planning – comparable to order intake – an increase in sales revenues of around 5%.

**Estimated sales distribution for 2005 of the GILDEMEISTER group by regions**




Based on expected order intake and sales revenues the **order backlog** in the fourth quarter will decrease by the end of the year.

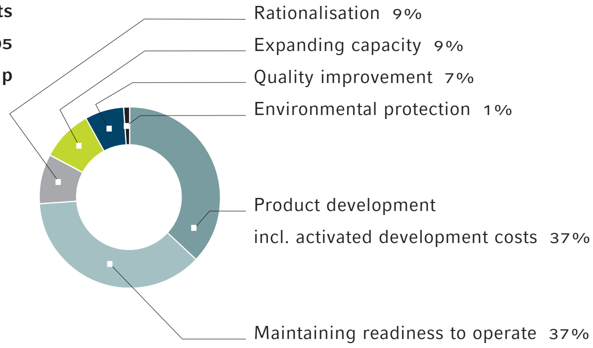
**Earnings development**: GILDEMEISTER continues to pursue the goal of increasing the group's profitability. Based on the planned increase for sales revenues for the fourth quarter we will continue to improve the result over the entire year. We expect EBT to be around € 25 million and an annual profit 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. Our aim for the financial year 2006 is to continue the positive development.

We will consequently persue our measures to reduce the working capital. A lower tying-up of funds and the sustained earning power will further improve the **liquidity**.

We will continue to optimise our **risk and opportunity management** in 2006. It is a strong system, which is self-contained and continuously increasing in efficiency. The ongoing process of consolidation among machine tool producers can generate a change in the competitive situation. From a contemporary perspective the known risks can be controlled; the ongoing existence of the GILDEMEISTER group is not jeopardised.

€ 13.9 million or 46% of the planned **investments** of 2005 (€ 30 million) are left for the fourth quarter. Consistent management in the first three quarters ensured that we would not exceed the planned total of investments. The **structure of the investments** remains well balanced and adjusted to various requirements. The investments in the fourth quarter will be used primarily for the procurement of models and fixtures and to maintain the companies' readiness to operate. For the year 2006 we are also planning for investments amounting to around € 30 million. By continuing the future-oriented strategy of previous years we will be moving towards the planned level of depreciation.

**Structure of planned investments for the financial year 2005 within the GILDEMEISTER group**



In the **procurement** area, besides the further consolidation of our ***co*****Supply®** system we also want to intensify the co-operation with our suppliers with respect to logistical sequences. We are intending to make improvements in the transport area and in the control of process complexity.

It is to be expected that **prices and costs** in the fourth quarter will increase slightly and will have impacts on our procurement of goods. For the year 2005 we are expecting overall average price increases of approx. 1%. We are particularly expecting further cost increases in the price of raw materials, which we intend to counteract with intensive activities aimed at lowering costs. We will continue to pay attention to the standardisation of assemblies, functional components and modules and to the further internationalisation of the procurement area.

Following the successful introduction and implementation of our production strategy in the combined milling capacity in the group we intend to implement similar measures in the turning division. In the **production and logistics** area this will manifest itself in improvements in co-ordination and in the correlation of procurement activities in the plants concerned. The integration of our Tortona and Pleszew sites into the group's consistent EDP systems will be completed on 31 December 2005 with the migration to our BaaN-System.

In the **research and development** area GILDEMEISTER continues to adhere to strategic goals and focal points. Following the presentation of all the 22 new developments in 2005, in the fourth quarter we will continue to work consistently at expanding our product range with carefully tested innovations. In the financial year 2006, focal points continue to be the increase in performance of our technologies and technology integration by the combining of processing methods. With higher performance from our software products we intend primarily to increase machine dynamics and the user benefits of our **products and services**, also in the machine sphere. In addition, GILDEMEISTER will extend Tool Management. To achieve these goals we will also work together closely in the future with our system suppliers (and research establishments in the area of basic research, applied research and experimental development). By expanding our central research and development co-ordination we will strengthen strategic development especially all in the area of standardisation.

Substantial changes in the **group's legal corporate structure** are not currently planned.

The number of **employees** will only be marginally altered in the fourth quarter.

## Notes to the Consolidated Financial Statements

### 1 Application of regulations

The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft as of 30 September 2005 were prepared, as were the Consolidated Interim Financial Statements as of 30 September 2004 and the Consolidated Financial Statements for the year ending 31 December 2004, in accordance with the 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 of 30 September 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 sets 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 remain unchanged from the financial year 2004.

With respect to the retransfer of valuation allowances made previously for spare parts we refer to the Interim Report for the first half year of 2005.

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 September 2005, the GILDEMEISTER group comprised 62 companies, including GILDEMEISTER Aktiengesellschaft, 61 of which were included, as before, in the Interim Financial Statements as part of the full consolidation process.

As the consolidated group has not materially changed comparability with the Consolidated Annual Financial Statements for the year ending 31 December 2004 is not impaired.

### 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 other shareholders | € 3,509 K |
| Number of shares | 43,302,503 |
| Earnings per share | € 0.08 |

### 4 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 compared with the 31 December 2004.

### 5 EVENTS OCCURING AFTER THE BALANCE SHEET DATE

No material events have occurred since the date of the Interim Financial Statements.

## Consolidated Balance Sheet as at 30 September 2005

| Assets | 30 Sep. 2005 € M | 31 Dec. 2004 € M | 30 Sep. 2004 € M |
|---|---|---|---|
| **Long-term assets** | | | |
| Intangible assets | 97.0 | 98.9 | 99.3 |
| of which Goodwill | 67.9 | 67.9 | 67.9 |
| Tangible fixed assets | 159.8 | 163.3 | 164.4 |
| Financial assets | 0.2 | 0.2 | 0.2 |
| Trade debtors | 1.0 | 2.2 | 1.2 |
| Other long-term assets | 6.0 | 2.5 | 2.4 |
| Deferred taxes | 25.7 | 24.8 | 30.5 |
| | 289.7 | 291.9 | 298.0 |
| **Short-term assets** | | | |
| Inventories | 319.9 | 276.6 | 292.3 |
| Trade debtors | 275.6 | 279.5 | 268.0 |
| Securties and liquid funds | 15.7 | 60.4 | 39.1 |
| Other short-term assets and prepaid expenses | 65.0 | 31.6 | 38.2 |
| | 676.2 | 648.1 | 637.6 |
| | 965.9 | 940.0 | 935.6 |

| Total equity and liabilities | 30 Sep. 2005 € M | 31 Dec. 2004 € M | 30 Sep. 2004 € M |
|---|---|---|---|
| **Equity** | | | |
| Subscribed capital | 112.6 | 112.6 | 112.6 |
| Capital provisions | 68.3 | 68.3 | 68.3 |
| Revenue provisions | 75.2 | 68.6 | 58.9 |
| Shares to other shareholders | 1.0 | 1.0 | 1.1 |
| | 257.1 | 250.5 | 240.9 |
| **Long-term liabilities** | | | |
| Long-term financial liabilities | 290.7 | 300.2 | 220.8 |
| Pension provisions | 27.6 | 27.7 | 27.8 |
| Other long-term provisions | 20.9 | 20.8 | 19.2 |
| Trade creditors | 0.6 | 1.3 | 0.7 |
| Other long-term liabilities and deferred income | 11.4 | 11.4 | 12.9 |
| Deferred taxes | 4.3 | 4.0 | 9.1 |
| | 355.5 | 365.4 | 290.5 |
| **Short-term liabilities** | | | |
| Short-term financial liabilities | 58.1 | 24.2 | 113.2 |
| Other short-term provisions | 75.3 | 74.9 | 83.9 |
| Payments received on account | 33.1 | 27.7 | 42.7 |
| Trade creditors | 127.4 | 139.1 | 112.5 |
| Other short-term liabilities | 59.4 | 58.2 | 51.9 |
| | 353.3 | 324.1 | 404.2 |
| | 965.9 | 940.0 | 935.6 |

## Consolidated Income Statement

| 3rd quarter | 1 July - 30 Sep. 2005 € M | % | 1 July - 30 Sep. 2004 € M | % | Changes 2005 against 2004 € M | % |
|---|---|---|---|---|---|---|
| **Total work done** | 282.8 | 100.0 | 255.4 | 100.0 | 27.4 | 10.7 |
| Cost of materials | -154.2 | -54.5 | -139.8 | -54.7 | -14.4 | 10.3 |
| **Gross profit** | 128.6 | 45.5 | 115.6 | 45.3 | 13.0 | 11.2 |
| Personnel costs | -70.1 | -24.8 | -68.0 | -26.6 | -2.1 | 3.1 |
| Other income and expenses | -40.0 | -14.1 | -36.8 | -14.4 | -3.2 | 8.7 |
| Depreciation of assets | -7.1 | -2.5 | -7.4 | -2.9 | 0.3 | -4.1 |
| **Financial result** | -7.9 | -2.8 | -9.8 | -3.8 | 1.9 | -19.4 |
| **EBT** | 3.5 | 1.3 | -6.4 | -2.5 | 9.9 | 154.7 |
| Taxes on profit | -1.7 | -0.6 | 0.8 | 0.3 | -2.5 | 312.5 |
| **Annual profit** | 1.8 | 0.7 | -5.6 | -2.2 | 7.4 | 132.1 |

| | | |
|---|---|---|
| Earnings per share acc. to IAS 33 (in Euro) | 0.06 | -0.13 |

| 1st - 3rd quarter | 1 Jan. - 30 Sep. 2005 € M | % | 1 Jan. - 30 Sep. 2004 € M | % | Changes 2005 against 2004 € M | % |
|---|---|---|---|---|---|---|
| **Total work done** | 823.3 | 100.0 | 751.8 | 100.0 | 71.5 | 9.5 |
| Cost of materials | -441.6 | -53.6 | -399.9 | -53.2 | -41.7 | 10.4 |
| **Gross profit** | 381.7 | 46.4 | 351.9 | 46.8 | 29.8 | 8.5 |
| Personnel costs | -217.6 | -26.4 | -207.7 | -27.6 | -9.9 | 4.8 |
| Other income and expenses | -111.6 | -13.6 | -101.5 | -13.5 | -10.1 | 10.0 |
| Depreciation of assets | -21.7 | -2.6 | -22.3 | -3.0 | 0.6 | -2.7 |
| **Financial result** | -23.5 | -2.9 | -21.8 | -2.9 | -1.7 | 7.8 |
| **EBT** | 7.3 | 0.9 | -1.4 | -0.2 | 8.7 | 621.4 |
| Taxes on profit | -3.8 | -0.5 | -3.5 | -0.5 | -0.3 | 8.6 |
| **Annual profit** | 3.5 | 0.4 | -4.9 | -0.7 | 8.4 | 171.4 |

| | | |
|---|---|---|
| Earnings per share acc. to IAS 33 (in Euro) | 0.08 | -0.14 |

# 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 | | | 57.1 |
| Annual result | 0.0 | 0.0 | -5.0 | 0.1 | -4.9 |
| Changes in currency / change in market valuation of derivative financial instruments | 0.0 | 0.0 | 0.1 | 0.0 | 0.1 |
| Consolidation transactions / other changes | 0.0 | 0.0 | 0.0 | -0.2 | -0.2 |
| **As at 30 September 2004** | 112.6 | 68.3 | 58.9 | 1.1 | 240.9 |

| | 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 result | 0.0 | 0.0 | 3.5 | 0.0 | 3.5 |
| Changes in currency / change in market valuation of derivative financial instruments | 0.0 | 0.0 | 3.1 | 0.0 | 3.1 |
| Consolidation transactions / other changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **As at 30 September 2005** | 112.6 | 68.3 | 75.2 | 1.0 | 257.1 |

# Consolidated Cash Flow Statement

| | 2005<br>1 Jan. - 30 Sep. | 2004<br>1 Jan. - 30 Sep. | 2004<br>1 Jan. - 31 Dec. |
|---|---|---|---|
| | € M | € M | € M |
| **Cash flow from current operations** | | | |
| 1. Annual profit | 3.5 | -4.9 | 5.6 |
| 2. Depreciation of fixed assets | 21.7 | 22.3 | 29.3 |
| 3. Change in deferred taxes | -0.6 | 1.0 | 1.8 |
| 4. Change in long-term provisions | 0.0 | -2.8 | -1.2 |
| 5. Other income not affecting payment | 0.0 | -0.1 | -0.9 |
| 6. Profit from disposal of fixed assets | -0.6 | -0.1 | -0.1 |
| 7. Change in short-term provisions | 0.4 | -1.0 | -9.3 |
| 8. Change in inventories, trade debtors and other assets | -48.1 | -38.7 | -28.4 |
| 9. Change in trade payables and other liabilities | -5.8 | 0.5 | 16.0 |
| | -29.5 | -23.8 | 12.8 |
| **Cash flow from investment activity** | | | |
| 1. Amounts paid out for investments in intangible and tangible assets | -16.1 | -15.4 | -20.5 |
| 2. Amounts paid out for investments in financial assets | 0.0 | -0.8 | -0.8 |
| 3. Amounts received from the disposal of fixed assets | 1.7 | 1.3 | 1.2 |
| | -14.4 | -14.9 | -20.1 |
| **Cash flow from financing activity** | | | |
| 1. Amount received from the issue of a corporate bond | 0.0 | 0.0 | 175.0 |
| 2. Amount paid out for the costs of a corporate bond | 0.0 | 0.0 | -7.8 |
| 3. Amount received from the capital increase | 0.0 | 60.1 | 60.1 |
| 4. Amount paid out for the costs of the capital increase | 0.0 | -4.8 | -4.8 |
| 5. Amounts received from raising (financing) credits / amounts paid out for the repayment of (financing) credits | -2.5 | 11.7 | -165.5 |
| 6. Amount received from investment allowance / grant | 0.0 | 0.0 | 0.1 |
| 7. Distribution of dividends to other shareholders | 0.0 | -0.1 | -0.1 |
| | -2.5 | 66.9 | 57.0 |
| | | | |
| Changes affecting payments | -46.4 | 28.2 | 49.7 |
| Consolidation and exchange rate related changes not affecting payments | 1.8 | -0.5 | -0.8 |
| Liquid funds as at 1 January | 60.3 | 11.4 | 11.4 |
| Liquid funds as at end of reporting period | 15.7 | 39.1 | 60.3 |

# Consolidated Segmental Reporting

SEGMENTATION BY BUSINESS SEGMENTS

| 3rd quarter 2004 | Machine Tools | Services | Corporate Services | Transitions | Group |
|---|---|---|---|---|---|
| | € M | € M | € M | € M | € M |
| Sales revenues | 167.4 | 77.1 | 0.1 | | 244.6 |
| EBIT | 2.8 | 5.9 | -5.0 | -0.3 | 3.4 |
| Investments | 3.4 | 0.8 | 0.6 | | 4.8 |
| Employees | 3,272 | 1,834 | 63 | | 5,169 |

| 3rd quarter 2005 | Machine Tools | Services | Corporate Services | Transitions | Group |
|---|---|---|---|---|---|
| | € M | € M | € M | € M | € M |
| Sales revenues | 188.5 | 86.2 | 0.1 | | 274.8 |
| EBIT | 5.2 | 9.1 | -3.8 | 0.9 | 11.4 |
| Investments | 3.7 | 1.3 | 0.1 | | 5.1 |
| Employees | 3,266 | 1,937 | 63 | | 5,266 |

| 1st - 3rd quarter 2004 | Machine Tools | Services | Corporate Services | Transitions | Group |
|---|---|---|---|---|---|
| | € M | € M | € M | € M | € M |
| Sales revenues | 514.5 | 220.2 | 0.4 | | 735.1 |
| EBIT | 11.9 | 20.1 | -2.1 | -9.5 | 20.4 |
| Investments | 10.9 | 4.1 | 1.2 | | 16.2 |
| Employees | 3,272 | 1,834 | 63 | | 5,169 |

| 1st - 3rd quarter 2005 | Machine Tools | Services | Corporate Services | Transitions | Group |
|---|---|---|---|---|---|
| | € M | € M | € M | € M | € M |
| Sales revenues | 548.0 | 244.2 | 0.4 | | 792.6 |
| EBIT | 17.0 | 25.9 | -11.8 | -0.3 | 30.8 |
| Investments | 11.6 | 4.0 | 0.5 | | 16.1 |
| Employees | 3,266 | 1,937 | 63 | | 5,266 |

SEGMENTATION BY REGIONS

| 1st - 3rd quarter 2004 | Germany | Rest of Europe | America | Asia | Others | Tran-sitions | Group |
|---|---|---|---|---|---|---|---|
| | € M | € M | € M | € M | € M | € M | € M |
| Sales revenues with group companies | 160.7 | 58.5 | 2.1 | 4.6 | 0.8 | -226.7 | 0.0 |
| Sales revenues with third parties | 436.0 | 216.0 | 47.8 | 33.0 | 2.3 | | 735.1 |
| Investments | 11.1 | 4.2 | 0.1 | 0.6 | 0.2 | | 16.2 |

| 1st - 3rd quarter 2005 | Germany | Rest of Europe | America | Asia | Others | Tran-sitions | Group |
|---|---|---|---|---|---|---|---|
| | € M | € M | € M | € M | € M | € M | € M |
| Sales revenues with group companies | 201.6 | 69.5 | 2.3 | 5.5 | 0.7 | -279.6 | 0.0 |
| Sales revenues with third parties | 452.6 | 241.9 | 56.3 | 36.0 | 5.8 | | 792.6 |
| Investments | 12.4 | 3.2 | 0.1 | 0.4 | 0.0 | | 16.1 |

## Information about GILDEMEISTER Aktiengesellschaft

GILDEMEISTER Aktiengesellschaft has no operative business, but functions as the management holding company for the GILDEMEISTER group. The shown sales revenues of € 12.3 million of the parent company result, apart from rental income, primarily from the performance of the holding activities for the group.

As at 30 September 2005, GILDEMEISTER Aktiengesellschaft was unaltered by dividing into three executive units with the following functional areas: Corporate Strategy, Product Development, Marketing and Services, Purchasing, Personnel and Public / Investor Relations; Procurement, Production, Logistics and Investments; Controlling, Finances and Information Technology (IT).

As at 30 September 2005, 63 people were employed at GILDEMEISTER Aktiengesellschaft (31 December 2004: 64).

Bielefeld, 8 November 2005

Yours sincerely
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

# Financial Calendar

| | |
|---|---|
| 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 the Annual Report 2005 |
| 31 March 2006 | Analysts's discussion |
| 19 May 2006 | General Meeting of shareholders at 10 am in the Town Hall Bielefeld |

Subject to alteration.

GILDEMEISTER Aktiengesellschaft
Gildemeisterstraße 60
D-33689 Bielefeld
Local court Bielefeld HRB 7144
Phone: +49 (0) 52 05/74-3001
Fax: +49 (0) 52 05/74-3081
Internet: www.gildemeister.com
E-Mail: info@gildemeister.com

GILDEMEISTER Aktiengesellschaft
Gildemeisterstraße 60
D-33689 Bielefeld
Local court Bielefeld HRB 7144
Phone: +49 (0) 52 05/74-3001
Fax: +49 (0) 52 05/74-3081
Internet: www.gildemeister.com
E-Mail: info@gildemeister.com