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

Interim Report

3rd Quarter 2006

GILDEMEISTER

Dear Shareholders,

The strengthened worldwide demand for machine tools continues to grow unabated; this trend is also noticeable in the German market. In the third quarter we achieved further growth in order intake, sales revenues and results.

As at 30 September 2006 sales revenues rose by 17% to € 924.2 million. Order intake increased by 21% to € 1,058.8 million. The results of operations continue to develop positively: EBITDA reached € 67.7 million (previous year: € 52.5 million), EBIT amounted to € 44.3 million (previous year: € 30.8 million). EBT rose to € 21.2 million (previous year: € 7.3 million). As at 30 September 2006 the group reports an annual profit of € 11.1 million (previous year: € 3.5 million).

The international autumn trade fairs have confirmed the continued high demand for the group's innovative high-tech products. GILDEMEISTER expects the positive business development to continue in the fourth quarter and can therefore again raise its targets for the current financial year. We now want to achieve an order intake of more than € 1,350 million for the whole of 2006; we plan to increase sales revenues to more than € 1,250 million. For the financial year we expect a raise of more than 50% both in EBT and in the annual profit. We plan to distribute a higher dividend for the current year than for the previous year.

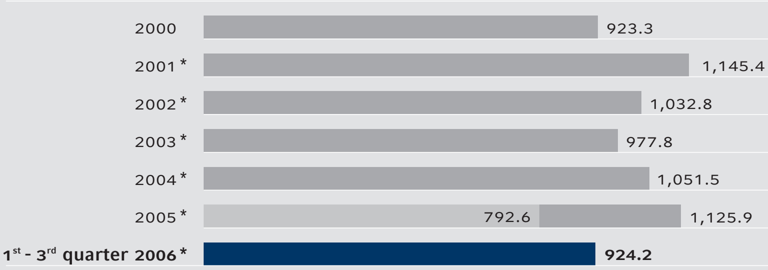
Key Figures

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.

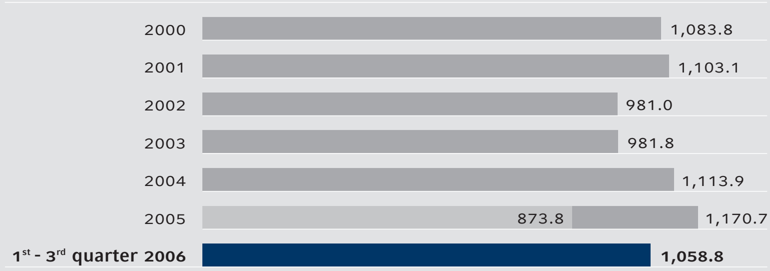
	2006 1st - 3rd quarter	2005 1st - 3rd quarter	Changes 2006 against 2005	
GILDEMEISTER group	**€ M**	€ M	€ M	%
Sales revenues				
Total	**924.2**	792.6	131.6	17
Domestic	**421.2**	355.9	65.3	18
International	**503.0**	436.7	66.3	15
% International	**54**	55		
Order intake				
Total	**1,058.8**	873.8	185.0	21
Domestic	**484.2**	395.3	88.9	22
International	**574.6**	478.5	96.1	20
% International	**54**	55		
Order backlog*				
Total	**467.3**	383.1	84.2	22
Domestic	**181.6**	149.5	32.1	21
International	**285.7**	233.6	52.1	22
% International	**61**	61		
Investments	**17.6**	16.1	1.5	9
Personnel costs	**233.7**	217.6	16.1	7
Employees	**5,240**	5,082	158	3
Plus trainees	**181**	184	-3	-2
Total employees*	**5,421**	5,266	155	3
EBITDA	**67.7**	52.5	15.2	
EBIT	**44.3**	30.8	13.5	
EBT	**21.2**	7.3	13.9	
Annual profit	**11.1**	3.5	7.6	

* Reporting date 30 September

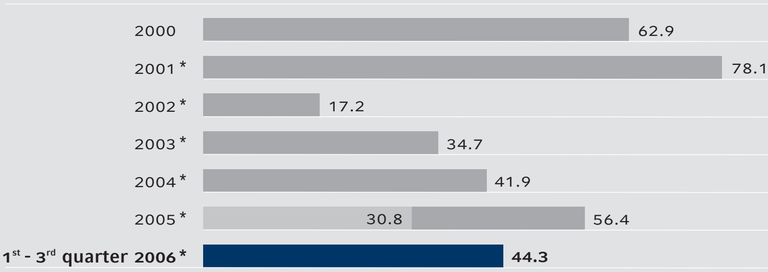
Sales Revenues
in € million



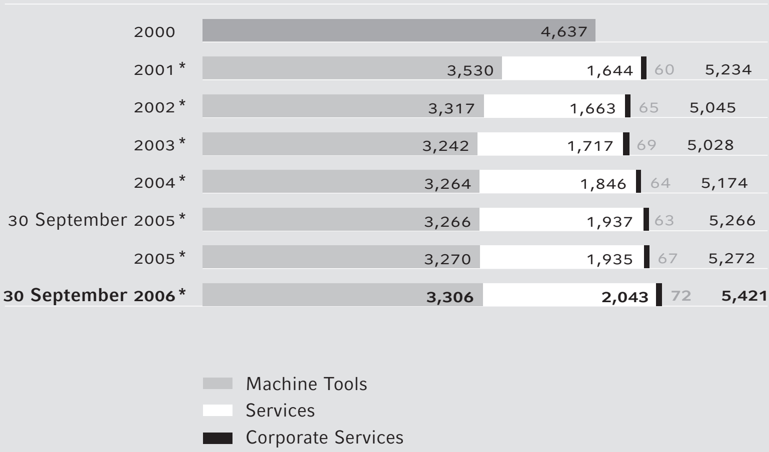
Order Intake
in € million



EBIT
in € million

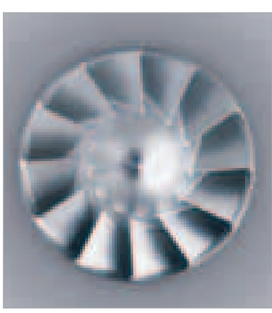


Number of employees
incl. trainess



* acc. to IFRS

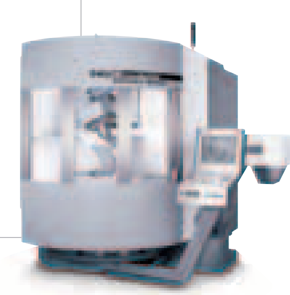
Table of Contents



COVER PICTURE

Work piece for the aerospace industry: closed compressor from an aircraft turbine made of high-tensile aluminium.

The **DMU 60 monoBLOCK**® from DECKEL MAHO Pfronten GmbH enables precision machining of compressors. This universal milling machine offers a 30% reduction in manufacturing time due to modern 5-sided simultaneous machining and a 150 degree B axis and individual spindle options.

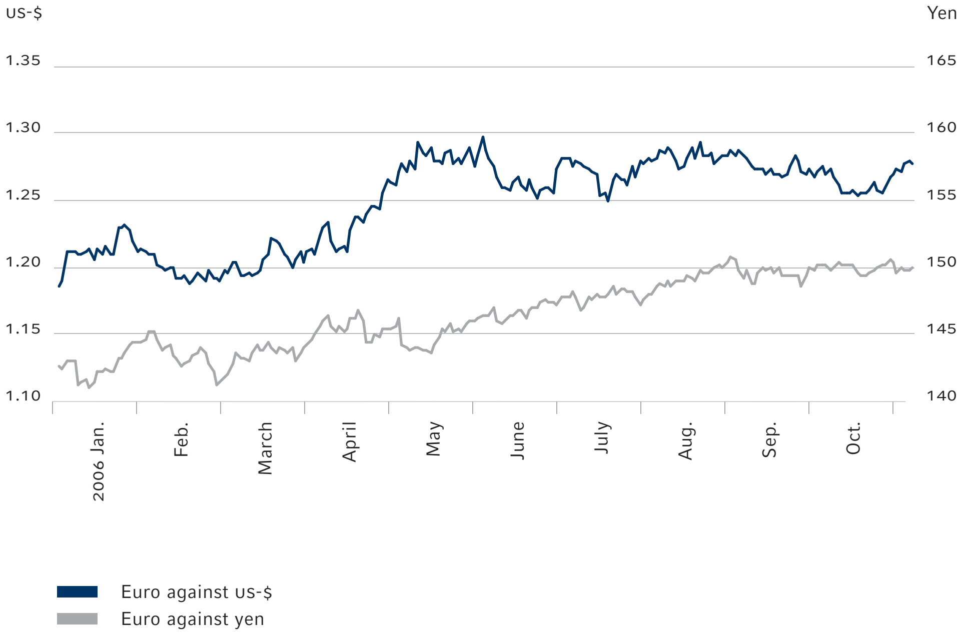


Overall economic development continued to be focused on expansion in the third quarter. Sustained strong stimuli came from Asia. The economic recovery in Japan continued to gain in strength. China maintained its strong economic growth and thereby once again confirmed its role as the global driving force. In the USA slight consolidation effects indicated a high rate of growth. Germany clearly showed signs of improvement; the upswing gained a wider basis. According to provisional calculations of the German Economic Research Institute (DIW), gross domestic product increased by 0.5% compared to the corresponding period in the previous year.

Foreign exchange rates of the currencies important for us – the US dollar and the yen – differed in how they changed in the third quarter. The euro changed in value slightly with regard to the dollar and reached 1.28 US dollars on 1 July 2006; it achieved a peak of 1.29 US dollars (17 August 2006) and ended the quarter with an exchange rate of 1.27 US dollars (29 September 2006). The exchange rate of the euro against the Chinese yuan was marked by upward and downward fluctuations. At the end of the third quarter the exchange rate for the euro was 10.02 Chinese yuan (29 September 2006). In line with exchange rate movements so far in 2006, the euro continued its gain against the yen albeit with slightly less impetus. The euro started at an exchange rate of 147.13 yen (1 July 2006) and finished the quarter at 149.77 yen.

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

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



Development of the Machine Tool Industry

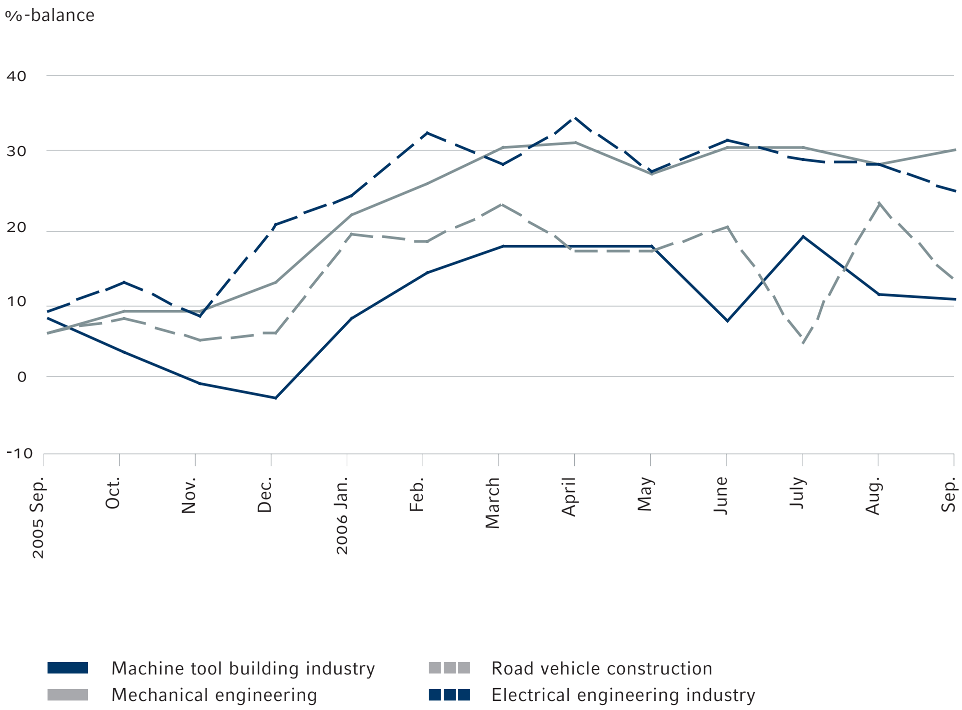
The **worldwide market for machine tools** continues to develop positively in 2006 as expected. The ten major production countries, which together produce more than 80% of machine tool production worldwide, all reported growth. As before, strong impetus continued to come from the Asian markets. The German Machine Tool Builders' Association (VDW) and the ifo Institute are now assuming in their latest report (status: October 2006) that from now on both global production and global consumption will increase by 8% to € 45.5 billion.

Order intake for the **German machine tool industry** has also risen and in the area of cutting machine tools is now 10% above the comparative value of the previous year. This growth results exclusively from domestic demand, where orders are clearly 25% higher than the previous year's figures. This is attributable to a high increase in plant investment by important consumers in the field of mechanical engineering, to the manufacture of metal products and to electrical engineering. At +2% foreign orders were slightly above the high level of the previous year. According to their current forecasts, the VDW and the ifo Institute now expect overall production growth of 3% and an increase in domestic demand of 2% for 2006.

This optimistic mood is also reflected in the positive ifo **business climate**. The indicators for both mechanical engineering and electrical engineering, which are the major customer sectors for machine tools, remained at a high level.

Source: VDW (German Machine Tool Builders' Association)

ifo Business Climate
Balance from the percentage of positive and negative company reports
Source: ifo Institute, Munich



GILDEMEISTER
Aktiengesellschaft
Bielefeld

Product plants
Turning

GILDEMEISTER
Drehmaschinen GmbH
Bielefeld

GRAZIANO
Tortona S.r.l.
Tortona

GILDEMEISTER
Italiana S.p.A.
Bergamo

Product plants
Milling

DECKEL MAHO
Pfronten GmbH
Pfronten, Geretsried

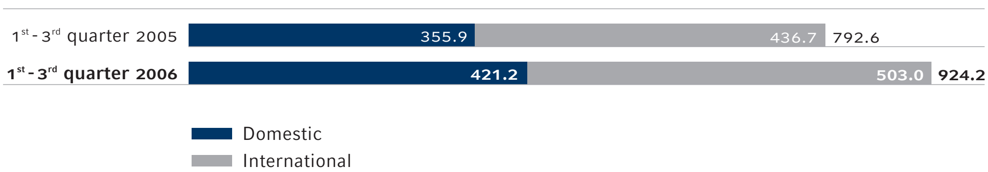
DECKEL MAHO
Seebach GmbH
Seebach, Geretsried

As at 30 September 2006 the GILDEMEISTER group comprised 65 companies, including GILDEMEISTER Aktiengesellschaft. The consolidated group has thus increased by one company compared to the first half-year 2006. The legal corporate structure has changed as follows: DECKEL MAHO Geretsried GmbH merged with DECKEL MAHO Pfronten GmbH with retroactive effect as at 1 January 2006. In July DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER founded DMG Asia Pte Ltd. (Holding), with its official place of business in Singapore, to concentrate our sales activities in Asia. In August DMG Europe Holding GmbH founded DMG Scandinavia Sverige AB, with its official place of business in Jönköping, Schweden, to strengthen sales activities in Scandinavia.

Sales revenues

In the third quarter sales revenues of € 332.8 million (+21%) exceeded the corresponding previous year's figure (€ 274.8 million). In the first nine months sales revenues reached € 924.2 million and were thus 17% higher than the previous year (€ 792.6 million). Domestic sales revenues rose by 18% to € 421.2 million. International sales revenues increased by 15% to € 503.0 million. The export quota amounted to 54% (previous year: 55%).

Sales Revenues
GILDEMEISTER group
in € million



More detailed information on sales revenue development in each segment is given on page 14 et sqq.

Based on our good order backlog and the order intake expected in the fourth quarter, we plan to increase sales revenues for the whole year to more than € 1,250 million.

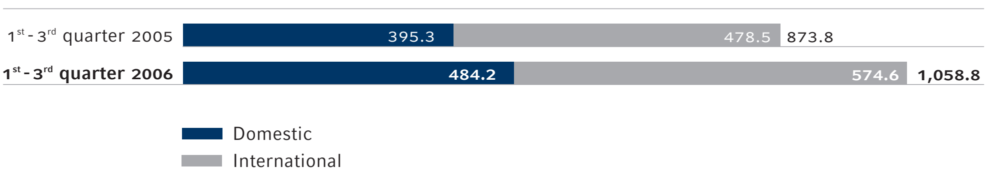
Product plant Ultrasonic/Lasertec	Production plants		Sales and Service Organisation
SAUER GmbH Idar-Oberstein, Kempten	FAMOT Pleszew S.A. Pleszew	DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd. Shanghai	DMG Vertriebs und Service GmbH Bielefeld
			62 Sales and Service locations worldwide
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

Order Intake

In the third quarter order intake rose by 17% to € 351.6 million (previous year: € 299.6 million). Overall order intake rose in the first nine months of the year to € 1,058.8 million and was thus 21% or € 185 million higher than the corresponding period in the previous year (€ 873.8 million). Domestic orders rose by 22% to € 484.2 million (previous year: € 395.3 million). International orders remained at a high level and increased by 20% to € 574.6 million (previous year: € 478.5 million). International orders accounted for 54% of orders (previous year: 55%).

The increase in orders can be attributed to our innovative products and the internationally directed marketing activities in combination with our successful participation in the industry's most important trade fairs. Our expectations were completely fulfilled at the autumn trade fairs: at the AMB in Stuttgart, the IMTS in Chicago and the BIMU in Milan we were able to sell 331 machines with a total value of € 84.3 million.

Order Intake
GILDEMEISTER group
in € million

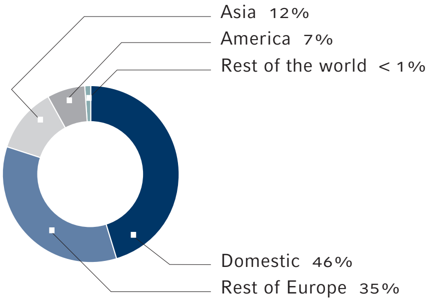


Detailed information on order intake for each segment is given on page 15 et sqq.

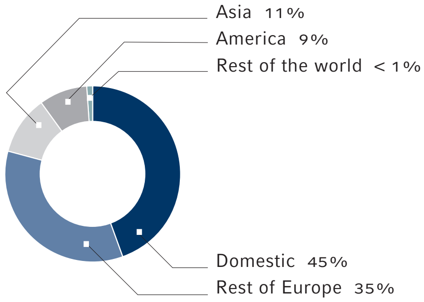
In the individual market regions, order intake developed as follows:

Order Intake by regions
GILDEMEISTER group

1st - 3rd quarter 2006: € 1,058.8 million



1st - 3rd quarter 2005: € 873.8 million



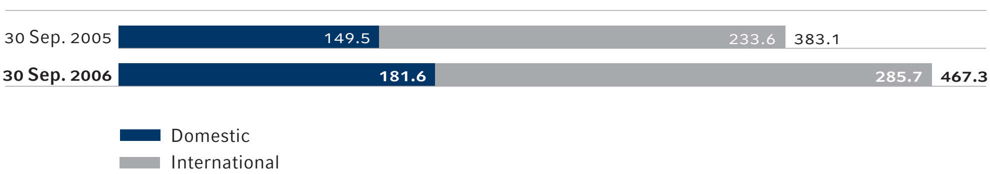
We have increased our **sales prices** based on product by 1.5 to 3% within the scope of the various market circumstances.

The increase in order intake is attributable to an increase in domestic orders and higher demand in the European and Asian markets. Due to the newly created requirements from the autumn trade fairs we are also expecting a positive development for the fourth quarter. For the financial year 2006 GILDEMEISTER is once again expecting the highest order intake in the company's 136-year-old history. For the whole year we now want to achieve order intake of more than € 1,350 million.

Order backlog

As at 30 September 2006 the order backlog within the group amounted to € 467.3 million. Of the existing orders, international orders account for 61% (corresponding date of the previous year: 61%). In a year-on-year comparison order intake increased by € 52.1 million (+22%) to € 285.7 million. The backlog of domestic orders rose by € 32.1 million (+21%) to € 181.6 million.

Order Backlog
GILDEMEISTER group
in € million



More information on the order backlog in each segment is given on page 15 et sqq.
The order backlog continues to correspond to production capacity utilisation of around five months.

Results of Operations, Net Worth and Financial Position

EBITDA, EBIT and EBT improved in the **third quarter** according to plan compared to the previous year's corresponding figures. EBITDA amounted to € 24.2 million (previous year: € 18.5 million); EBIT at € 16.1 million was € 4.7 million above the previous year's figure (€ 11.4 million). EBT amounted to € 8.7 million (previous year: € 3.5 million). The group reports an annual profit of € 4.8 million as of the third quarter (previous year: € 1.8 million).

Total work done rose to € 326.8 million (previous year: € 282.8 million). The materials quota fell by 1.2 percentage points to 53.3% (previous year: 54.5%). With an improved gross profit margin, gross profit increased to € 152.5 million (previous year: € 128.6 million). The personnel expenditure quota was 24.1% and thus below the previous year's level (24.8%). Personnel expenditure rose to € 78.6 million (€ +8.5 million). This increase resulted largely out of the employee reorganisation in the third quarter; more detailed information can be found in the "Employee" section on page 21. The balance of other expenses and income increased as a result of volume by € 9.7 million to € 49.7 million. Depreciation rose by € 1.0 million to € 8.1 million. The financial result improved by € 0.5 million to € -7.4 million. The tax ratio amounts to 45% (previous year: 49%). Total tax expense amounts to € 3.9 million (previous year: € 1.7 million).

As at **30 September** EBITDA reached € 67.7 million (previous year: € 52.5 million); EBIT amounted to € 44.3 million (previous year: € 30.8 million). EBT showed further positive development and rose to € 21.2 million (previous year: € 7.3 million). The group reports an annual profit of € 11.1 million as at 30 September 2006 (previous year: € 3.5 million).

In relation to total work done of € 939.9 million (previous year: € 823.3 million) the materials quota was 53.3% and thus 0.3 percentage points less than the previous year (53.6%). Initial positive effects of the standardisation of component assembly and components were able to absorb price increases in the cost of materials. Gross profit improved by € 57.4 million to € 439.1 million (previous year: € 381.7 million); the gross profit margin of 46.7% is 0.3 percentage points above the previous year's level (46.4%). At full capacity utilisation from now on, the personnel expenditure quota fell again compared to the half-year figures from 25.3% to 24.9% (previous year: 26.4%). Personnel expenditure increased to € 233.7 million (€ +16.1 million). The balance of other expenses and income rose by € 26.1 million to € 137.7 million. This increase resulted principally from sales-related cost increases. Depreciation at € 23.4 million is € 1.7 million above the previous year (€ 21.7 million). The financial result of € -23.1 million is slightly below the previous year's level (€ -23.5 million). The tax ratio of 47.7% improved by 4.3 percentage points compared to the previous year (52.0%). Due to improved results before tax, total tax expenditure has risen to € 10.1 million (previous year: € 3.8 million).

The balance sheet total at 30 September 2006 rose by € 42.5 million to € 1,003.9 million compared to the 2005 annual balance sheet. On the **asset side** a reduction in fixed assets of € 5.9 million is offset by an increase in current assets of € 48.4 million. The increase in current assets is 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 in stock for the fourth quarter which is traditionally the strongest for sales revenues. Debt claims of € 286.8 million slightly decreased on increased total work done compared to the end of the year 2005 (€ 288.1 million). Cash and cash equivalents increased in comparison with 31 December 2005 by € 16.0 million to € 38.0 million.

	30 Sep. 2006	31 Dec. 2005	30 Sep. 2005
	€ M	€ M	€ M
Net worth			
Fixed assets	**256.4**	262.3	257.0
Current assets	**747.5**	699.1	708.9
Equity	**271.9**	265.8	257.1
Outside capital	**732.0**	695.6	708.8
Balance sheet total	**1,003.9**	961.4	965.9

On the **liabilities side** equity capital amounts to € 271.9 million; an increase of € 6.1 million compared to 31 December 2005. Outside capital increased by € 36.4 million to € 732.0 million. Increased financial liabilities (€ 35.8 million), provisions (€ 24.8 million) and down payments received for orders (€ 27.8 million) are offset by fewer trade creditors (€ 28.2 million) and bills payable (€ 7.9 million).

The **financial position** has improved according to plan in a year-on-year comparison. The free cash flow in the **third quarter** was positive at € 17.0 million and thus was an improvement of € 8.5 million compared to the previous year (8.5 million). The **cash flow** from current operations rose to € 23.3 million (previous year: € 13.4 million). In the third quarter the annual profit (€ 4.8 million), depreciation (€ 8.1 million) and changes in the provisions (€ 19.2 million) had a particularly positive impact on cash flow. The cash flow was primarily reduced by changes in trade accounts payable (€ -18.7 million). The cash flow from investment activity amounted to € -6.3 million (corresponding period in the previous year: € -4.9 million). In the third quarter the cash flow from financing activity amounted to € -17.1 million (previous year: € -4.4 million).

	2006 3rd quarter	2005 3rd quarter	2006 1st - 3rd quarter	2005 1st - 3rd quarter
	€ M	€ M	€ M	€ M
Financial position				
Cash flow from current operations	**23.3**	13.4	**-1.9**	-29.5
Cash flow from investment activity	**-6.3**	-4.9	**-16.5**	-14.4
Cash flow from financing activity	**-17.1**	-4.4	**34.9**	-2.5
Change in cash	**-0.2**	3.6	**16.1**	-44.6
Liquid funds at the start of the reporting period	**38.2**	12.1	**21.9**	60.3
Liquid funds at the end of the reporting period	**38.0**	15.7	**38.0**	15.7

As at **30 September** the free cash flow improved by € 25.5 million to € -18.4 million compared to the corresponding period in the previous year (€ -43.9 million). Cash flow from current operations was € -1.9 million (previous year: € -29.5 million). Based on annual profit of € 11.1 million, depreciation of € 23.4 million and an increase in provisions of € 24.8 million made a positive contribution to cash flow. Contrarily, the increase in inventories (€ 25.3 million) and the reduction in trade accounts payable (€ -28.3 million), which is primarily due to greater use of cash payment conditions, led to a reduction in the cash flow. Cash flow from investment activity amounted to € -16.5 million (previous year: € -14.4 million). Cash flow from financing activity was € 34.9 million (previous year: € -2.5 million). The change is due to a change in financial liabilities of € 39.2 million and a dividend payment that was due in the second quarter for the financial year 2005 (€ -4.3 million).

We are expecting further improvement in our cash flow for the **fourth quarter 2006** and a positive free cash flow at year end in the tens of millions (previous year: € 3.2 million). In particular, the improvement in the fourth quarter should occur as a result of a rise in the annual profits, as well as from fewer funds tied up in inventories and from trade accounts receivable. Due to the delayed start of the ABS (asset backed securities) programme in the fourth quarter, there will be no noticeable effects on cash flow in the financial year 2006.

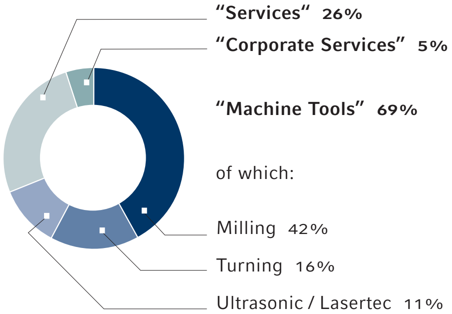
Investments

Investments in the first three quarters amounted to € 17.6 million (previous year: € 16.1 million). Overall, in the first nine months, GILDEMEISTER effected 50% of the planned investments (€ 35 million) in the current financial year. Of these, tangible assets accounted for € 11.4 million (previous year: € 10.6 million) and intangible assets for € 6.2 million (previous year: € 5.5 million).

The main focuses of investment in the third quarter were the capitalised development costs as well as investment in manufacturing resources for new types of machines. An investment of € 1.9 million at the Bielefeld plant marks the start of implementation of an improved logistics concept. In Pfronten we are implementing a new concept of space, which is expected to improve the infrastructure facilities.

Contribution of each segment / division to investments in %

1st - 3rd quarter 2006: € 17.6 million



Segments

"Machine Tools"

The "Machine Tools" segment includes the group's new machines business. It comprises the turning, milling and ultrasonic / lasertec divisions. We combine our development and technology expertise in five product plants.

	2006 **1st - 3rd quarter**	2005 1st - 3rd quarter	Changes 2006 against 2005	
SEGMENTS „MACHINE TOOLS"	€ M	€ M	€ M	%
Sales revenues				
Total	**633.7**	548.0	85.7	16
Domestic	**269.9**	230.0	39.9	17
International	**363.8**	318.0	45.8	14
% International	**57**	58		
Order intake				
Total	**757.5**	625.8	131.7	21
Domestic	**328.4**	259.7	68.7	26
International	**429.1**	366.1	63.0	17
% International	**57**	59		
Order backlog*				
Total	**423.7**	333.8	89.9	27
Domestic	**148.3**	109.3	39.0	36
International	**275.4**	224.5	50.9	23
% International	**65**	67		
Investments	**12.1**	11.6	0.5	4
Employees	**3,125**	3,082	43	1
Plus trainees	**181**	184	-3	-2
Total employees*	**3,306**	3,266	40	1
EBIT	**20.9**	17.0	3.9	

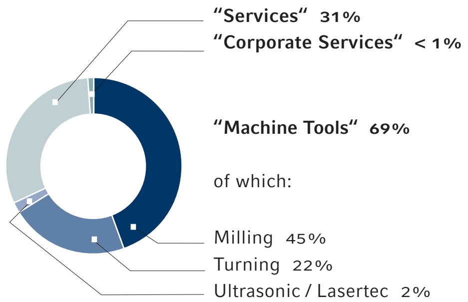
* Reporting date 30 September

Sales revenues in the reporting period amounted to € 633.7 million and thus were € 85.7 million or 16% above the previous year's figure (€ 548.0 million). The "Machine Tools" segment accounted for 69% of group sales revenues (previous year: 69%). The milling technology of DECKEL MAHO represented 45% (previous year: 42%). The turning technology of GILDEMEISTER represented 22% (previous year: 25%). The new technologies, ultrasonic and laser, accounted for 2% (previous year: 2%).

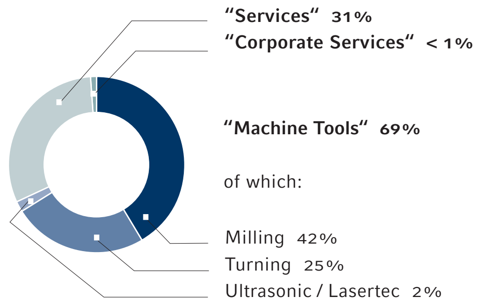
With regard to group sales revenues, “Machine Tools“, “Services” and “Corporate Services” each contributed as follows:

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

1st - 3st quarter 2006: € 924.2 million



1st - 3rd quarter 2005: € 792.6 million



In the “Machine Tools“ segment **order intake** increased by € 131.7 million or 21% to € 757.5 million (previous year: € 625.8 million). “Machine Tools“ thus accounted for 72% of the order intake in the group as in the previous year. Our product innovations were well received by the market. In connection with targeted marketing measures, well attended trade fairs and the DMG in-house exhibitions, our new products have contributed significantly to the higher order intake.

On 30 September 2006 the **order backlog** amounted to € 423.7 million (previous year: € 333.8 million). In the first nine months GILDEMEISTER achieved an **EBIT** of € 20.9 million (previous year: € 17.0 million) in the “Machine Tools“ segment.

"Services"

The "Services" segment mainly includes the business activities of DMG Vertriebs und Service GmbH and its subsidiaries. The new **DMG Service Solutions** concept finds a high resonance in the market. It offers worldwide customised service solutions and service products throughout the entire lifespan of the DMG machine tools. The **service solutions** include the services of our highly-qualified service staff, whose worldwide network ensures direct customer contact and rapid availability. The **DMG service products** – such as spare parts, the DMG power tools, components from SACO and the MICROSET tool management – enable the user to further increase the productivity of his DMG machine tools. Up-to-date service news may be obtained at **www.gildemeister.com**.

	2006 1st - 3rd quarter	2005 1st - 3rd quarter	Changes 2006 against 2005	
SEGMENT „SERVICES"	€ M	€ M	€ M	%
Sales revenues				
Total	**290.3**	244.2	46.1	19
Domestic	**151.1**	125.5	25.6	20
International	**139.2**	118.7	20.5	17
% International	**48**	49		
Order intake				
Total	**301.0**	247.5	53.5	22
Domestic	**155.6**	135.2	20.4	15
International	**145.4**	112.3	33.1	29
% International	**48**	45		
Order backlog*				
Total	**43.6**	49.3	-5.7	-12
Domestic	**33.3**	40.2	-6.9	-17
International	**10.3**	9.1	1.2	13
% International	**24**	19		
Investments	**4.7**	4.0	0.7	18
Employees*	**2,043**	1,937	106	5
EBIT	**40.5**	25.9	14.6	

* Reporting date 30 September

Also in this reporting period, demand for qualified service performance continued to rise. **Sales revenues** reached € 290.3 million and were thus 19% above the previous year's figure (€ 244.2 million). “Services“ represented 31% of group sales revenues (previous year: 31%). **Order intake** increased to € 301.0 million (previous year: € 247.5 million). As in the previous year, “Services“ thus accounted for 28% of all order intake. The **order backlog** amounted to € 43.6 million. **EBIT** amounted to € 40.5 million (previous year: € 25.9 million) The income situation has improved according to plan in accordance with the sales revenues development.

“Corporate Services“

	2006 1st - 3rd quarter	2005 1st - 3rd quarter	Changes 2006 against 2005	
SEGMENT „CORPORATE SERVICES“	€ M	€ M	€ M	%
Sales revenues	**0.2**	0.4	-0.2	-50
Order intake	**0.2**	0.4	-0.2	-50
Investments	**0.8**	0.5	0.3	60
Employees*	**72**	63	9	14
EBIT	**-16.5**	-11.8	-4.7	

* Reporting date 30 September

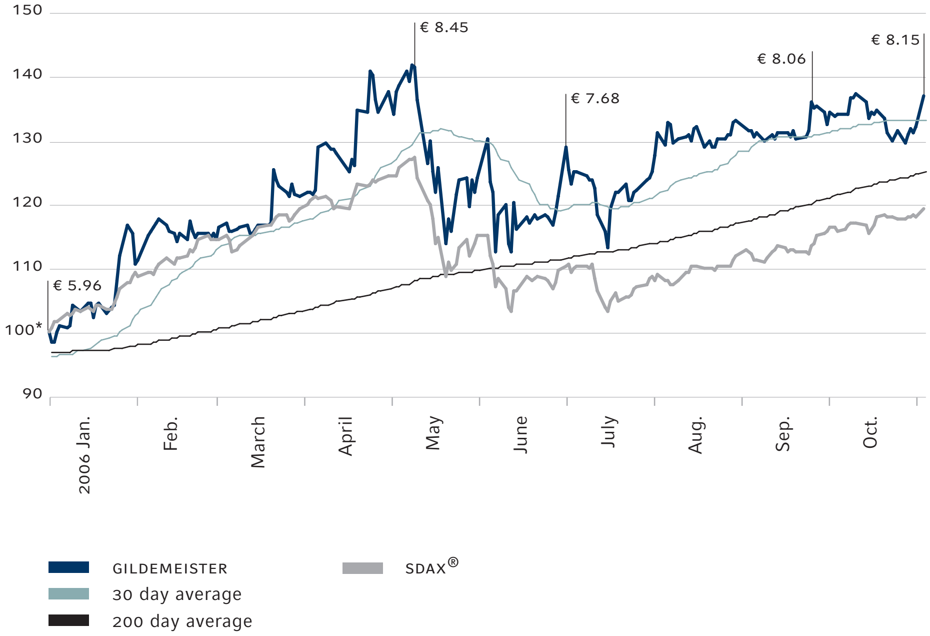
The “Corporate Services“ segment essentially comprises the GILDEMEISTER Aktiengesellschaft which functions as the management holding company for the group. **EBIT** was € -16.5 million (previous year: € -11.8 million). The change in result came from non-recurring costs for the early repayment of the old syndicated loan.

GILDEMEISTER share

The GILDEMEISTER share continued to increase in value throughout the third quarter and followed the general development trend of the capital market. At the start of the quarter the share price was € 7.68 and rose to a value of € 8.06 at the end of the quarter. The share thus followed the rising trend of the last five months. At present the share is listed at € 8.15 (6 November 2006). Current studies may be found on the Internet or requested from our Investor Relations Team.

The GILDEMEISTER share in comparison with the SDAX® January to November 2006
in %

* 1 January 2006 = 100
Price trends indexed
Source: Deutsche Börse
(German stock exchange)



The GILDEMEISTER shares are held in free float. Based on a total number of 43.3 million shares, the shares were transferred 0.2 times in the third quarter (previous year: 0.3 times). As far as we know the shareholder structure has not changed significantly compared with 30 June 2006.

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Research and development

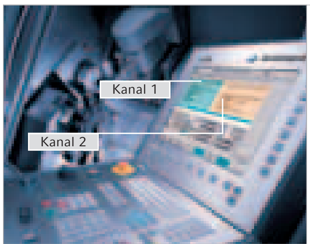
Expenditure on research and development amounted to € 32.6 million in the first nine months (previous year: € 33.4 million). There are currently 413 employees working on the development of new products (13% of the workforce at the plants).

In the third quarter GILDEMEISTER presented three new developments at the IMTS in Chicago and at the AMB in Stuttgart, as well as numerous other innovations, which realign the boundaries of our range of products and services. In particular this includes the trendsetting dual channel shop-floor programming for the workshop programming. Thus the GMX 250 S *linear* is unique in offering the separate control of two tool boxes. This allows the parallel machining of two workpieces on the main and counter spindle. The user-friendly workshop programming opens up new areas of use for our customers without having an own process engineering.

The “Virtual Machine“, which was presented for the first time at the AMB, offers our customers a comprehensive 3-D representation of the machine tool in combination with all the functional control elements and machine parameters. The complete transfer of the control software to the DMG Virtual Machine permits complete simulation of the work processes whilst having the possibility to carry out the operation as usual using the DMG control panel. The DMG Virtual Machine thus makes it possible to work in a truly realistic manner despite the virtual reality of the machine. This permits users to simulate collision tests in a realistic way and also allows them to determine and optimise processing times precisely.

The CTV 400 *linear* extends our product line for vertical complete machining through the use of two independent fast-turrets. This reduces retooling time and increases flexibility. With the consistent implementation of a modular machine concept we are in a better position to take specific customer requirements into consideration.

The newly-developed SACO bar loader 65 realigns our component programme and is for example employed in our single spindle automatic lathes and turning machines. The specially adjusted and optimised set-up system enables the highest precision in loading and positioning raw materials and at the same time makes for higher feed rates. This means that both non-productive time is minimised and set-up procedures are automated.



Dual channel shop-floor programming

Innovative DMG Technology:
Intelligent software solutions such as the new dual channel shop-floor programming for workshop programming and the DMG Virtual Machine make it possible to increase efficiency by avoiding errors and gaining time.

DMG Virtual Machine

Production and Logistics, Products and Services

In the area of **production and logistics** we have concentrated our activities on the simplification and standardisation of processes and operations. At the same time we have been able to further improve efficiency in the use of resources. The increase in production efficiency has been achieved primarily by continued intensive cooperation between the product and production plants in the production network. Thus at the entry level, the production start of the NEF 600 occurred at our production plant in Shanghai. For a higher production flexibility and to better take advantage of local plants, three production plants are available for these machines from the beginning of the next financial year.

Further development of the **PULLplus** added value system and its standard implementation in all corporate areas were the focus of intense training measures and workshops for employees from production, logistics and production-related areas. Our employees are thus highly trained to ensure the optimisation of processes along the entire value added chain. In the first nine months the number of **suggestions for improvements** that were submitted rose to 15,520 (previous year: 15,453). The net benefit amounted to € 3.4 million (previous year: € 2.8 million).

With the procurement of three high precision coordinate measuring machines we have made an important contribution to ensuring the quality of our products and have significantly increased our capacity.

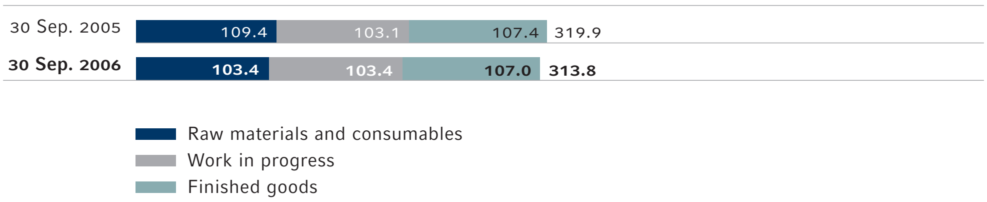
In the area of **procurement** we have optimised the electronic supplier interface with our TOP suppliers. The use of improved forecast tools and the continuous ex-change of current stock and process information along the value added chain enabled the optimisation of key logistics figures, such as stocks or availability, from which both GILDEMEISTER and its suppliers benefited equally.

In the area of transport management we have optimised internal processes and further improved services for our customers. Through closer cooperation with globally operating logistics partners, we are now able to reduce delivery times and counteract the worldwide increase in transport costs.

The materials quota was 53.3% and thus slightly below the previous year's level (53.6%). At the same time first sustainable positive effects are resulting from the group-wide standardisation of functional components and modules, by which we counteract the price increase pressure for raw materials are absorbed. For the main peripheral modules (hydraulics and pneumatics, extraction and cutting oil supply) the process of focussing on fewer variations has been concluded to a large extent.

At € 313.8 million, **inventories** were below the previous year's figure (€ 319.9 million), while sales revenue increased significantly. This is attributable primarily to the measures taken to improve processes and shorten turnround time as well as to enhanced coordination of delivery schedules with our major suppliers.

Inventories of the GILDEMEISTER group
in € million



The product policy of the GILDEMEISTER group is consequently geared towards leading the way in metal cutting machine tool technology. We have aligned the development of our **products and services** with this goal.

Employees

As at 30 September 2006, GILDEMEISTER had 5,421 employees, 181 of whom were trainees (30 June 2006: 5,287). Compared to the first six months, the number of employees thus increased by 134, of whom 55 were trainees who were taken on at the start of the new trainee year. The main increase in personnel was caused by the expansion of our sales and service companies in Germany, Europe and Asia and also of our production plant in Pfronten.

In comparison with the end of the financial year 2005, the total number of employees has risen by 149. The additional staff requirements arose mainly in the "Services" area in Asia and Europe and resulted from the increased demand and requirements of our customers.

At the end of the third quarter 3,228 employees (60%) worked for the national companies and 2,193 employees (40%) for our international companies. Through the increase in total performance accompanied by higher capacity utilisation, there was increased efficiency in human resources allocation. Personnel expenditure was € 233.7 million (corresponding period of the previous year: € 217.6 million). The personnel expenditure quota declined further to 24.9% (corresponding period of the previous year: 26.4%).

Risk Report

Risk management system: Risks that are associated with our entrepreneurial activities are continually monitored by the GILDEMEISTER risk management system. Our groupwide risk management system enables us to clarify changes in the overall risk position of the group by means of a simple key figure. Through great awareness and a controlled handling of risks, we can seize opportunities and achieve competitive advantages.

Opportunities arise out of the continuation of our future-oriented investment strategy with the aim of extending our leadership in innovation.

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

General economic risks: Substantial risks for business development of the GILDEMEISTER group arise mainly from general economic effects on the markets that are relevant to us and on the continued tense situation regarding raw material prices. 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 overall economic development that could jeopardise GILDEMEISTER's existence.

Sector risks: GILDEMEISTER counteracts risks arising out of general economic effects with technological superiority, which we were once again able to demonstrate in the third quarter at the world's major trade fairs for the industry, and with an attractive product range and a broad customer base. We therefore do not expect any major adverse effects on our net worth, financial and earnings position. Through the tendancy of increasing costs of materials and the continuing competitive pressure from Asia, there is a risk involving sales prices – this particularly affects standard machines. We are counteracting this risk through market and product related innovations.

Risks from operational tasks: As before our products are subject to constant price competition in the international markets, which we are counteracting through cost reductions, improved manufacturing processes and by optimising production starts. Limiting **financial and valuation risks** is one of the core operational tasks of the GILDEMEISTER Aktiengesellschaft. Due to our international activities, currency-related risks may arise, which we reduce through hedging transactions within the framework of our currency strategy. For this purpose the hedging instruments permitted are specified in our currency guideline. Overall we consider the possibility of currency-related risks to be slight. Outside finance has been assured long-term through the issue of a fixed interest-bearing corporate bond which matures in July 2011. In addition, we have at our disposal a syndicated loan for a total amount of € 175.0 million with a term until June 2011. The intrinsic value of deferred taxes on loss carryforward on the assets side may be adversely affected by changes in the rate of tax as well as by the results of operations at the corresponding companies.

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 from this area amount to about € 1 million and are controllable.

Personnel risks arise mainly out of the fluctuation of employees in key positions and from personnel recruitment and development. GILDEMEISTER limits these risks through intensive further vocational training and training programmes for junior staff, as well as performance-related pay, resources management and timely succession planning. On the basis of the above-mentioned measures, we consider the probability of occurrence of estimated damages in an amount of about € 6 million as slight.

Legal risks: The operational business of GILDEMEISTER entails legal risks. Customer warranty and liability claims may arise due to defective deliveries or services. Despite an efficient quality assurance management, pertinent claims cannot always be avoided. By limiting our warranty and liability obligations in the terms of our contracts, we keep these risks manageable and calculable.

Procurement and purchase risks may arise through supplier shortfalls, quality problems and price increases. We have calculated the risk at about € 8 million with a low probability of occurrence.

Production risks are subjbect to continuous control by GILDEMEISTER through key figures on assembly and manufacturing progress, process time and continuity. We have calculated these risks at about € 12 million with a low probability of occurrence. Budget overspending, false developments and higher start costs for new products may lead to risks in the area of **research and development**.

Overall risk: No major changes have occurred in the risk situation since the publication of our last report. An obvious trend in the further development of exchange rates cannot be seen from the current exchange rate development of the euro to the US dollar and yen. Exchange rate relations increase currency and price risks, which consequently could restrict the sale of our products and services. Overall the risks can be controlled and from today's perspective the future of the GILDEMEISTER group is not jeopardised. We are currently not expecting any fundamental changes in the risk situation.

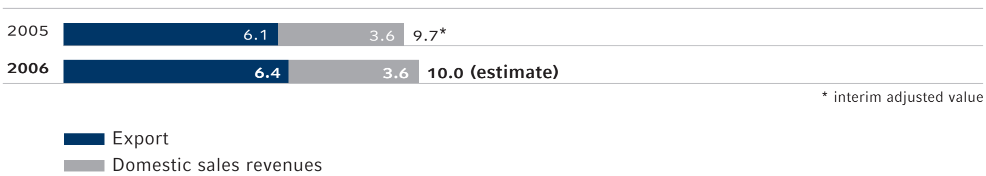
The **world economy** will grow again in the current year. The Kiel Institute for World Economy (IfW) has adjusted its figures upwards for its 2006 forecast and now expects a worldwide increase in gross domestic product (GDP) of 5.0%. A forecast of 4.4% has been made for 2007. According to economic experts, **Asia** might experience an economic slow-down. This also applies to the driving impetus of China – although it will remain at a very high level. Growth in Japan is expected to be 2.8% this year and 2.6% next year. The forecasts for China are 10.2% and 9.4%. A slowing down of the high growth rate of the economy has also been forecast for the **USA**. The IfW is expecting a plus of 3.5% for 2006 and for 2007 an increase of 2.7%. **Europe** will experience a similar trend: following 2.7% in this year, the forecast for next year is 2.5%. The strong growth trend in **Germany** may possibly be subdued next year. The main cause of this is attributed to the forthcoming increase in value added tax with its adverse effects, which will primarily affect consumption. According to estimates of the ifo Institute, growth in Germany will exceed 2% this year. The forecasts for 2007 are less than 1%.

Sources: Economic Research Institute, 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 probable that in 2006 the world market will increase by 8% to € 45.5 billion. Asia and the USA continue to be the regions with the largest growth. An increase of 5% to € 47.8 billion has been forecast for **2007**. All markets are expected to stimulate growth. The association thus expects a much more favourable development than was previously assumed.

Machine tools production in Germany in € billion

Source: VDW (German Machine Tool Builders' Association)



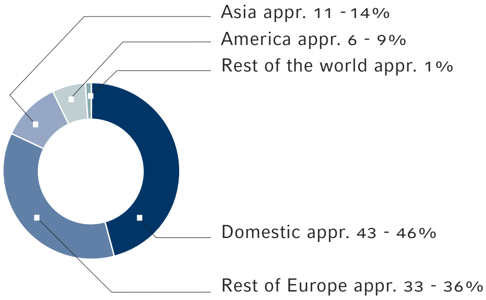
So far this year the **German machine tool industry** has developed better than expected for 2006. Against the background of a stable economic situation the German Machine Tool Builders' Association (VDW) and the ifo Institute are now assuming an increase in machine tool consumption in Germany of 5%. In an initial estimate for 2007, the association (VDW) considered a further increase of 6% to be likely in consumption as well as in production and in exports.

GILDEMEISTER expects the positive development to continue for the fourth quarter. Our planning is based on the steady consumption of machine tools in all our major sales markets, in particular in Asia (China and Japan), on the continued growth trend in the domestic and European markets, and also on the lasting optimisation of our global market presence and our innovative product development. Taking into consideration the demand triggered following the trade fairs, we now want to achieve an **order intake** for the whole of 2006 of more than € 1,350 million. For the financial year 2007 we are planning to increase our order intake to more than € 1.4 billion.

The pressure on **sales prices** will continue to remain high – in particular for standard machines. The increase in raw material costs and constant high competitive pressure from Asia are responsible for this. In financial year 2007 we will adjust our sales prices according to the market and the product. A firm statement will be made in due time in the fourth quarter on the planned price increase which will take effect at the start of 2007.

Based on the further increase in our order backlog, we are now planning to increase **sales revenues** to more than € 1,250 million. For the financial year 2007 we are planning in line with order intake to increase sales revenues to more than € 1.3 billion.

Estimated sales distribution for 2006 of the GILDEMEISTER group by regions



Based on expected order intake and sales revenues in the fourth quarter, the **order backlog** will remain high until the end of the current financial year; it therefore forms a firm basis for capacity utilisation in 2007.

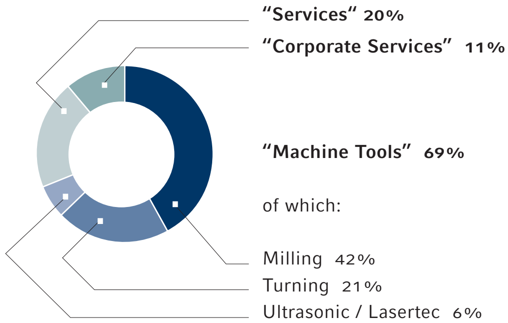
Earnings development: GILDEMEISTER expects the good business development to continue in the fourth quarter and therefore can raise its targets again for the current financial year. For the financial year 2006 we now expect an increase in EBT and in the annual profit of more than 50%. We plan to distribute a higher dividend for the current year than for the previous year. Our goal for the financial year 2007 is to continue to drive this positive development. We have the necessary **funding** in place to finance growth in 2007.

We will continue to optimise our **risk and opportunity management** in 2007. It is a working system, which is self-contained and continuously gaining in efficiency. The ongoing consolidation process among machine tool manufacturers can generate a change in the competitive situation. From a current perspective the known risks can be controlled; the continued existence of the GILDEMEISTER group is not jeopardised.

Of the planned **investments** for 2006 (€ 35 million), 50% or € 17.4 million remain for the fourth quarter. Depending on the construction progress caused by the weather, we will capitalise the extension of our FAMOT production plant and the new DMG Polska construction as works in progress. We are planning to finalise the implementation of the improved logistics concept in Bielefeld at the end of the fourth quarter. The **structure of the investments** remains well-balanced and adjusted to requirements. Investments in the fourth quarter will concentrate on the speedy continuation or completion of investment projects already commenced and also on the procurement of operating resources for the start of production of new machines. For 2007 we are planning to continue our future-oriented investment strategy with the aim of building upon and increasing our leadership in innovation and of ensuring the planned increase in order intake and sales revenues.

Contribution of each segment / division to the planned investments in the financial year 2006

2006: Total € 35 million



In the **procurement** area we will continue to expand our tried and tested ***co*Supply**®-System. Together with our suppliers we are constantly improving the procurement processes. Our activities are focussed on the quality of parts supplied and controlling the complexity of the process. In the transport area we are especially aiming to simplify and speed up the process chain in order to counteract the increase in transport costs. We only expect a slight increase in **prices** in the fourth quarter. In particular, the undiminished high utilisation of production capacity in the cast iron and steel supply area further increases pressure on procurement prices. Through intensive cost management and further enhanced cooperation with our suppliers, we will be able to limit cost increases for the entire financial year 2006 to approximately 1 - 2%. We will achieve further sustainable effects through our ongoing activities to standardise assemblies, functional elements and modules.

In the **production and logistics** area, we are in a position to meet the increase in individual requirements of our customers and the associated trend towards project activities even more. The formation of interdisciplinary teams of experts has improved integrated project monitoring throughout the entire order processing procedure. They are supported in this by the group-wide front office workflow management system, which will be adopted in major subprojects by year end. This will noticeably increase transparency within the business processes and order monitoring interfaces will be further optimised.

Activities in **research and development** are increasingly being focussed on the industry highlight of next year: the **EMO 2007**. At the same time we continue to adhere to our long-term strategic goals and focal points. The focus of our activities lies on the steady pursuit of standardised module construction and technology integration.

With the development of trend-setting software and service products, we are increasing user benefits and enhancing the performance of our **products and services**. Through the goal-oriented start-up of new products, we are constantly updating our products and are consistently aligning our product range to meet the needs and requirements of our customers. In the future we intend to further strengthen the centrally integrated coordination of research and development in order to achieve long-lasting effects on standardisation. We do not expect any deviations in the 2007 supplier programme from the planned quantity, cost and quality goals.

We plan to finalise the re-organisation of the **legal corporate structure** by the end of the current financial year. In financial year 2007 we plan to further expand our global market presence with a focus on Europe.

The number of **employees** will increase slightly in the fourth quarter. Additions to personnel are to be made initially in Europe and Asia to further extend our service capacity for our customers. In production locations, employee recruitment will be dependent upon sales revenue development.

Consolidated Income Statement

3rd quarter	1 July - 30 Sep. 2006 € M	%	1 July - 30 Sep. 2005 € M	%	Changes 2006 against 2005 € M	%
Sales revenues	**332.8**	**101.8**	274.8	97.2	58.0	21.1
Change in finished goods and work in progress	**-7.5**	**-2.3**	6.0	2.1	-13.5	225.0
Other capitalised payments	**1.5**	**0.5**	2.0	0.7	-0.5	25.0
Total work done	**326.8**	**100.0**	282.8	100.0	44.0	15.6
Cost of materials	**-174.3**	**-53.3**	-154.2	-54.5	-20.1	13.0
Gross profit	**152.5**	**46.7**	128.6	45.5	23.9	18.6
Personnel costs	**-78.6**	**-24.1**	-70.1	-24.8	-8.5	12.1
Other income and expenses	**-49.7**	**-15.2**	-40.0	-14.1	-9.7	24.3
Depreciation	**-8.1**	**-2.5**	-7.1	-2.5	-1.0	14.1
Financial result	**-7.4**	**-2.3**	-7.9	-2.8	0.5	6.3
EBT	**8.7**	**2.6**	3.5	1.3	5.2	
Taxes on profit	**-3.9**	**-1.2**	-1.7	-0.6	-2.2	
Annual profit	**4.8**	**1.4**	1.8	0.7	3.0	
Earnings per share acc. to IAS 33 (in euro)	**0.11**		0.06			

1st - 3rd quarter	1 Jan. - 30 Sep. 2006 € M	%	2005 1 Jan. - 30 Sep. € M	%	Changes 2006 against 2005 € M	%
Sales revenues	**924.2**	**98.3**	792.6	96.3	131.6	16.6
Change in finished goods and work in progress	**11.6**	**1.3**	25.8	3.1	-14.2	55.0
Other capitalised payments	**4.1**	**0.4**	4.9	0.6	-0.8	16.3
Total work done	**939.9**	**100.0**	823.3	100.0	116.6	14.2
Cost of materials	**-500.8**	**-53.3**	-441.6	-53.6	-59.2	13.4
Gross profit	**439.1**	**46.7**	381.7	46.4	57.4	15.0
Personnel costs	**-233.7**	**-24.9**	-217.6	-26.4	-16.1	7.3
Other income and expenses	**-137.7**	**-14.6**	-111.6	-13.6	-26.1	23.4
Depreciation	**-23.4**	**-2.5**	-21.7	-2.6	-1.7	7.8
Financial result	**-23.1**	**-2.4**	-23.5	-2.9	0.4	1.7
EBT	**21.2**	**2.3**	7.3	0.9	13.9	
Taxes on profit	**-10.1**	**-1.1**	-3.8	-0.5	-6.3	
Annual profit	**11.1**	**1.2**	3.5	0.4	7.6	
Earnings per share acc. to nach IAS 33 (in euro)	**0.26**		0.08			

Consolidated Balance Sheet

Assets	30 Sep. 2006 € M	31 Dec. 2005 € M	30 Sep. 2005 € M
Long-term assets			
Intangible assets	**98.6**	100.9	97.0
of which goodwill	**70.2**	67.9	67.9
Tangible assets	**157.5**	161.2	159.8
Financial assets	**0.3**	0.2	0.2
Trade debtors	**1.0**	1.3	1.0
Other long-term assets	**7.2**	10.9	6.0
Deferred taxes	**32.9**	27.7	25.7
	297.5	302.2	289.7
Short-term assets			
Inventories	**313.8**	288.8	319.9
Trade debtors	**285.8**	286.8	275.6
Other short-term assets	**68.8**	61.6	65.0
Cash and securities	**38.0**	22.0	15.7
	706.4	659.2	676.2
	1,003.9	961.4	965.9

Total equity and liabilities	30 Sep. 2006 € M	31 Dec. 2005 € M	30 Sep. 2005 € M
Equity			
Subscribed capital	**112.6**	112.6	112.6
Capital provisions	**68.3**	68.3	68.3
Revenue provisions	**91.4**	85.0	75.2
Shares of other shareholders	**-0.4**	-0.1	1.0
	271.9	265.8	257.1
Long-term liabilities			
Long-term financial liabilities	**304.8**	266.5	290.7
Pension provisions	**28.4**	27.5	27.6
Other long-term provisions	**20.2**	22.3	20.9
Trade creditors	**0.0**	1.8	0.6
Other long-term liabilities	**5.2**	8.1	7.3
Deferred taxes	**11.2**	8.0	4.3
	369.8	334.2	351.4
Short-term liabilities			
Short-term financial liabilities	**41.3**	43.8	58.1
Other short-term provisions	**101.6**	75.6	75.3
Payments received on account	**60.3**	32.5	33.1
Trade creditors	**116.7**	143.1	127.4
Liabilities from bills of exchange	**8.9**	16.8	28.9
Other short-term liabilities	**33.4**	49.6	34.6
	362.2	361.4	357.3
	1,003.9	961.4	965.9

Consolidated Cash Flow Statement

	2006 1 July - 30 Sep.	2005 1 July - 30 Sep.	2006 1 Jan. - 30 Sep.	2005 1 Jan. - 30 Sep.
	€ M	€ M	€ M	€ M
Cash flow from current operations				
Earnings before tax (EBT)	**8.7**	3.5	**21.2**	7.3
Taxes on profit	**-3.9**	-1.7	**-10.1**	-3.8
Depreciation of assets	**8.1**	7.1	**23.4**	21.7
Changes in deferred taxes	**-3.5**	-0.6	**-2.0**	-0.6
Changes in long-term provisions	**-1.9**	0.1	**-1.2**	0.0
Other non-cash expenses/income	**0.2**	0.1	**2.1**	0.0
Changes in short-term provisions	**21.1**	3.6	**26.0**	0.4
Changes in inventories, trade debtors and other assets	**10.9**	1.3	**-30.5**	-48.7
Changes in trade payables and other liabilities	**-16.4**	0.0	**-30.8**	-5.8
	23.3	13.4	**-1.9**	-29.5
Cash flow from investment activity				
Amounts paid out for investments in intangible and tangible assets	**-6.3**	-5.1	**-16.2**	-16.1
Amounts paid out for investments in financial assets	**0.0**	0.0	**-1.4**	0.0
Amounts received from the disposal of fixed assets	**0.0**	0.2	**1.1**	1.7
	-6.3	-4.9	**-16.5**	-14.4
Cash flow from financing activity				
Amounts received from raising (financing) credits / amounts paid out for the prepayment of (financing) credits	**-17.1**	-4.4	**39.2**	-2.5
Distribution of dividends to shareholders	**0.0**	0.0	**-4.3**	0.0
	-17.1	-4.4	**34.9**	-2.5
Changes affecting payments	**-0.1**	4.1	**16.5**	-46.4
Consolidation and exchange rate related changes not affecting payments	**-0.1**	-0.5	**-0.4**	1.8
Liquid funds at the start of the reporting period	**38.2**	12.1	**21.9**	60.3
Liquid funds at the end of the reporting period	**38.0**	15.7	**38.0**	15.7

Statement of Changes in Group Equity

	Subscribed Capital	Capital provisions	Revenue provisions	Shares to other Shareholders	Group Equity
	€ M	€ M	€ M	€ M	€ M
As at 1 Jan. 2006	112.6	68.3	85.0	-0.1	265.8
Annual profit	0.0	0.0	11.2	-0.1	11.1
Changes in currency / Change in market valuation of derivative financial instruments	0.0	0.0	-0.5	0.0	-0.5
Consolidation transactions / other changes	0.0	0.0	0.0	-0.2	-0.2
Dividend	0.0	0.0	-4.3	0.0	-4.3
As at 30 September 2006	**112.6**	**68.3**	**91.4**	**-0.4**	**271.9**

	Subscribed Capital	Capital provisions	Revenue provisions	Shares to other Shareholders	Group Equity
	€ M	€ M	€ M	€ M	€ M
As at 1 Jan. 2005	112.6	68.3	68.6	1.0	250.5
Annual profit	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
Dividend	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 Segmental Reporting

BUSINESS SEGMENTS

3rd quarter 2006	Machine Tools	Services	Corporate Services	Transitions	Group
	€ M	€ M	€ M	€ M	€ M
Sales revenues	**233.9**	**98.8**	**0.1**		**332.8**
EBIT	**11.3**	**11.4**	**-6.4**	**-0.2**	**16.1**
Investments	**4.1**	**1.7**	**0.4**		**6.2**
Employees	**3,306**	**2,043**	**72**		**5,421**

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 2006	Machine Tools	Services	Corporate Services	Transitions	Group
	€ M	€ M	€ M	€ M	€ M
Sales revenues	**633.7**	**290.3**	**0.2**		**924.2**
EBIT	**20.9**	**40.5**	**-16.5**	**-0.6**	**44.3**
Investments	**12.1**	**4.7**	**0.8**		**17.6**
Employees	**3,306**	**2,043**	**72**		**5,421**

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

SEGMENTS BY REGIONS

1st - 3rd quarter 2006	Germany	Rest of Europe	North America	Asia	Others	Transitions	Group
	€ M	€ M	€ M	€ M	€ M	€ M	€ M
Sales revenues with affiliated companies	**239.4**	**81.9**	**1.9**	**8.5**	**0.8**	**-332.5**	**0.0**
Sales revenues with third parties	**518.7**	**295.0**	**53.4**	**51.7**	**5.4**		**924.2**
Investments	**12.5**	**4.3**	**0.1**	**0.7**	**0.0**		**17.6**

1st - 3rd quarter 2005	Germany	Rest of Europe	North America	Asia	Others	Transitions	Group
	€ M	€ M	€ M	€ M	€ M	€ M	€ M
Sales revenues with affiliated 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

Notes to the Interim Consolidated Financial Statements

1 APPLICATION OF REGULATIONS

The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft as at 30 September 2006 were prepared, as were the Consolidated Financial Statements of the year ending 31 December 2005, in accordance with the International Financial Reporting Standards (IFRS) applicable on the reporting date and in accordance with the interpretation of the above standards. In particular, the regulations of the IAS 34 on interim reporting were applied.

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 Consolidated Annual Financial Statements for the year ending 31 December 2005.

In view of the sense and purpose of interim reporting as an information instrument based on the Consolidated Financial Statements, and in accordance with IAS 1.103, we refer to the Notes to the Consolidated Annual Financial Statements. These set out in detail the accounting, valuation and consolidation methods applied and the exercising of election rights according to IFRS.

The accounting and valuation principles and applied consolidation methods remain unchanged from the financial year 2005. Since 1 January 2006, new standards and interpretations of the IFRS accounting rules have come into force, which were obligatorily applied to the present consolidated financial statements. For further details we refer to the Notes to the Consolidated Financial Statements of the year ending 31 December 2005.

2 CONSOLIDATED GROUP

As at 30 September 2006, the GILDEMEISTER group comprised 65 companies, including the GILDEMEISTER Aktiengesellschaft, 64 of which were included in the Interim Financial Statements as part of the full consolidation process. The changes are detailed in the section “Business Development”. The changes do not impair comparison with the Consolidated Financial Statements for the year ending 31 December 2005.

3 EARING PER SHARE

In accordance with IAS 33, earnings per share are determined by dividing the consolidated earnings by the average number of shares.

Group result excluding profit share of other shareholders	**€ 11,225 K**
Average weighted number of shares	**43,302,503**
Earnings per share acc. to IAS 33	**€ 0.26**

There were no dilution effects in the reporting period.

4 CONSOLIDATED INCOME STATEMENT, BALANCE SHEET, CASH FLOW STATEMENT

Details on the consolidated income statement, the consolidated balance sheet and on the consolidated cash flow statements may be found in the section “Results of Operations, Net Worth and Financial Position”.

5 STATEMENT OF CHANGES IN GROUP EQUITY

The consolidated annual profit at 30 September 2006 of € 11.1 million increases the equity. A reduction of group equity resulted from the changes in currency/changes in the market value of derivative financial instruments of € 0.5 million and the consolidation measures/other changes in an amount of € 0.2 million, which did not affect net income. Moreover the dividend distribution for the financial year 2005, which was passed by resolution at the Annual General Meeting, reduced equity by € 4.3 million.

6 CONSOLIDATED SEGMENTAL REPORTING

No changes have occurred in the delimitation of segments or in the determination of results achieved by each segment compared with 31 December 2005. Further details on the course of business are included in the section “Segments”.

7 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

Information about GILDEMEISTER Aktiengesellschaft

GILDEMEISTER Aktiengesellschaft has no operative business but functions as the management holding company for the GILDEMEISTER group. The sales revenues of € 16.3 million shown for the parent company result, apart from rental income, exclusively from the performance of holding activities for the group.

As at 30 September 2006 the GILDEMEISTER Aktiengesellschaft was divided into three executive units with the following functional areas: corporate strategy, product development, sales and services, purchasing, personnel as well as investor and public relations; procurement, production, logistics and investments; controlling, finance and information technology (IT).

As at 30 September 2006, 59 people were employed at GILDEMEISTER Aktiengesellschaft (31 December 2005: 67).

Financial Calendar

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 Bielefeld Town Hall

Subject to alteration

Bielefeld, 7 November 2006

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.-Ing. Günter Bachmann
Dipl.-Kfm. Dr. Thorsten Schmidt
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 for the future market environment and the general economic conditions, the conduct of the market participants, the successful integration of new acquisitions and the realisation of expected synergy effects as well as measures by state agencies. Should one of these uncertainty factors or incalculabilities 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 events or developments after the end of the reporting period. Statements relating to the future must not be understood as a guarantee or assurance of the future developments or events contained therein.

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

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