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First six months

Interim Report

Demand for machine tools recovers

GILDEMEISTER notices upward trends in 2nd quarter

The global economy is recovering from the crisis and forecasts are improving. Worldwide demand for machine tools has also moved upwards noticeably. In the second quarter, GILDEMEISTER was able to increase order intake markedly especially in the core segment "Machine Tools" (+63%). This positive development will be reflected in sales revenues and earnings in the second half of the year.

Overall, order intake reached \in 651.5 million (+12%) at the end of the first six months (previous year: \in 580.7 million); of this, the machine tool business accounted for \in 400.2 million (+53%). Due to the low order backlog, sales revenues fell as of the end of the first six months by 14% to \in 528.9 million (previous year: \in 612.7 million). A rise in sales revenues will take place from the third quarter.

Profitability developed in accordance with our planning: In the second quarter EBITDA reached $\in 9.0$ million, EBIT was positive at $\in 1.8$ million. EBT amounted to $\in -6.6$ million. Earnings after taxes amounted to $\in -4.3$ million. As of the end of the first six months, EBITDA thus reached $\in 4.7$ million (previous year: $\in 41.4$ million), EBIT amounted to $\in -9.3$ million (previous year: $\in 26.9$ million). EBT amounted to $\in -26.4$ million (previous year: $\in 15.1$ million). As at 30 June 2010, the group reports earnings after taxes of $\in -19.0$ million (previous year: $\in 9.7$ million). Already in the third, and then especially in the fourth quarter, profitability will develop positively in line with the sales revenues progress.





GILDEMEISTER expects the growing demand – especially in the machine tool business – to continue in the second half of the year. Conditions have improved although the crisis has not yet been completely overcome. Additional stimuli will come from our newly-developed machines and the four international important autumn trade fairs of the industry. We are expecting further growth in "Services". With its "Energy Solutions", GILDEMEISTER has a young business area with future potential as the most important solar trade fair in the world – the Intersolar in Munich – showed.

Our alliance with the Japanese machine tool builder Mori Seiki is progressing positively according to plan. The successful cooperation will lead to sustained increases in efficiency.

For the whole year we are expecting, due to the now clearly noticeable upward trends, order intake of more than \in 1.3 billion. We plan to increase our sales revenues following order intake to more than \in 1.25 billion. According to our current planning status, a break-even result (EBT) could be achievable.

Sales revenues in the second quarter reached € 284.5 million and thus performed as planned better than in the first quarter. As of the end of the first six months, sales revenues reached € 528.9 million in total (previous year: € 612.7 million); due to low order backlog in the machine tools business they declined by 14%. In the third and fourth quarter there will be a further rise. Cyclical effects are also reflected in the performance of the machine tool and service businesses as of the end of the first six months. In the "Machine Tools" segment, sales revenues fell by € 100.8 million (-25%) to € 309.3 million. In "Services", sales revenues of € 163.4 million reached the level of the previous year. The "Energy Solutions" segment achieved a plus of 52% and rose by € 19.3 million to € 56.1 million (previous year: € 36.8 million). Domestic sales revenues fell by 28% to € 205.8 million, international sales revenues fell by 2% to € 323.1 million. The export share amounted to 61% (previous year's period: 54%).

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Order intake in the second quarter reached \in 349.2 million. In particular, in our core business "Machine Tools", we were able to raise order intake markedly at +63% against the comparable previous year's period. In the first six months, order intake amounted to \in 651.5 million (+12%) and was thus \notin 70.8 million above the same period in the previous year (\in 580.7 million); of this, the machine tool business accounted for \in 400.2 million (+53%) (previous year: \notin 261.2 million). "Services" rose by 29% to \notin 193.2 million (previous year: \notin 150.1 million). "Energy Solutions" booked order intake of \notin 58.0 million (-66%). Due to the high order backlog and the production capacity available, as announced order intake has been below that of the previous year's level. For the second half of the year we are planning to increase the intake of orders, which will then be booked as sales in 2011.

Domestic order intake rose clearly in the first six months of the year, whilst it decreased slightly abroad: Domestic orders increased by 47% to €247.4 million (previous year: € 167.9 million). International orders decreased by 2% to €404.1 million (previous year: €412.8 million). International orders accounted for 62% of orders (previous year: 71%).

The order backlog rose to €709.3 million (+7%) as of the end of the first six months.

The **profitability** of the GILDEMEISTER group developed in accordance with our planning: In the **second quarter EBITDA** reached \in 9.0 million (previous year: \in 18.7 million), **EBIT** was positive at \in 1.8 million (previous year: \in 11.4 million). **EBT** amounted to \in -6.6 million (previous year: \in 4.9 million). **EBT** amounted to \in -4.3 million (previous year: \in 3.2 million).

As of the end of the **first six months EBITDA** thus reached \in 4.7 million (previous year: \in 41.4 million), **EBIT** amounted to \in -9.3 million (previous year: \in 26.9 million). **EBT** amounted to \in -26.4 million (previous year: \in 15.1 million). As at 30 June 2010, the group reports **earnings after taxes** of \in -19.0 million (previous year: \in 9.7 million).

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As of 30 June 2010, GILDEMEISTER had 5,367 **employees**, of whom 210 were trainees (31 Dec. 2009: 5,450). In the first half-year the number of employees shrank by 83 compared to year-end 2009. Moreover, in the "Machine Tools" segment, we have adjusted surplus capacities with the use of short time working. At the end of the first half year, 3,306 employees (62%) worked for our domestic companies and 2,061 employees (38%) for our international companies. The personnel ratio was 30.0% (previous year: 29.1%); employee expenses decreased by \in 16.5 million to \in 162.3 million (previous year: \in 178.8 million).

The **GILDEMEISTER share** recorded a decline in the second quarter. This was encumbered by uncertainty on the international capital markets due to the weak budget situation of some eurozone countries. As a consequence, investors withdrew from industries and stocks, which continued to be viewed as cyclical. Following a share price of ≤ 10.36 on 1 April, the share closed the second quarter at ≤ 9.15 (30 Jun. 2010). Currently the share price is ≤ 10.85 (27 July 2010).

Forecast:

The **global economy**, according to the current forecasts, is following a recovery trend in 2010, but, as before, is still liable to risks. The **worldwide market for machine tools,** according to our estimates, will develop positively in 2010; demand will gain in momentum.

For the **financial year 2010**, GILDEMEISTER is planning more optimistically than at the start of the year due to the rise in demand – particularly in the machine tools business. Conditions have improved although the crisis has not yet been completely overcome. Additional stimuli will come from our newly-developed machines and the four international important autumn trade fairs of our industry: the IMTS in America, the AMB in Germany and the BIMU in Italy, as well as the JIMTOF in Japan, will be trend-setting. Over the course of the year we will gain further momentum through market orientation and a product offensive.

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GILDEMEISTER is now evaluating the financial year 2010 more optimistically: For the whole year, due to the now clearly noticeable upward trends, we are expecting **order intake** of more than \in 1.3 billion. In the machine tool business, we will increase order intake in double-digit figures by percentage. The service business should likewise increase in double figures. In "Energy Solutions" order intake will be below the previous year's level as planned, due to the high order backlog. Our current planned order intake is about \in 190 million, which will be recorded as sales in 2011.

We plan to increase **sales revenues** following order intake to more than €1.25 billion. Sales revenues will rise in "Machine Tools" from the third quarter. Due to the low progress in the first six months, sales revenues in machine tools over the entire year will not quite reach the level of the previous year. In "Services", we expect a double-digit increase in sales revenues. In "Energy Solutions", due to the high order backlog, we are planning to be able to double sales revenues.

We are working on improving the company's **profitability**. Already, in the third, and especially in the fourth quarter, profitability will develop positively in line with the sales revenues development. According to our current planning status, a break even-result (EBT) could be achievable.

In the **financial year 2011**, conditions will remain challenging. GILDEMEISTER is expecting a further rise in worldwide demand for machine tools and the service business. Therefore we expect a clean rise in order intake and sales revenues, respectively, of 10%. We are likewise expecting a clear improvement in earnings.

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Key Figures

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GILDEMEISTER-Konzern	2010 1 st six months € million	2009 1 st six months € million	Chnages 2010 against 2009 € million %	
Sales revenues	528.9	612.7	-83.8	-14
Order intake	651.5_	580.7_	70.8	+12
EBITDA	4.7	41.4	-36.7	
EBIT	-9.3	26.9	-36.2	
EBT	-26.4	15.1	-41.5	
Net profit	-19.0	9.7	-28.7	

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.

NOTE: We will be pleased to send you the complete Interim report for the first six months upon request. Up-to-date images are available at http://ag.gildemeister.com/en.

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. Such uncertainties may arise for GILDEMEISTER in particular as a result of the following factors: Changes in general economic and business conditions (including margin developments in the major business areas as well as the consequences of recession); the risk that customers may delay or cancel orders or become insolvent or that prices will be further depressed due to a constantly unfavourable market environment than we currently expect; developments in the financial markets including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as the general financial situation; increasing volatility and further decline in the capital markets; a worsening of conditions for borrowing and, in particular, increasing uncertainty arising out of the mortgage, financial and liquidity crisis, as well as the future economic success of the core business areas in which we operate; challenges arising of the integration of major acquisitions and the implementation of joint ventures and the realisation of anticipated synergy effects and other significant portfolio measures; the introduction of competitive products or technologies by other companies; a lack of acceptance of new products and services in customer target groups of the GILDEMEISTER group; changes in corporate strategy; the outcome of public investigations and associated legal disputes as well as other official measures. Should one of these uncertainty factors 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 future developments or events contained therein.

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