The Technology Group: Turning, Milling, Services and Regenerative Energies

Interim Report

3rd Quarter 2008

Dear Shareholders,

worldwide demand for machine tools remained steady in the first six months of the year. In the third quarter, the market responded with increasing uncertainty to developments in the international banking and financial crisis. The effects of the events that have occurred in recent weeks on the market for machine tools cannot be analysed in detail at the present time.

As at 30 September 2008, GILDEMEISTER has a good business development overall. In the third quarter we were able to increase sales revenues and earnings as scheduled. Order intake in the primary "Machine Tools" and "Services" business was about 5% below the comparable high previous year's level, which was influenced by the EMO effect and major "SunCarrier" orders.

As at 30 September 2008, order intake has risen to € 1,592.8 million (+13%); sales revenues have increased to € 1,363.2 million (+27%). Profitability continued to develop positively as announced: EBITDA reached € 137.2 million (previous year: € 93.9 million), EBIT amounted to € 114.8 million (previous year: € 71.1 million). EBT rose to € 91.6 million (previous year: € 48.5 million). The group annual profit doubled as at 30 September 2008 to € 57.6 million (previous year: € 27.2 million).

Boosts came from the important autumn trade fairs in Germany and in the USA: with an order volume of € 82.4 million and 329 machines sold, the September trade fairs – the AMB in Stuttgart and the IMTS in Chicago – ensured our planned order intake in the third quarter.

Despite the dramatic financial crisis and the resulting complete change in the worldwide economic environment, for the financial year 2008 we continue to expect record figures, which, however, have become more ambitious and fraught with risk. Order intake will remain above previous year's level. Sales revenues should now rise to more than € 1.85 billion. For EBT and the annual profit we are expecting an increase of more than 50% compared to the previous year. We will consider the amount of the dividend for the financial year 2008 taking into account the change in the market environment.

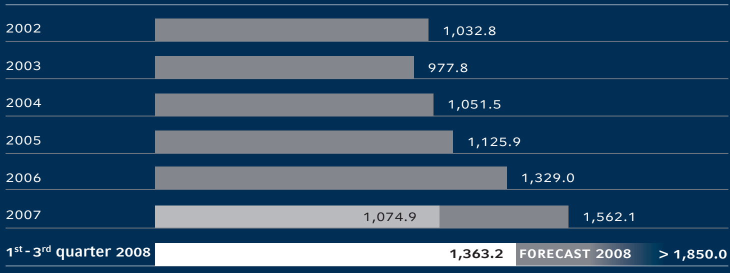
Key figures

The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft were prepared in accordance with the International Financial Reporting Standards (IFRS), as they have to be applied within the European Union. The interim Financial Statements have not been audited.

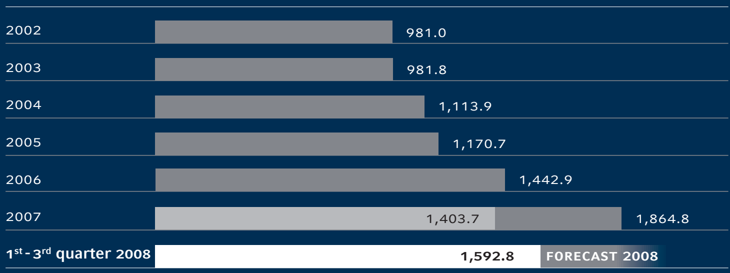
GILDEMEISTER GROUP	2008 1st - 3rd QUARTER € M	2007 1st - 3rd QUARTER € M	CHANGES 2008 AGAINST 2007 € M	%
Sales Revenues				
Total	1,363.2	1,074.9	288.3	27
Domestic	601.6	493.5	108.1	22
International	761.6	581.4	180.2	31
% International	56	54		
Order Intake				
Total	1,592.8	1,403.7	189.1	13
Domestic	718.4	628.1	90.3	14
International	874.4	775.6	98.8	13
% International	55	55		
Order Backlog*				
Total	979.0	775.5	203.5	26
Domestic	389.9	290.6	99.3	34
International	589.1	484.9	104.2	21
% International	60	63		
Investments	28.5	35.3	-6.8	-19
Personnel Costs	297.4	267.2	30.2	11
Personnel Ratio in %	20.0	23.9		
Employees	6,172	5,666	506	9
plus Trainees	251	222	29	13
Total Employees*	6,423	5,888	535	9
EBITDA	137.2	93.9	43.3	46
EBIT	114.8	71.1	43.7	61
EBT	91.6	48.5	43.1	89
Annual Profit	57.6	27.2	30.4	112

* Reporting date 30 September

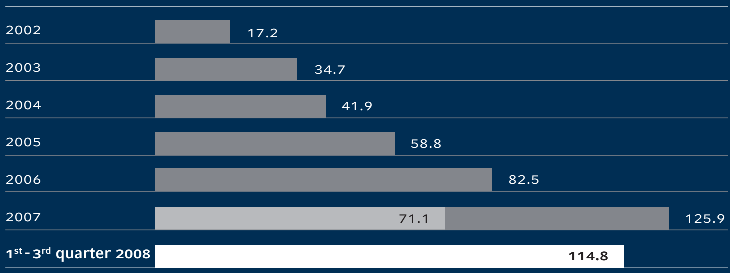
SALES REVENUES
in € million



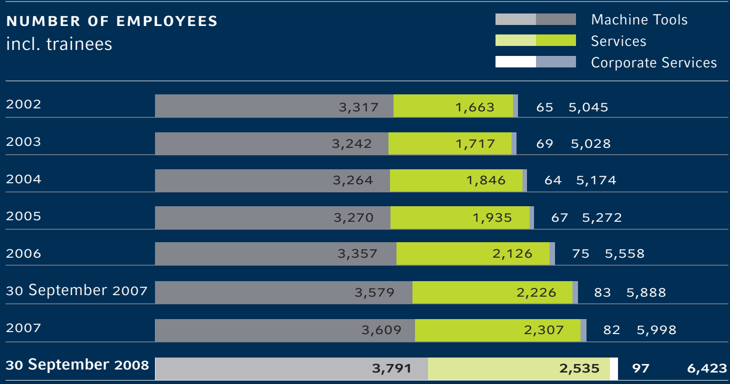
ORDER INTAKE
in € million



EBIT
in € million



NUMBER OF EMPLOYEES
incl. trainees



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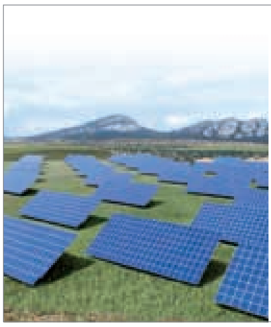


COVER PICTURE

INVESTMENT IN THE FUTURE – SOLAR ENERGY

Since its successful entry in the future-oriented business field of renewable energy sources, GILDEMEISTER has installed a total of 1,400 "SunCarrier" producing about 45 megawatts in Germany, Spain, Italy, Greece and Korea. A "SunCarrier" measures up to 288 square metres and produces about a third more electrical power than conventional systems.

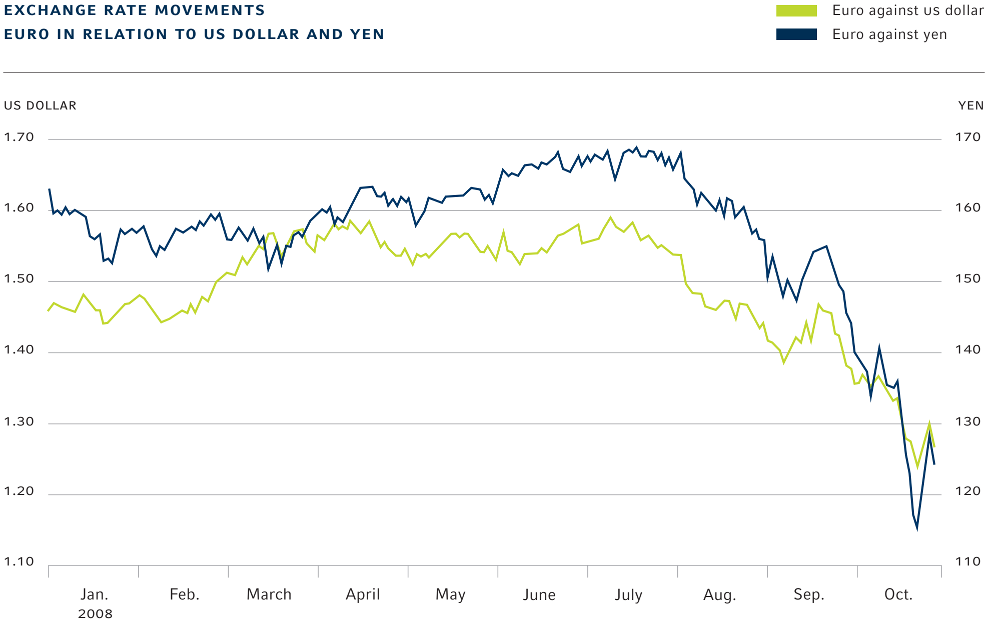
The cover picture shows a solar park with 240 "SunCarriers" in spanish Alange (region Extremadura). With a total of 8.5 megawatts they can serve about 5,000 four-person households.

Overall economic development in the third quarter 2008 followed a downwards trend triggered by the international financial crisis. The economic slowdown was clearly noticeable in Asia. In China the momentum slackened although at a high level. The economic decline in Japan continued. The European economy also lost momentum. Economic development in Germany is declining. According to the provisional calculations of the German Economic Research Institute (DIW), gross domestic product fell by 0.1% compared to the previous quarter.

For GILDEMEISTER's international business, the US dollar, the Japanese yen and the Chinese yuan are important. In the third quarter the **exchange rates** of the currencies important for us were characterised by the fact that they were stronger in comparison with the euro and, as a result, our products were again lower in price and therefore more competitive. The US dollar again made continuous gains in value compared to the euro and at the end of the quarter reached its highest value so far of 0.72 euros (11 Sep. 2008). The US dollar closed the third quarter at the previous year's value of 0.70 euros (30 Sep. 2008). The average value of 0.66 euros was lower than the comparison value of the previous year (0.73 euros). The Chinese yuan was quoted at the start of the quarter at 10.82 (1 Jul. 2008) in comparison with the euro and gained in value over the quarter. At the end of the third quarter, the exchange rate was 9.80 yuan (30 Sep. 2008). The Japanese yen was initially weaker against the euro and on 23 July was quoted at an annual low of 169.75 yen. It subsequently recovered and at the end of the third quarter was at a level of 150.47 yen (30 Sep. 2008). The average exchange rate was 161.83 yen (previous year's quarter: 161.89 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 DOLLAR AND YEN



Source: European Central Bank,
Deutsche Bundesbank

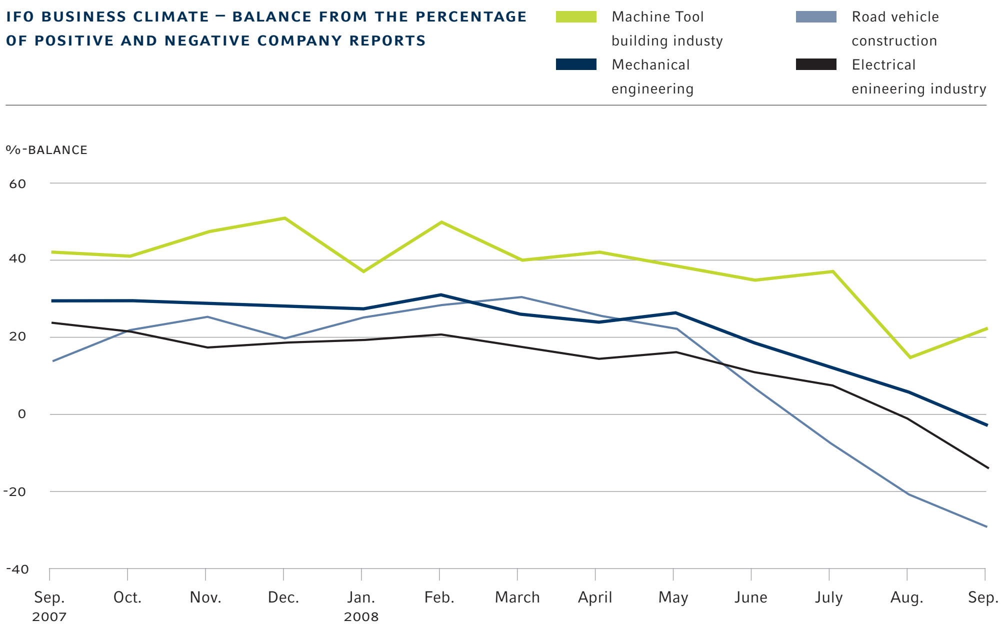
The **worldwide market for machine tools** will proceed more weakly from now on in 2008 – triggered by the international financial crisis in the third quarter. Stimulus is still coming from the Asian markets, in particular China and India, as well as from eastern European countries. The latest forecasts (as at October 2008) of the Association of German Machine Tool Builders' Association (VDW) and of the ifo Institute continue to expect a growth in global production of 10% to € 57.0 billion.

In comparison with the global market, the **German machine tool industry** is expected to develop slightly better. The VDW and the ifo Institute are estimating growth in production of 14%. Order intake in the first half year was still higher than the comparison level of the previous year. In the third quarter, order intake at German machine tool manufacturers fell by about 12%.

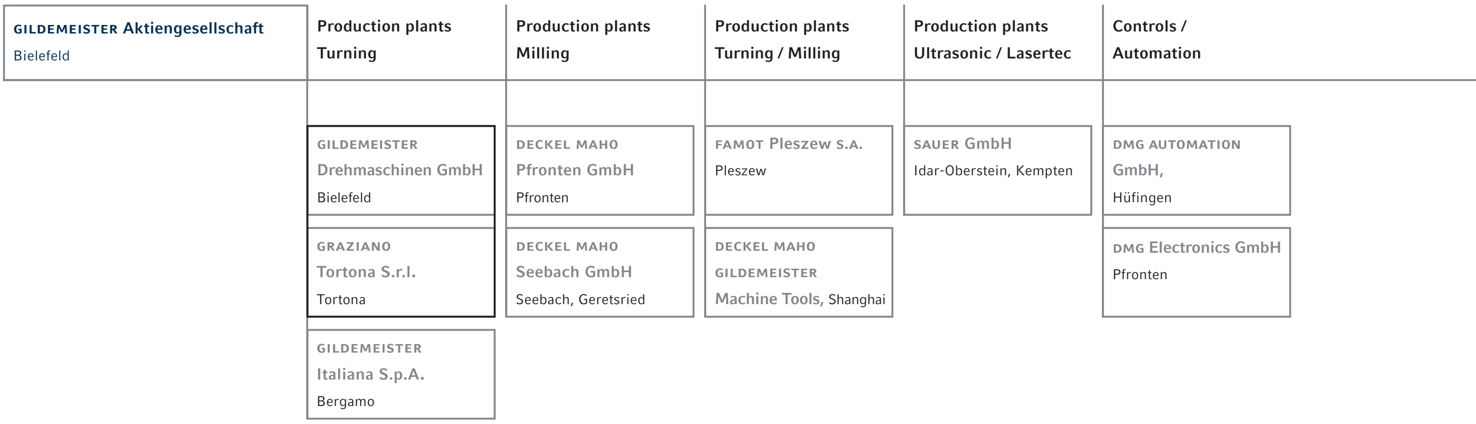
The ifo **business climate index** for trade and industry fell noticeably during the third quarter. Companies in the main consumer industrial sectors for machine tools evaluate their current business situation as being less favourable than it was at the start of the year.

Source: VDW (German Machine Tool Builders' Association)

IFO BUSINESS CLIMATE – BALANCE FROM THE PERCENTAGE OF POSITIVE AND NEGATIVE COMPANY REPORTS



Source: ifo Institute, Munich

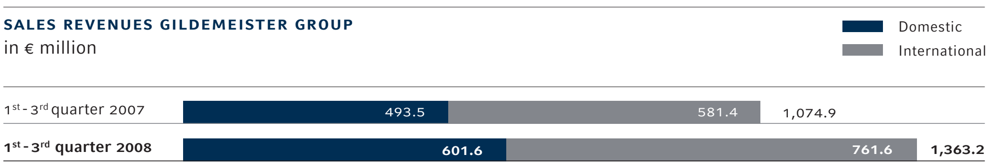


As at 30 September 2008, the GILDEMEISTER group including GILDEMEISTER Aktiengesellschaft comprised 73 companies. The consolidated group changed as follows: in August DMG America Inc. founded DMG Boston LLC. with its registered place of business in Boston, Massachusetts, to strengthen its sales and services activities in the USA. DMG Boston commenced its business activities on 1 September 2008.

Sales Revenues

In the third quarter sales revenues of € 511.7 million (+40%) exceeded the previous year's figure (€ 365.7 million) as planned. In the first nine months sales revenues reached € 1,363.2 million and were thus 27% higher than the previous year (€ 1,074.9 million). In the "Machine Tools" segment, an increase in sales revenues of € 97.7 million (+13%) was achieved by 30 September. The "Services" segment contributed € 190.6 million to the increase in sales revenues; of this, € 140.9 million were attributable to the **"SunCarrier"** division. In the fourth quarter we also intend to achieve a considerable contribution to the sales revenues and results from the solar business.

Domestic sales revenues rose by 22% to € 601.6 million, international sales revenues grew 31% to € 761.6 million. The export share amounted to 56% (previous year's period: 54%).



More detailed information on sales revenues in each segment is given on page 10 et seq. Taking into account the remaining high order backlog, we now want to increase sales revenues for the financial year 2008 to more than € 1.85 billion.

Sales and Service Organization

DMG Vertriebs und Service GmbH
DECKEL MAHO GILDEMEISTER; Bielefeld

71 Sales and Service locations
worldwide

DMG Deutschland; Stuttgart
7 Sales and Service locations

DMG Europe; Klaus (Österreich)
27 Sales and Service locations

DMG Asia; Shanghai / Singapore
17 Sales and Service locations

DMG America; Itasca
9 Sales and Service locations

DMG Services; Bielefeld, Pfronten
11 Service locations

a+f GmbH
Würzburg

DMG MICROSET GmbH
Bielefeld

SACO S.p.A.
Castelleone

Order Intake

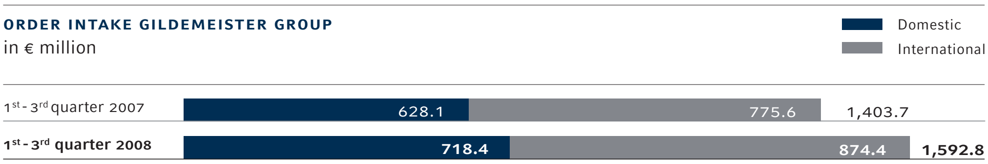
Order intake in the third quarter reached € 459.4 million and, in line with expectations, was below the level of the previous year (€ 545.9 million) which was influenced by the EMO effect and the major “SunCarrier” orders (€ 63.5 million). The primary “Machine Tools” and “Services” business in the third quarter at € 456.8 million (-5%) developed comparatively satisfying, despite the difficult market environment (previous year: € 482.4 million). The **“SunCarrier”** division reported order intake as planned in the third quarter of € 2.6 million (previous year’s quarter: € 63.5 million).

Overall in the first nine months, order intake achieved € 1,592.8 million and thus was 13% or € 189.1 million higher than the previous year (€ 1,403.7 million). In the reporting period order intake rose both domestically and internationally: domestic orders increased by 14% to € 718.4 million (previous year: € 628.1 million). International orders rose 13% to € 874.4 million (previous year’s quarter: € 775.6 million). International orders accounted for 55% of orders (previous year: 55%).

Trendsetting:
At the AMB 2008 in Stuttgart gildemeister displayed “technologies for tomorrow” over 1,100 square metres.

Despite the financial crisis, we were able to achieve our order intake targets on the whole. We were able to gain additional market shares. At a value of € 82.4 million and with 329 machines sold, the September trade fairs – the AMB in Stuttgart and the IMTS in Chicago – ensured our planned order intake in the third quarter.

ORDER INTAKE GILDEMEISTER GROUP
in € million

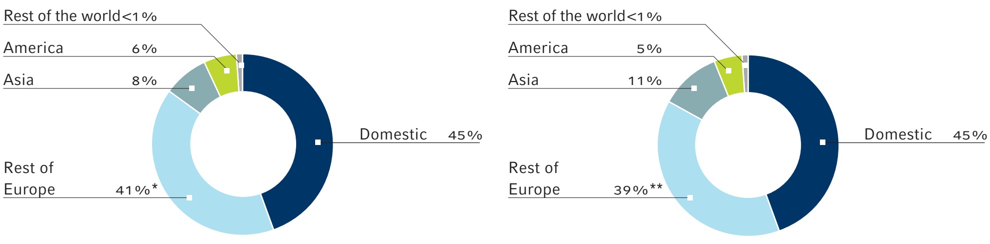


More detailed information on order intake in each segment is given on page 10 et seq.

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

**ORDER INTAKE GILDEMEISTER GROUP
BY REGIONS**

1st - 3rd QUARTER 2008: € 1,592.8 MILLION | 1st - 3rd QUARTER 2007: € 1,403.7 MILLION



* "SunCarrier" share 9%

** "SunCarrier" share 4%

No increase occurred in the **sales prices** in the "Machine Tools" and "Services" in the third quarter.

As a result of the international financial crisis, demand for machine tools will also decline in the fourth quarter. We are already noticing a reticence to purchase in our national and international customers. Planned investments are being increasingly postponed until the financial year 2009. In the financial year 2008 order intake will remain above the previous year's level.

Order Backlog

As at 30 September 2008 the order backlog for the group amounted to € 979.0 million (+26%). The "SunCarrier" division of a+f GmbH accounted for € 77.8 million or 8%.

The domestic backlog rose by € 99.3 million (+34%) to € 389.9 million. The international backlog grew in comparison with the previous year by € 104.2 million (+21%) to € 589.1 million. Of existing orders, international orders account for 60% (corresponding date of the previous year: 63%).

ORDER BACKLOG GILDEMEISTER GROUP
in € million

Domestic
International

More detailed information on the order backlog in each segment is given on page 10 et seq. The yet high order backlog signifies production capacity utilisation in "Machine Tools" of an average of about five months. The order backlog represents a satisfactory basic capacity utilisation for our production companies for the financial year 2008.

Results of Operations, Net Worth and Financial Position

The profitability of the GILDEMEISTER group continued to develop positively and improved according to plan against the previous year's comparative figures. In the **third quarter** EBITDA reached € 52.6 million (previous year: € 33.5 million); EBIT amounted to € 44.8 million (€ 25.4 million). EBT rose to € 37.3 million (previous year: € 18.1 million). The group reports an annual profit of € 23.8 million (previous year: € 10.5 million).

Total operating revenue rose to € 505.0 million (previous year: € 385.7 million). The materials quota amounted to 54.4% (previous year: 52.6%). Gross profit rose to € 230.5 million (previous year: € 182.9 million). The personnel ratio was 20.0% and thus below the previous year's level (23.2%). Expenditure on personnel rose to € 101.2 million (€ +11.8 million). The balance of other expenses and income rose by € 16.7 million to € 76.7 million due to the increase in volume. Depreciation amounted to € 7.8 million (previous year: € 8.1 million). The financial result was € -7.5 million (previous year: € -7.3 million). The tax ratio decreased in the third quarter to 36.2% (previous year: 42.0%). Total tax expenditure amounted to € 13.5 million (previous year: € 7.6 million).

As at **30 September** EBITDA reached € 137.2 million (previous year: € 93.9 million); EBIT amounted to € 114.8 million (previous year: € 71.1 million). EBT rose to € 91.6 million (previous year: € 48.5 million). The group annual profit doubled to € 57.6 million (previous year: € 27.2 million). Total operating revenue increased to € 1,485.0 million (previous year: € 1,120.1 million). The increase resulted from a rise in sales revenues to € 1,363.2 million (previous year: € 1,074.9 million) and a change in stocks of finished goods and work in progress to € 117.2 million (previous year: € 39.8 million). This includes a build-up of stocks for the material-intensive "SunCarrier" of € 47.7 million. The materials quota increased correspondingly due to prefabrication to 56.4% (previous year: 52.5%). Gross profit rose by € 115.8 million to € 648.0 million (previous year: € 532.2 million); the gross profit margin was 43.6% (previous year: 47.5%). The personnel ratio fell to 20.0% (previous year: 23.9%). Personnel expenditure amounted to € 297.4 million (previous year: € 267.2 million). The balance of other expenses and income rose to € 213.4 million (previous year: € 171.1 million). The increase resulted mainly from sales-related expenses, for example those for outward freight, temporary employees and commissions. Depreciation amounted to € 22.4 million (previous year: € 22.8 million). The financial result was € -23.2 million (previous year: € -22.6 million). The tax ratio decreased to 37.1% (previous year: 44.0%). Due to the higher results, tax expenditure rose to € 34.0 million (previous year: € 21.3 million).

The balance sheet total as at 30 September amounted to € 1,304.8 million (€ +154.7 million). Fixed assets on the **assets side** increased by € 5.9 million to € 291.2 million. More detailed information on asset additions is given in the "Investments" chapter on page 9.

Inventories rose by € 149.8 million to € 510.8 million due to the necessary material planning and advance work for the planned increase in sales revenues in the fourth quarter, at the same time raw materials and consumables rose to € 165.9 million (€ +36.4 million), work in progress rose to € 211.7 million (€ +80.1 million) and finished goods to € 126.6 million (€ +33.8 million).

The preliminary work for the "SunCarrier" orders also contributed to the increase. Work in progress rose by € 48.3 million to € 61.0 million. Overall trade receivables rose disproportionately to the rise in sales performance by € 50.4 million to € 342.9 million; the volume of receivables from the "SunCarrier" business amounted to € 40.6 million.

	30 SEP. 2008 € M	31 DEC. 2007 € M	30 SEP. 2007 € M
Net Worth			
Fixed assets	291.2	285.3	277.1
Current assets	1,013.6	864.8	801.1
Equity	370.6	329.5	306.5
Outside capital	934.2	820.6	771.7
Balance sheet total	1,304.8	1,150.1	1,078.2

On the **equity and liabilities side** equity rose by € 41.1 million to € 370.6 million. The higher commitment of funds on the assets side led to an increase in outside capital to € 934.2 million (€ +113.6 million). The financial liabilities included therein increased by € 69.7 million to € 330.1 million, prepayments received rose by € 14.7 million to € 126.8 million and trade payables by € 32.6 million to € 175.9 million.

Due to the higher commitment of funds to current assets, the **financial position** developed in the **third quarter** as follows: the free cash flow in the third quarter amounted to € -10.5 million (previous year: € 11.4 million). The **cash flow** from operating activities amounted to € 1.1 million (previous year: € 21.8 million). In the third quarter, in particular the annual profit (€ 23.8 million), depreciation (€ 7.8 million), changes in inventories (€ 4.2 million) and provisions (€ 21.7 million) had a positive impact on cash flow. The cash flow was reduced significantly by the change in trade receivables (€ -33.0 million) and in other equity and liabilities (€ -28.8 million). The cash flow from investment activity amounted to € -11.6 million (previous year's period: € -12.5 million). The cash flow from financing activities in the third quarter was € 5.6 million (previous year's period: € -1.5 million).

	2008 3rd QUARTER € M	2007 3rd QUARTER € M	2008 1st - 3rd QUARTER € M	2007 1st - 3rd QUARTER € M
Cash Flow				
Cash Flow from operating activities	1.1	21.8	-81.0	5.1
Cash Flow from investment activity	-11.6	-12.5	-27.4	-31.3
Cash Flow from financing activity	5.6	-1.5	60.3	29.2
Changes in cash and cash equivalents	-5.2	7.0	-48.9	2.3
Liquid funds at the start of reporting period	51.9	37.5	95.6	42.2
Liquid funds at the end of reporting period	46.7	44.5	46.7	44.5

As at **30 September** the free cash flow still amounted to € -108.4 million accounting-related (previous year: € -24.1 million). Cash flow from operating activities was € -81.0 million (previous year: € 5.1 million). Based on an annual profit of € 57.6 million, depreciation of € 22.4 million, an increase in provisions (€ 30.3 million), trade payables (€ 32.0 million) and prepayments received (€ 14.7 million) all made a positive contribution to cash flow. Opposing effects resulted from an increase in inventories (€ -150.4 million) and trade receivables (€ -51.0 million). The cash flow from investment activity amounted to € -27.4 million (previous year: € -31.3 million). The cash flow from financing activity was € 60.3 million (previous year: € 29.2 million). The change resulted from an increase in financial liabilities (€ 75.5 million) and from the distribution of the dividend in May 2008 (€ -15.2 million). In the fourth quarter settlements from the "SunCarrier" business to the value of € 97.0 million should take place as scheduled.

As at 30 September we had sufficient **liquidity** and scope available for **financing**. Liquid funds amounted to € 46.7 million in comparison with year-end 2007 (€ 95.6 million). The unused funding lines were € 271.5 million (31 Dec. 2007: € 121.6 million).

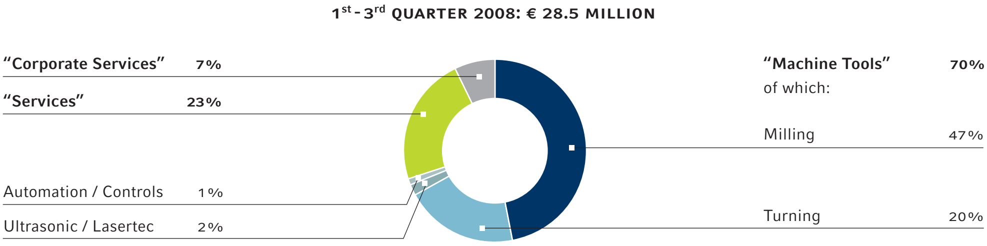
The high yield bond with a coupon of 9.75% per year was prematurely terminated as planned as of the first possible date of 19 July 2008 and was replaced by a borrower's note loan of € 200 million in line with the market. The loan comprises two tranches: one of € 140 million with a term of five years and one of € 60.0 million with a seven-year term. The interest advantage from these facilities amounts to € 5 million annually. Through this we have created a basis for sound long-term funding.

For the **fourth quarter 2008** we expect a clear improvement in our cash flow and, as of year-end, a free cash flow of about € 50 million. The rise in the fourth quarter resulted in particular from the settlement of the "SunCarrier" orders, the increase in the annual profit, a reduction in trade receivables, as well as from reducing inventories through the annual sell-off of demonstration machines.

Investments

In the first nine months investments amounted to € 28.5 million (previous year: € 35.3 million); this corresponds to 53% of investments planned for the current financial year (€ 53.5 million). Of this amount € 23.3 million were allocated to property, plant and equipment (previous year: € 26.3 million) and € 5.2 million to intangible assets (previous year: € 9.0 million). In the third quarter we completed the extensions at the Pfronten site for the special designs, quality assurance, production planning and controls. By redesigning our sales and service centres in Korea and Singapore, we have invested in the further expansion of our business activities in Asia. Significant emphasis was placed on the development of new machine types, which will further extend our technological lead strengthen.

CONTRIBUTION OF EACH SEGMENT / DIVISION TO INVESTMENT



Segments

"Machine Tools"

The "Machine Tools" segment includes the group's new machines business. It comprises the business areas of turning and milling technologies, the ultrasonic and laser technologies, as well as DMG AUTOMATION and DMG Electronics.

KEY FIGURES "MACHINE TOOLS" SEGMENT	2008 1st - 3rd QUARTER € M	2007 1st - 3rd QUARTER € M	CHANGES 2008 AGAINST 2007 € M	%
Sales Revenues				
Total	830.6	732.9	97.7	13
Domestic	402.1	325.6	76.5	23
International	428.5	407.3	21.2	5
% International	52	56		
Order Intake				
Total	1,004.2	963.8	40.4	4
Domestic	519.1	410.4	108.7	26
International	485.1	553.4	-68.3	-12
% International	48	57		
Order Backlog*				
Total	773.7	621.4	152.3	25
Domestic	299.1	203.9	95.2	47
International	474.6	417.5	57.1	14
% International	61	67		
Investments	20.0	25.7	-5.7	-22
Employees	3,540	3,357	183	5
plus Trainees	251	222	29	13
Total Employees*	3,791	3,579	212	6
EBIT	54.9	38.2	16.7	44

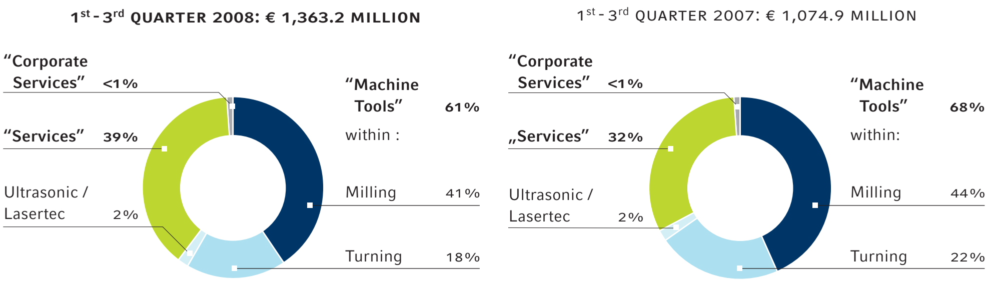
* Reporting date 30 September

Sales revenues in the reporting period amounted to € 830.6 million and were thus € 97.7 million or 13% above the previous year's level (€ 732.9 million). The "Machine Tools" segment contributed 61% of the group sales revenues (previous year: 68%). The milling technology of DECKEL MAHO contributed 41% (previous year: 44%). The turning technology of GILDEMEISTER contributed 18% (previous year: 22%). New technologies accounted for 2% (same period in the previous year: 2%).

Economic Development
Business Development
Opportunities and Risk Report
Forecast
Interim Consolidated Financial Statements
Financial Calendar

In relation to the total sales revenues of the group, the “Machine Tools”, “Services” and “Corporate Services” contributed as follows:

DISTRIBUTION OF SALES REVENUES BY SEGMENTS / DIVISIONS WITHIN THE GILDEMEISTER GROUP



Order intake in the “Machine Tools” segment grew by € 40.4 million or 4% to € 1,004.2 million (previous year: € 963.8 million). “Machine Tools” thus accounted for 63% of all orders received in the group. Our technology and standard machines have contributed to the increase in order intake as well as, for the first time, the ECO product range. The **order backlog** on 30 September amounted to € 773.7 million (corresponding date of the previous year: € 621.4 million). Earnings in the “Machine Tools” segment increased due to a higher sales volume and improved profit margins. In the first nine months GILDEMEISTER achieved **EBIT** of € 54.9 million (previous year: € 38.2 million). The “Machine Tools” segment had 3,791 **employees** as at 30 September (31 Dec. 2007: 3,609). In particular, employee numbers were specifically increased at the sites in Shanghai, Bielefeld and Pleszew due to the higher sales performance. Further increases in staff numbers also occurred at the newly-founded DMG Electronics.

“Services”

The “Services” segment mainly includes the business activities of DMG Vertriebs und Service GmbH and its subsidiaries, as well as those of a+f GmbH with the two divisions “SunCarrier” and “components”. This company serves the growing market for solar technology with the “SunCarrier”. Its target group includes investors and industrial clients who are especially interested in the profit-oriented production of solar electricity. The business model is aligned on the complete installation of turnkey products and after-sales service. In the area of “Components”, a+f GmbH concentrates on the procurement of components for wind energy. **DMG Service Solutions** offers worldwide customised service solutions and service products over the entire lifespan of the DMG machine tools. The service solutions comprise various services, which, through our highly-qualified service staff and our worldwide sales and service network, ensure direct customer contact and rapid availability. **DMG service products** – such as DMG Powertools, adjustment devices and tool management from DMG MICROSET, DMG Spare Parts as well as components and systems from SACO – provide users with an opportunity to increase the productivity of their DMG machine tools significantly. Up-to-date service news can be obtained at **www.gildemeister.com**; detailed information on the “SunCarrier” can be found at **www.suncarrier.com**.

Profitable solar radiation: In October GILDEMEISTER has finished a solar park with 90 “SunCarriers” in Spain (Pozohondo).

KEY FIGURES "SERVICES" SEGMENT	2008 1st - 3rd QUARTER € M	2007 1st - 3rd QUARTER € M	CHANGES 2008 AGAINST 2007 € M	%
Sales Revenues				
Total	532.4	341.8	190.6	56
Domestic	199.3	167.7	31.6	19
International	333.1	174.1	159.0	91
% International	63	51		
Order Intake				
Total	588.4	439.7	148.7	34
Domestic	199.1	217.5	-18.4	-8
International	389.3	222.2	167.1	75
% International	66	51		
Order Backlog*				
Total	205.3	154.1	51.2	33
Domestic	90.8	86.7	4.1	5
International	114.5	67.4	47.1	70
% International	56	44		
Investments	6.6	6.6	0.0	0
Employees *	2,535	2,226	309	14
EBIT	88.4	50.0	38.4	77

* Reporting date 30 September

Intelligent energy production: GILDEMEISTER benefits from the fast-growing business area of solar technology with the "SunCarrier".

The positive development in the "Services" segment is the essential element of success for the excellent business development at GILDEMEISTER. Demand for skilled services continued unchanged at a high level. **Sales revenues** in the third quarter reached € 230.9 million (previous year: € 117.4 million) of which the "SunCarrier" contributed € 100.8 million (previous year: € 4.2 million). Sales revenues in the first nine months achieved € 532.4 million and were thus 56% above the previous year's level (€ 341.8 million). The "SunCarrier" division of a+f made a particular contribution to this increase with € 140.9 million (previous year: € 4.6 million). "Services" contributed 39% to group sales revenues. **Order intake** developed satisfactorily in the first nine months with a total of € 588.4 million (previous year: € 439.7 million). A significant contribution was made by the "SunCarrier" division of € 144.6 million (previous year: € 69.9 million). The **order backlog** as at 30 September amounted to € 205.3 million, of which € 77.8 million (previous year: € 65.3 million) were attributable to the "SunCarrier". Due to the one-off settlement of major "SunCarrier" orders in the reporting period, **EBIT** amounted to € 88.4 million (previous year: € 50.0 million). The number of **employees** increased to 2,535 (31 Dec. 2007: 2,307). Staff numbers were specifically increased in the newly-founded companies, DMG Spare Parts GmbH and a+f GmbH. Moreover, our regional sales and service capacity in Asia and Europe – in particular eastern Europe – was further enlarged, with the aim of better meeting the needs of our customers.

"Corporate Services"

KEY FIGURES "CORPORATE SERVICES" SEGMENT	2008 1st - 3rd QUARTER € M	2007 1st - 3rd QUARTER € M	CHANGES 2008 AGAINST 2007 € M
Sales Revenues	0.2	0.2	0.0
Order Intake	0.2	0.2	0.0
Investments	1.9	3.0	-1.1
Employees *	97	83	14
EBIT	-27.5	-16.9	-10.6

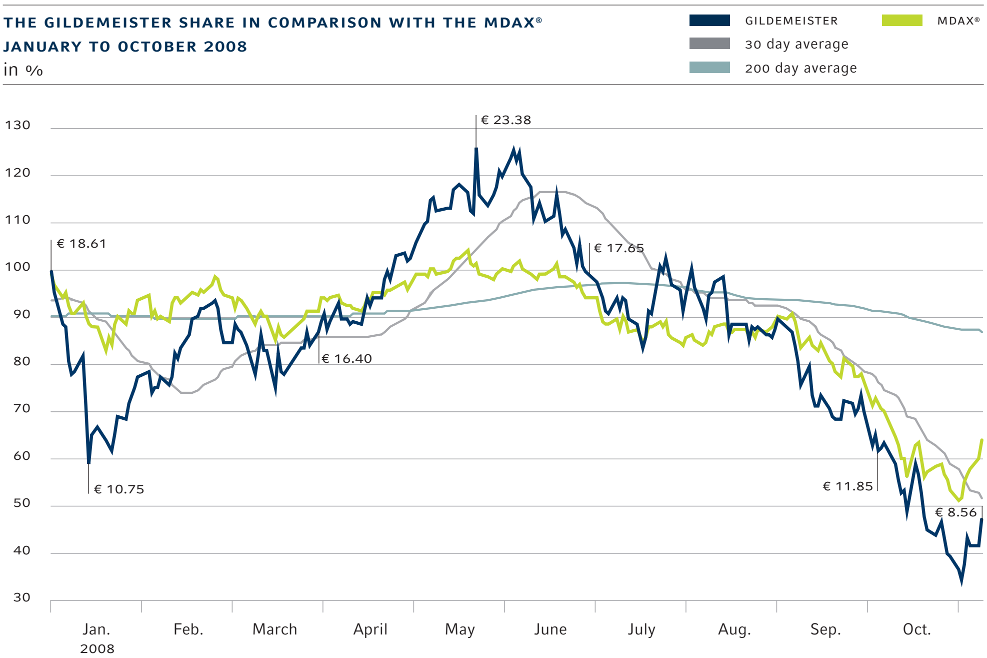
* Reporting date 30 September

The "Corporate Services" segment essentially comprises beside GILDEMEISTER Aktiengesellschaft with its group-wide holding functions also GILDEMEISTER Beteiligungen AG. EBIT amounted to € -27.5 million (previous year: € -16.9 million). The higher expense was caused by an increase in the demands made of the central functions. This includes, among others, rising advisory and personnel costs as well as the development of our risk and compliance management.

GILDEMEISTER Share

The international financial market crisis and growing economic risks had an impact on the capital markets in the third quarter. Against this background, the GILDEMEISTER share did not develop consistently. Following a share price of € 17.65 on 1 July, the share closed the reporting period at € 11.85 (30 Sep. 2008). The financial crisis triggered the negative share price development at the end of the third quarter on the stock indices and also that of the GILDEMEISTER share. This resulted in a loss of confidence in the global financial system, share price collapses and panic sales on the international stock exchanges. In view of these difficult conditions, the GILDEMEISTER share is most recently quoted at € 8.56 (05 Nov. 2008).

THE GILDEMEISTER SHARE IN COMPARISON WITH THE MDAX®
JANUARY TO OCTOBER 2008
in %



* 01 January 2008 = 100 stock performances indexed, XETRA stock prices
Source: Deutsche Börse Group

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The GILDEMEISTER shares are held in wide free float. Based on the total number of shares of 43.3 million, this represents a turnover of 2.5 times in the first nine months (previous year's period: 1.5 times). The trading volume rose by 65% to an average of 564,000 shares per trading day (previous year: 341,000 shares). Several banks have analysed the current and future business development of GILDEMEISTER and have issued the following ratings: "Buy" (Berenberg Bank, 31 Oct. 2008), "Buy" (Dresdner Kleinwort, 31 Oct. 2008), "Strong Buy" (BHF-Bank, 30 Oct. 2008), "Hold" (Commerzbank, 25 Oct. 2008), "Buy" (LBBW, 24 Oct. 2008), "Buy" (UniCredit, 16 Oct. 2008), "Buy" (equinet, 17 Sep. 2008), "Buy" (DZ Bank, 1 Aug. 2008), "Add" (WestLB, 31 Jul. 2008).

Earnings per share rose to € 1.33 (previous year: € 0.63). Further information on earnings per share is included in the Notes to the Financial Statements on page 30.

Investor and Public Relations

In our investor relations work we have further extended our continuous and open exchange of information with all participants in the capital market. The listing on the MDAX and increased compliance requirements have led to greater information requirements and intensified support for international investors. The Executive Board has provided details of the company's strategy and development to institutional investors in numerous one-on-one interviews at road shows and financial market conferences in Germany and Europe.

Financial Report 2007:
Once again singled out for transparent reporting.

Our public relations activities are a further important factor in our communications concept. They maintain and strengthen GILDEMEISTER's good public image. We achieve this by always being competent, fast, open and reliable in providing information on the group's current position and its companies.

The GILDEMEISTER financial report 2007 is the MDAX winner of this year's manager magazin competition and has once again been awarded a top position. The high standard of transparency, language quality and innovative design impressed the experts and jurors once again.

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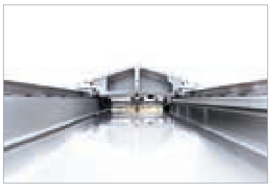
NEF 400:
Excellent turning performance at an unbeatable price.



Innovative Mechatronics:
Highest precision and productivity through linear technology.

Research and Development

Expenditure on research and development amounted to € 40.4 million in the first nine months and was thus above the previous year's level (€ 35.3 million). There are currently 460 employees working on the development of new products, this corresponds to 13% of the workforce at the plants.

Up to now GILDEMEISTER presented 14 of the 17 new launches that have been announced at 51 trade fairs and in-house exhibitions. At the AMB in Stuttgart and the IMTS in Chicago, GILDEMEISTER displayed 49 exhibits, of which nine were world premieres. The highlights that were presented included:

_ In the **field of turning**, the fifth generation of the NEF 400 and the CTV 250. The NEF 400 impressed visitors with its unique cost-effectiveness and flexibility. High-tech components facilitate efficient and precise turning of the highest standard – even at an entry level. With the CTV 250 we are extending our product range for vertical machining. The machine offers ideal conditions for highly-productive machining in series production and, at the same time, permits flexible use in single-item production.

_ In the **field of milling** the DMF 260 *linear* and the DMU 210 P. With linear drive in the X-axis, the DMF 260 *linear* offers the highest levels of power and precision for sophisticated production. The thermo-symmetrical travelling column offers precise 5-axis machining with large travels. The recently developed DMU 210 P offers optimum performance in machining large pieces and is aimed at the mechanical engineering and vehicle construction sectors and the aerospace industry.

_ In the **field of automated solutions** the pallet handling system PH 150-8 from DMG AUTOMATION. The system, which has been precisely aligned to our milling machines, enables exact positioning and alignment of the pallets on the machine table thanks to freely programmable X and Z axes with pneumatic gripper. Eight pallet storage areas permit the automatic loading and unloading of workpieces weighing up to 150 kg and further increase efficiency in the machining process.

AMB Trade Fair Highlight

One of the highlights of the AMB in Stuttgart was the world premiere of the pallet handling system PH 150-8. This integration solution from DMG AUTOMATION enables the efficient insertion of workpieces in the milling machine and, thanks to an integrated control panel, offers especially userfriendly ease of use.

Production, Technology and Logistics

In the area of **Production and Technology** we have continued our activities to increase efficiency and introduced new measures. DMG Electronics has been centralised at our Pfronten location; this facilitates and accelerates the necessary coordination processes in **software development** and leads to even faster placement of our software products on the market. Our customers are able to exploit additional **efficiency advantages**, for example through the "DMG Virtual Machine", which allows them to reduce installation and setting-up times by up to 80%.

The high demand for our **ECOLINE** range of models that were introduced at the beginning of 2008, is being met on the production side with an increase in efficiency at our production sites. Our production plant in Shanghai is focussing primarily on the production of our ECO machines. Productivity at the plant has increased considerably following the introduction of an **assembly line**. In Europe FAMOT Pleszew S.A. has taken over a large part of the ECO production. This organisation ensures high flexibility and enables capacity adjustments at short notice depending on geographical and economic developments.

DMG ECOLINE:
GILDEMEISTER presented technologies for growth markets at the IMTS in Chicago.

At the Bielefeld location we have created a basis for the production of the new CTV series by **modernising the production areas**. The layout of the plant has been optimised to provide the prerequirements for optimum material flow, which then enables more efficient production.

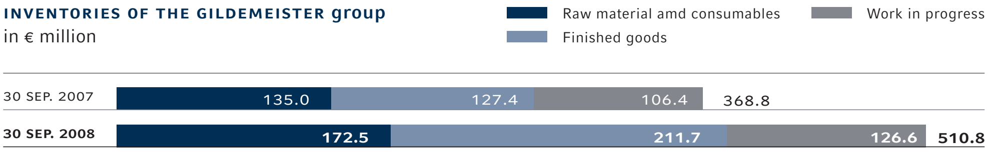
At our locations in Bielefeld and Tortona (Italy) we have successfully commenced production of the fifth generation of our CTX universal lathes. The new CTX **alpha/beta/gamma series** have an intelligent modular design, which allows us to cover the entire range from single spindle machines to universal turning milling centres. At the same time, the modular concept permits workpiece dimensions of up to 2,000 mm in length and machining diameters of up to 700 mm. Through consistently pursuing our activities in the field of **standardisation and modular design**, we have been able to increase the use of standard parts significantly compared to the earlier CTX generation. This has allowed us to simplify procurement and assembly processes considerably. The resulting decrease in internal complexity contributes to improved efficiency in production, optimum logistics and a further improvement in product quality.

In addition to the positive effects incurred through the use of standard parts, the implementation of operations in front-office quality management and the intense involvement of our suppliers make a decisive contribution to continuous improvement in **product quality**. These activities are supported by continuous monitoring of commissioning information as well as the digital collection and feedback of all worldwide service activities.

We have pressed ahead systematically with the standardisation and simplification of production and logistics processes within our **PULLplus** value added chain. The know-how of our highly-qualified employees will be put to even better use through the introduction of a new ideas management system. In the first nine months the number of suggestions submitted for improvements rose to 19,174 (previous year: 17,201). The net benefit amounted to € 3.6 million (previous year: € 2.5 million).

At € 510.8 million, **inventories** were higher than the previous year (€ 368.8 million); they rose due to necessary material planning and preliminary work for the planned increase in sales revenues in the fourth quarter. Preliminary work for the “SunCarrier” orders also contributed to the increase. Work in progress rose by € 48.3 million to € 61.0 million.

INVENTORIES OF THE GILDEMEISTER group
in € million



Employees

As of 30 September 2008 GILDEMEISTER had 6,423 employees, of whom 251 were trainees (31 Dec. 2007: 5,998). In comparison with year-end 2007, the number of employees has risen by 425. At the start of the new training year GILDEMEISTER took on 66 trainees in the third quarter. In the “Services” segment staff numbers were increased at the newly-founded DMG Spare Parts GmbH. Moreover, our sales and service capacity in Asia and Europe – in particular eastern Europe – was further enlarged. In the “Machine Tools”, new employees were taken on, in particular, at our production locations in Shanghai, Bielefeld and Pleszew, as well as at DMG Electronics.

At the end of the third quarter, 3,820 employees (59%) worked for the national companies and 2,603 employees (41%) for the international companies. Personnel costs amounted to € 297.4 million (previous year’s period: € 267.2 million). The personnel ratio decreased to 20.0% (previous year’s period: 23.9%).

Opportunities and Risk Report

Opportunities and Risk Management System: The worldwide business activities of GILDEMEISTER demand the continuous balancing of opportunities and risks. The risk management system at GILDEMEISTER is structured in such a way that significant risks are identified every quarter and are analysed and evaluated using quantitative indices. Special attention is paid to monitoring risks which could endanger individual companies or the group as a whole as going concerns. The Executive Board and the Supervisory Board are updated regularly on the risk position of the group and its companies.

Opportunities to further extend the technological leadership arise for GILDEMEISTER by the fast innovation cycles of our products. On the occasion of the AMB and IMTS 2008, we presented 49 exhibits, of which 9 were world premieres displayed for the first time in the award-winning new machine design. Further opportunity potential is offered by our marketing information system (MIS), which collects data on all sales activities worldwide and analyses the market and competitor data, as well as by the successful entry of our group company, a+f GmbH, in the trendsetting business area of renewable energy (SunCarrier). The ECO series allows us to take advantage of market opportunities in the eastern European, Asian and South American regions. Furthermore, since mid-2007 we have been offering integration solutions with robots for automating machine tools.

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Strategic corporate opportunities present themselves through consistently following our forward-looking investment strategy, which extends our innovations and technological lead. This gives rise to opportunities to further strengthen our position in numerous markets. Extending the spare parts business for the entire GILDEMEISTER group to DMG Spare Parts makes it possible to optimise spare parts logistics substantially in the future and, ultimately, to reduce delivery times and stocks worldwide.

General economic risks: The foreseeable dampening of economic activity on all world markets, and the possible shortage of funds for investment projects on the part of our customers as a result of the financial and banking crisis, represent sales risks for GILDEMEISTER. There are no identifiable risks arising out of the overall economic development that may endanger GILDEMEISTER as a going concern. The actual crisis as an exogenous factor will significantly influence the courses of business at GILDEMEISTER in the financial year 2009.

Sector risks: We counteract risks arising out of economic developments by a technological lead and focusing amount customers and markets. We put this to the proof at numerous national and international trade fairs every year with an attractive range of products. We are counteracting the sustained high competitive pressure from Asia by strengthening local production. At the current time we do not expect any significant detriment to our results of operations, net worth and financial position for the financial year 2008.

Risks from operative 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. The allocation of deferred tax assets to losses carried forward may be adversely impacted by changes in national rates of tax in the corresponding countries.

Risks arising from financing and evaluation: Limiting risks arising out of financing and valuation is one of the core operational tasks of GILDEMEISTER Aktiengesellschaft. Currency-related risks arise out of our international activities, which we safeguard within the scope of our currency strategy. At the same time a currency policy stipulates the permissible hedging instruments. According to our evaluations, currency-related risks are low. Our outside financing is secured long-term through the issue of borrowers' notes with a term of five and seven years each, thus until 2013 and 2015, respectively. There is no risk of interest rate changes from this financing as a fixed interest rate has been agreed by means of a hedging instrument (SWAP). In addition, we have a syndicated loan facility with a total volume of € 175.0 million, which will mature in June 2011. There is a bank risk with the syndicated loan on the part of the financing that is not used. A counterparty risk exists with respect to the banks, who are partners to the agreement, in the hedging activities in the interest rate and currency area. We have carefully selected our main banking relations The risks from the financial area are controllable. In theory they amount to about € 14 million. The probability of occurrence of these risks is low. No direct losses caused by the financial crisis occured at GILDEMEISTER.

Corporate strategy risks lie mainly in false estimations of future market developments and in possible misjudgements in technological developments. We counteract these risks through intensive monitoring of the market and competition, regular product development discussions and an extensive presence at trade fairs. Through our MIS early warning system we monitor, among others, global requirements behaviour and proposal management.

IT risks exist due to the increasing networking of our systems, parts of which are extremely complex. We are counteracting these information technology risks by regular investments in hard- and software. Risks from this area amount to about € 1 million and are controllable. We consider the probability of occurrence to be slight.

Personnel risks arise mainly out of the fluctuation of employees in key positions. GILDEMEISTER limits these risks through intensive further training and training programmes for junior staff, as well as performance-related pay, resource management and timely succession planning. In our view the probability of occurrence of an estimated damage of about € 7 million is low due to the measures described above.

Legal risks may arise from the operative business, in particular warranty claims on the basis of customer complaints. By limiting our warranty and third party liability obligations in our general terms and conditions, we consider these risks to be manageable. Possible financing shortages for investment activities of our customers may lead to order cancellations. GILDEMEISTER has an up-to-date contract management system and provides regular training for its employees in the area of effective contractual terms and the minimisation of risks.

Procurement and purchase risks may arise through supplier shortfalls, quality problems and price increases. We regard the main risks to lie in price increases in the raw materials sector. We have calculated the risk at about € 13 million with a low probability of occurrence.

Production risks are subject to continuous control by GILDEMEISTER through key figures on assembly and manufacturing progress, process time and continuity. We have calculated these risks at about € 17 million with a low probability of occurrence. Budget overruns, abortive developments and increased start-up costs of new products may lead to risks in the area of **Research and Development**. In principle, as we avoid incalculable projects, we consider these risks to be manageable and controllable. We counteract imitators with our innovations-focused product strategy.

Overall risk: Compared to the last report, the worldwide economy has become dramatically depressed within a very short period. Financial shortfalls and declines in sales revenues of our customers that may arise out of this represent a possible negative impact on sales for GILDEMEISTER. The risk position has changed unfavourably because of the worldwide financial crisis. A summation of the risks described above does not represent the total value of calculated risks. The overall risk for individual group companies as assessed by the risk management system, taking into account the rise in volume of sales, stood in the third quarter, as before, at about 7% of total equity. The fluctuating trend in the foreign exchange rate of the euro to the US dollar and yen does not currently permit a clear forecast of the future development of the exchange rates. Overall the risks can be controlled and from today's perspective the future of the GILDEMEISTER group as a going concern is not at risk.

SWOT Analysis

The main strengths, weaknesses, opportunities and risks of GILDEMEISTER are summarised and presented following the criteria of a SWOT analysis (strengths, weaknesses, opportunities, threats) as follows:

SWOT ANALYSIS OF THE GILDEMEISTER GROUP

	Strengths	Weaknesses
Company-specific	_ consistent market and customer orientation by highly integrative multi-channel-marketing , _ up-to-date product range due to constant innovation cycle of our products, _ customised range of services covering the entire life cycle of the machine, _ full range of products for turning and milling, _ high production flexibility, _ large and diverse customer base, _ modular products / standard parts concept, _ direct sales and service system worldwide to gain market shares, _ profitable service business (full-service supplier), _ long-term financing facilities, _ comprehensive analysis of customer, market and competition data through the marketing information system	_ high capacity costs caused by production structures, _ global presence requires complex cost structure, _ low margin products part of full-line range, _ high staffing levels due to worldwide presence, _ high start-up costs for new products
	Opportunities	**Threats**
Market-specific	_ meeting customer requirements for simple machines with high quality standards (ECO series), _ increasing legal stability in the growth markets in Asia and eastern Europe, _ global sourcing by opening up new procurement markets, _ leveraging market potential, _ new area of renewable energy, _ currency-related price opportunities, _ price differentiation on additional benefits for new developments, _ larger area of application with new controls and software for comprehensive processing support _ global presence for quick use of local market opportunities	_ **completely changed economic environment due to international financial and banking crisis,** _ instability of national economy in crisis regions, _ erroneous assessment of new products and markets, _ currency-related purchase risks, _ pricing pressure from competition, _ logistics problems, quality problems caused by global purchasing activities

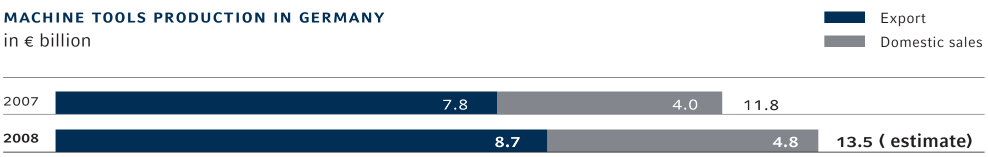
Forecast

The forecast for the **global economy** has worsened recently due to the worldwide financial crisis. The Kiel Institute for World Economy (IfW) expects worldwide growth in gross domestic product (GDP) of 3.7%. A forecast of 3.3% has been made for 2009. The IfW has thus adjusted its original estimates of 4.5% (2008) and 4.6% (2009), respectively, downwards. According to economic researchers, a noticeable slowdown in growth is also to be expected in **Asia**. This also affects China, although growth is expected to remain at a high level. The forecasts for China are 9.8% and 8.6%. Previous forecasts for comparison: 10.7% (2008) and 9.9% (2009). Growth in Japan will probably only reach 0.9% this year and 0.4% next year. Previously, estimates of the main economic research institutes were 1.1% (2008) and 1.7% (2009). A continuation of the economic slowdown is forecast for the **USA**. The IfW expects gross national product in 2008 to increase by 1.9% and by 1.2% in 2009. The previous IfW forecast was 1.8% (2008) and 2.2% (2009). Following 1.4% growth in **Europe** this year, zero growth may follow next year. According to former estimates, growth should amount to 1.9% (2008) and 2.1% (2009). In **Germany** the situation is presented as follows: The increase in GDP will amount to 1.8% this year. The expectation for next year is for very slight growth of 0.2%. Originally the forecast was for 1.8% (2008) and 1.5% (2009).

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

The **worldwide market for machine tools** will develop more weakly from now on in 2008 – triggered by the international financial crisis. The latest medium-term forecasts (as at October 2008) of the ifo Institute and the VDW continue to consider a growth in the global market of 10% to € 57.0 billion as probable for the whole of 2008. Asia and Europe continue to be the regions with the largest growth. In an initial estimate for **2009**, the VDW considers an increase in production purchase of 2% to be realistic.

MACHINE TOOLS PRODUCTION IN GERMANY
in € billion



Source: VDW (German Machine Tool Builders' Association)

The **German machine tool industry** also recovered a decline in intake since the beginning of the financial crisis. A clear decrease in order intake is expected for the fourth quarter 2008. The VDW and the ifo Institute expect an increase in machine tool production in Germany of 14% for the whole year based on the high order backlogs. In an initial estimate for **2009**, the association considers a decrease in consumption of 2% to be realistic. German machine tool production is expected to decrease by 3% next year.

At the current moment in time it is not possible to analyse in any detail to what extent the international crisis will affect business development at **GILDEMEISTER** in the fourth quarter. With our global presence and innovative products, we are prepared for the change in the global machine tool market.

Despite the complete change in the worldwide economic environment, for the **financial year 2008** GILDEMEISTER continues to expect record figures, which, however, have become more ambitious and fraught with risk. Order intake will remain above previous year's level. Sales revenues should now rise to more than € 1.85 billion. The operating results continued to develop positively in the financial year 2008: for EBT and the annual profit we are expecting an increase of more than 50% compared to the preceding year. We will consider the amount of the dividend for the financial year 2008 taking into account the change in the market environment. This may still allow the current financial year to be the best so far in the company's 138-year history – despite the serious financial crisis. The yet high **order backlog** means that our production companies have sufficient basic capacity utilisation for the financial year 2008.

We are not yet able to issue any valid forecasts for the **financial year 2009** due to current events. We expect demand to develop much more restrained and will position the company accordingly.

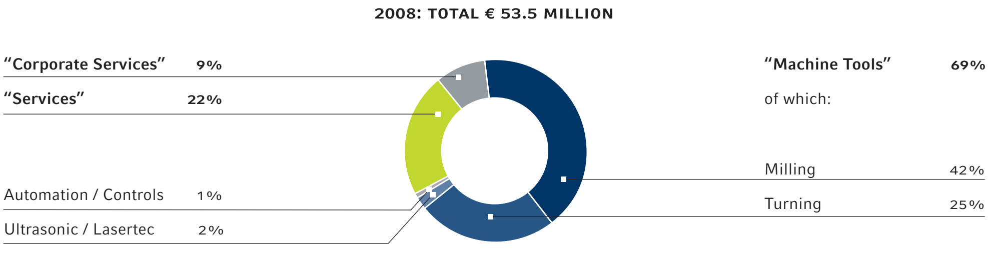
Following the refinancing of the high yield bond, the **financing structure** ensures a financial framework for future company development at overall considerably improved financing terms. In order to have access to the necessary **liquidity** at any time, the financial volume has been increased and a new borrowers' note loan for a total volume of € 200 million has been issued. GILDEMEISTER has not deviated from adherence to the following ratios

_ a ratio of net financial debt to EBITDA of less than 300%,

_ a ratio of net debt to equity (gearing) of less than 100%.

For the fourth quarter, 47% or € 25.0 million remain of **investments** planned for 2008 (€ 53.5 million). The structure of investments in the final quarter remains adjusted to requirements. The main emphasis is placed on procuring tools, models and fixtures. Investment projects that have already commenced will be concluded. In 2009 we will pursue an investment strategy adjusted to suit the economic development.

CONTRIBUTION OF EACH SEGMENT / DIVISION TO THE PLANNED INVESTMENTS IN THE FINANCIAL YEAR 2008



Activities in the area of **research and development** are aimed at our innovative products and focus strictly on the requirements and needs of our customers. In the fourth quarter we plan to invest € 16.7 million (29%) of our development budget for 2008, which at € 57.1 million is at the level of our original forecast. The main emphases lie in preparations for series production as well as consistently pursuing our standardisation and modular design activities. In addition, we intend to increase the energy efficiency of our machines further and to make a contribution to the sensible use of scarce resources.

In **procurement** we aim to integrate additional partners in our ***co*****Supply®**-System in order to simplify communication further and thus to optimise the logistics integration of our suppliers. In this way we are working together with our supply partners on continually improving the procurement process. We plan to be able to compensate in part for the considerable price increases, in particular in cast iron, sheet metal and energy, through intensive cost management. For the whole of 2008 we are expecting cost increases of about 1% to 2%; for this reason we will not exceed the value forecast at the beginning of the year.

In **production and technology** we are systematically pressing ahead with optimising production. In addition to the continued expansion and modernisation of our assembly areas at the locations in Bielefeld, Tortona and Pfronten, we are planning a sustainable increase in production efficiency through the redesign of the assembly line for the fifth generation of the CTX turning machines in Bielefeld and Shanghai.

The main focus in **products** will be on the systematic continuation of standardisation activities. We intend to drive the success of the new machine design by consequent implementation. An additional focus lies on the development of our automation solutions. The systems, which have been perfectly aligned with our machines, offer our customers maximum efficiency in the machining process.

In **inventories** we continue to focus on expanding the partnership approach to our cooperation with suppliers. By means of measures introduced to reduce the amount of funds tied up in inventories, we want to achieve a sustainable increase in the rate of inventory turnover.

Significant changes to the future **corporate legal structure** are not planned at the current time. The number of **employees** in the fourth quarter will remain constant and thus at the end of the financial year will be at the level of our original forecast.

General statement on future business development: We are faced with a year of major challenges. GILDEMEISTER is prepared to hold its position successfully even under difficult market conditions. A high degree of flexibility allows us to respond appropriately to a changed market environment. We are counteracting the growing pressure on profitability with a comprehensive programme of measures for the financial year 2009. We have already started implementing this in order to achieve cost-savings and to increase our cost-effectiveness. We are expecting a decline for the "Machine Tools" segment, whereas the "Services" segment will prove to be stable and for the division of regenerative energies even an expansion of business could take place. A more far-reaching statement on the coming financial year is not possible at the present time due to current events. It cannot yet be foreseen how the global market for machine tools will develop.

Consolidated Income Statement

3rd Quarter	2008 1 July - 30 September € M	%	2007 1 July - 30 September € M	%	Changes 2008 against 2007 € M	%
Sales Revenues	511.7	101.3	365.7	94.9	146.0	39.9
Changes in stocks of finished goods and work in progress	-8.3	-1.6	17.9	4.6	-26.2	146.4
Capitalised payments	1.6	0.3	2.1	0.5	-0.5	23.8
Total Work Done	505.0	100.0	385.7	100.0	119.3	30.9
Cost of materials	-274.5	-54.4	-202.8	-52.6	-71.7	35.4
Gross Profit	230.5	45.6	182.9	47.4	47.6	26.0
Personnel expenditure	-101.2	-20.0	-89.4	-23.2	-11.8	13.2
Other expenses and income	-76.7	-15.2	-60.0	-15.6	-16.7	27.8
Depreciation	-7.8	-1.5	-8.1	-2.1	0.3	3.7
Financial Result	-7.5	-1.5	-7.3	-1.9	-0.2	2.7
EBT	37.3	7.4	18.1	4.6	19.2	
Income Taxes	-13.5	-2.7	-7.6	-2.0	-5.9	
Annual Profit	23.8	4.7	10.5	2.6	13.3	

Earnings per share acc. IAS 33 (in euro)	**0.55**		0.24			

1st - 3rd Quarter	2008 1 January - 30 September € M	%	2007 1 January - 30 September € M	%	Changes 2008 against 2007 € M	%
Sales Revenues	1,363.2	91.8	1,074.9	95.9	288.3	26.8
Changes in stocks of finished goods and work in progress	117.2	7.9	39.8	3.6	77.4	194.5
Capitalised payments	4.6	0.3	5.4	0.5	-0.8	14.8
Total Work Done	1,485.0	100.0	1,120.1	100.0	364.9	32.6
Cost of materials	-837.0	-56.4	-587.9	-52.5	-249.1	42.4
Gross Profit	648.0	43.6	532.2	47.5	115.8	21.8
Personnel expenditure	-297.4	-20.0	-267.2	-23.9	-30.2	11.3
Other expenses and income	-213.4	-14.3	-171.1	-15.3	-42.3	24.7
Depreciation	-22.4	-1.5	-22.8	-2.0	0.4	1.8
Financial Result	-23.2	-1.6	-22.6	-2.0	-0.6	2.7
EBT	91.6	6.2	48.5	4.3	43.1	
Income Taxes	-34.0	-2.3	-21.3	-1.9	-12.7	
Annual Profit	57.6	3.9	27.2	2.4	30.4	

Earnings per share acc. IAS 33 (in euro)	**1.33**		0.63			

Consolidated Balance Sheet

ASSETS	30 SEP. 2008 € M	31 DEC. 2007 € M	30 SEP. 2007 € M
Long-term assets			
Goodwill	75.7	75.8	73.0
Other intangible assets	22.8	24.3	25.1
Tangible assets	192.3	184.8	178.5
Financial assets	0.4	0.4	0.5
Trade debtors	7.8	0.3	0.2
Other long-term financial assets	5.3	14.6	20.5
Other long-term assets	1.1	0.9	1.0
Deferred taxes	31.4	27.3	35.4
	336.8	**328.4**	**334.2**
Short-term assets			
Inventories	510.8	361.0	368.8
Trade debtors	335.1	292.2	274.7
Other short-term financial assets	38.9	57.9	33.5
Other short-term assets	36.5	15.0	22.5
Cash and cash equivalents	46.7	95.6	44.5
	968.0	**821.7**	**744.0**
	1,304.8	**1,150.1**	**1,078.2**

EQUITY AND LIABILITIES	30 SEP. 2008 € M	31 DEC. 2007 € M	30 SEP. 2007 € M
Equity			
Subscribed capital	112.6	112.6	112.6
Capital provisions	68.3	68.3	68.3
Revenue provisions	190.0	149.0	126.0
Total equity of shareholders of GILDEMEISTER Aktiengesellschaft	**370.9**	**329.9**	**306.9**
Minority interests' share of equity	-0.3	-0.4	-0.4
Total Equity	**370.6**	**329.5**	**306.5**
Long-term liabilities			
Long-term financial liabilities	29.7	42.3	249.3
Pension provisions	27.5	27.8	27.8
Other long-term provisions	34.8	31.3	26.0
Trade creditors	0.5	0.9	0.9
Other long-term financial liabilities	2.9	6.5	0.4
Other long-term liabilities	4.4	3.4	0.2
Deferred taxes	2.4	3.0	6.2
	102.2	**115.2**	**310.8**
Short-term liabilities			
Short-term financial liabilities	300.4	218.1	50.8
Tax provisions	24.8	23.0	25.7
Other short-term provisions	157.2	131.9	124.1
Payments received on account	126.8	112.1	102.2
Trade creditors	175.4	142.4	118.5
Other short-term financial liabilities	21.8	42.8	18.2
Other short-term liabilities	25.6	35.1	21.4
	832.0	**705.4**	**460.9**
	1,304.8	**1,150.1**	**1,078.2**

Consolidated Cash Flow Statement

	2008 1 July - 30 Sep. € M	2007 1 July - 30 Sep. € M	2008 1 Jan. - 30 Sep. € M	2007 1 Jan. - 30 Sep. € M
CASH FLOW FROM OPERATING ACTIVITIES				
Earnings before tax (EBT)	37.3	18.1	91.6	48.5
Income taxes	-13.5	-7.6	-34.0	-21.3
Depreciation of assets	7.8	8.1	22.4	22.8
Change in deferred taxes	-2.7	-2.2	-4.7	-7.4
Change in long-term provisions	6.5	0.8	3.2	1.7
Other expense, income not affecting payments	0.3	0.3	1.9	1.3
Change in short term provisions	15.2	13.3	27.1	35.1
Changes in inventories, trade receivables and other assets	-21.7	-12.2	-202.1	-103.0
Changes in trade payables and other liabilities	-28.1	3.2	13.6	27.4
	1.1	21.8	-81.0	5.1
CASH FLOW FROM INVESTMENT ACTIVITY				
Amounts paid out for investments in intangible and tangible assets	-11.6	-10.4	-28.5	-31.2
Amounts paid out for investment in financial assets	0.0	-2.1	0.0	-2.1
Amounts received from the disposal of fixed assets	0.0	0.0	1.1	2.0
	-11.6	-12.5	-27.4	-31.3
CASH FLOW FROM FINANCING ACTIVITY				
Amount received from the issue of a borrowers' note	200.0	0.0	200.0	0.0
Amount paid out for the costs of a borrowers' note	-1.5	0.0	-1.5	0.0
Amount paid out for the redemption of the bond	-183.5	0.0	-183.5	0.0
Amount paid / received from the repayment / issue of (financing) loans	-9.4	-1.5	60.5	37.9
Paid Dividends	0.0	0.0	-15.2	-8.7
	5.6	-1.5	60.3	29.2
Changes affecting payments	-4.9	7.8	-48.1	3.0
Consolidation and exchange rate related changes not affecting payments	-0.3	-0.8	-0.8	-0.7
Cash and cash equivalents at the start of the reporting period	51.9	37.5	95.6	42.2
Cash and cash equivalents at the end of the reporting period	**46.7**	**44.5**	**46.7**	**44.5**

Statement of Changes in Group Equity

	SUBSCRIBED CAPITAL € M	CAPITAL PROVISIONS € M	REVENUE PROVISIONS € M	SHAREHOLDERS EQUITY OF GILDEMEISTER AKTIEN-GESELLSCHAFT € M	MINORITY INTEREST SHARE OF EQUITY € M	GROUP EQUITY € M
As at 1 January 2008	112.6	68.3	149.0	329.9	-0.4	329.5
Annual Profit	0.0	0.0	57.6	57.6	0.0	57.6
Changes in currency / Changes in market value of derivatives	0.0	0.0	-1.4	-1.4	0.0	-1.4
Consolidation transactions / other changes	0.0	0.0	0.0	0.0	0.1	0.1
Dividend	0.0	0.0	-15.2	-15.2	0.0	-15.2
As at 30 September 2008	**112.6**	**68.3**	**190.0**	**370.9**	**-0.3**	**370.6**

	SUBSCRIBED CAPITAL € M	CAPITAL PROVISIONS € M	REVENUE PROVISIONS € M	SHAREHOLDERS EQUITY OF GILDEMEISTER AKTIEN-GESELLSCHAFT € M	MINORITY INTEREST SHARE OF EQUITY € M	GROUP EQUITY € M
As at 1 January 2008	112.6	68.3	108.1	289.0	-0.4	288.6
Annual Profit	0.0	0.0	27.2	27.2	0.0	27.2
Changes in currency / Changes in market value of derivatives	0.0	0.0	-0.6	-0.6	0.0	-0.6
Consolidation transactions / other changes	0.0	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	-8.7	-8.7	0.0	-8.7
As at 30 September 2007	**112.6**	**68.3**	**126.0**	**306.9**	**-0.4**	**306.5**

Consolidated Segmental Reporting

SEGMENTS BY BUSINESS

3rd QUARTER 2008	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales Revenues	280.7	230.9	0.1		511.7
EBIT	21.2	36.1	-11.0	-1.5	44.8
Investments	8.0	3.0	0.8		11.8
Employees	3,791	2,535	97		6,423

3rd QUARTER 2007	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales Revenues	248.3	117.4	0.0		365.7
EBIT	13.7	16.2	-5.0	0.5	25.4
Investments	10.4	3.0	1.1		14.5
Employees	3,579	2,226	83		5,888

1st - 3rd QUARTER 2008	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales Revenues	830.6	532.4	0.2		1,363.2
EBIT	54.9	88.4	-27.5	-1.0	114.8
Investments	20.0	6.6	1.9		28.5
Employees	3,791	2,535	97		6,423

1st - 3rd QUARTER 2007	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales Revenues	732.9	341.8	0.2		1,074.9
EBIT	38.2	50.0	-16.9	-0.2	71.1
Investments	25.7	6.6	3.0		35.3
Employees	3,579	2,226	83		5,888

SEGMENTS BY REGIONS

1st - 3rd QUARTER 2008	GERMANY € M	REST OF EUROPE € M	NORTH-AMERICA € M	ASIA € M	OTHERS € M	TRANSI-TIONS € M	GROUP € M
Sales Revenues with group companies	292.7	124.8	6.2	24.2	1.4	-449.3	0.0
Sales revenues with third parties	862.0	377.0	50.9	63.2	10.1		1,363.2
Investments	21.9	4.5	0.1	1.8	0.2		28.5

1st - 3rd QUARTER 2007	GERMANY € M	REST OF EUROPE € M	NORTH-AMERICA € M	ASIA € M	OTHERS € M	TRANSI-TIONS € M	GROUP € M
Sales Revenues with group companies	263.5	111.1	4.6	13.1	0.8	-393.1	0.0
Sales Revenues with third parties	612.1	341.3	52.9	63.1	5.5		1,074.9
Investments	24.7	7.4	0.1	3.0	0.1		35.3

Notes to the Interim Consolidated Financial Statements

1 APPLICATION OF REGULATIONS

The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft as at 30 September 2008 were prepared, as were the Consolidated Financial Statements of the year ending 31 December 2007, 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 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, which also formed the basis for the Consolidated Annual Financial Statements for the year ending 31 December 2007.

In view of the sense and purpose of interim reporting as an instrument of information 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 right of choice contained in the IFRS that has been exercised.

On 6 July 2007 the German Federal Council approved the corporate tax reform act 2008, which will apply to GILDEMEISTER as of 1 January 2008. Among others, the law provides for a reduction in corporate income tax from 25% to 15%, in contrast, the effective trade tax rate will rise slightly. As a result, in the current financial year and in subsequent financial years a reduction in the effective income tax burden for domestic profits is expected, which will be due primarily to a reduction in corporate income tax.

The accounting and valuation principles and applied consolidation methods remain unchanged from the financial year 2007. For further details we refer to the Notes to the Consolidated Financial Statements for the year ending 31 December 2007.

2 SEASONAL AND CYCLICAL EFFECTS

As a globally operating company the GILDEMEISTER group is subject to various economic trends. In the chapters "Overall Economic Development" on page 2 and "Development of the Machine Tool Industry" on page 3, cyclical influences during the reporting period have been described in detail. Industry-related seasonal fluctuations over the course of the year are normal and may lead to different sales revenues and results as a consequence. Industryspecific, in the past the fourth quarter has always been the strongest for sales revenues at GILDEMEISTER.

3 CONSOLIDATED GROUP

As at 30 September 2008, the consolidated group, including GILDEMEISTER Aktiengesellschaft, comprised 73 companies (31 Dec. 2007: 72), all of which (31 Dec. 2007: 70) have been included in the Interim Financial Statements as part of the full consolidation process. The number of companies in the consolidated group has not changed compared to 30 June 2008, as DMG Boston LLC. was newly founded in the third quarter 2008 and FAMOT Pleszew S.A. liquidated its investment in Zarzad Blokow Mieszkalnych Sp.z.o.o. Comparison with the Consolidated Financial Statements as at 31 December 2007 is not impaired by changes in the current year. The founding of DMG Boston LLC. will not have any material effect on the expenses and income structure in the current financial year. Overall, the structure and management of the GILDEMEISTER group has not changed significantly compared to 30 June 2008 or 31 December 2007, respectively.

4 EARINGS 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 minority interests	57,560 € K
Average weighted number of shares	43,302,503 pieces
Earnings per share acc. to IAS 33	1.33 €

There were no dilution effects in the reporting period.

5 INCOME STATEMENT, BALANCE SHEET, CASH FLOW STATEMENT

Detailed explanations of the income statement, the balance sheet and the cash flow statement may be found in the chapter “Results of Operations, Net Worth and Financial Position” on page 7 et seq.

6 STATEMENT OF CHANGES IN GROUP EQUITY

The consolidated annual profit as at 30 September 2008 of € 57.6 million caused an increase in equity. A reduction in equity resulted from exchange rate changes / changes in the market value of derivative financial instruments of € -1.4 million recognised directly in equity. The distribution of the dividend in May 2008 (€ -15.2 million) reduced equity.

7 SEGMENTAL REPORTING

The demarcation of the segments or the determination of the segment results remain unchanged from 31 December 2007. Further details on business development are included in the “Segments” chapter on page 10 et seq.

8 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

Related persons and companies within the meaning of IAS 24 “Related Party Disclosures” are, in principle, members of the Executive Board and of the Supervisory Board, close members of their families and subsidiaries that are not fully consolidated. Within the scope of our operating activities we purchase materials, inventories and services worldwide from numerous business partners. Related persons were not party to any major transaction or any transaction of unusual nature or structure with companies of the GILDEMEISTER group. There is no intention of this occurring in the future.

9 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Significant events occurring after the balance sheet date are presented in the “Forecast”. Moreover, no significant events have occurred after the balance sheet 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 € 10.0 million of the parent company result, apart from rental income, exclusively from the performance of holding functions for the group.

As of 30 September 2008, GILDEMEISTER Aktiengesellschaft was divided into four executive units with the following functional areas: corporate strategy, key accounting, human resources, purchasing, auditing, compliance and investor and public relations; technology and production; sales and service; controlling, finance, taxation, financial statements and information technology (IT).

As at 30 September 2008, 71 people were employed at GILDEMEISTER Aktiengesellschaft (31 Dec. 2007: 66).

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable accounting and reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Bielefeld, 6 November 2008

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
Dipl.-Ing. Günter Bachmann
Dipl.-Kfm. Dr. Thorsten Schmidt
Dipl.-Kfm. Michael Welt

Financial Calendar

6 NOVEMBER 2008	Publication of the Interim Report 3rd Quarter 2008
12 FEBRUARY 2009	Press Release on Provisional Figures for the Financial Year 2008
12 MARCH 2009	Press Conference on the Financial Statements, Bielefeld
12 MARCH 2009	Publication of Annual Report 2008
13 MARCH 2009	DVFA Analysts' Conference, Frankfurt
15 MAY 2009	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall, Bielefeld

Subject to alteration

Statements relating to the future

This report contains statements relating to the future, which are based on current evaluations of the management regarding future developments. Such statements are subject to risks and uncertainties relating to factors that are beyond GILDEMEISTER's ability to control or estimate precisely, such as the future market environment and economic conditions, the behaviour of other market participants, the successful inte-gration of new acquisitions, the realisation of expected synergy effects and the actions of governmental regulators. Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results expressed in, or implied by, these statements. GILDEMEISTER disclaims any intention or special obligation to update any forward-looking statements to reflect any change in events or developments occurring after the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events referred to therein.

This report is available in German and English; both versions can be downloaded from the Internet at www.gildemeister.com. Further copies and additional information on GILDEMEISTER are available free of charge upon request.

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MONTFORT WERBUNG