

# Interim Report

First six months of 2007



**GILDEMEISTER**

**Dear Shareholders,**

the worldwide demand for machine tools continues unabated dynamic. GILDEMEISTER continued its growth trend also in the second quarter: order intake, sales revenues and results could be increased according to plan.

In the first half year order intake reached € 857.8 million (+21%); sales revenues rose to € 709.2 million (+20%). Profitability once again improved: EBITDA was € 60.4 million (previous year: € 46.3 million), EBIT reached € 45.7 million (previous year: € 31.0 million). EBT rose to € 30.4 million (previous year: € 12.5 million). As at 30 June 2007 the group reports an annual profit of € 16.7 million (previous year: € 6.3 million).

GILDEMEISTER expects the good business development to continue in the second half of the year. We are anticipating particular stimuli to come from the EMO 2007 in Hanover (17-22 September), the most important trade fair worldwide for machine tools. We now want to achieve order intake of more than € 1.6 billion for the whole year. Based on our solid order backlog and the "EMO effect", we are planning to increase sales revenues to more than € 1.4 billion. For the financial year 2007 we are expecting a clear double-digit percentage increase in EBT and in the annual profit. We plan a further increase in the dividend for the current financial year.

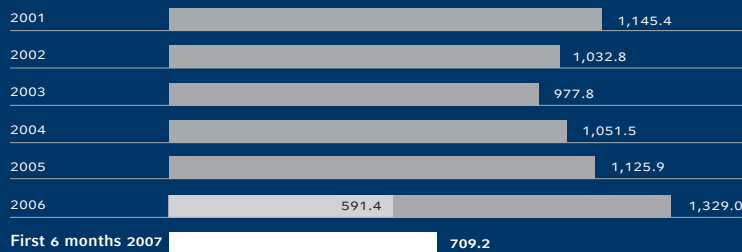
## Key Figures

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

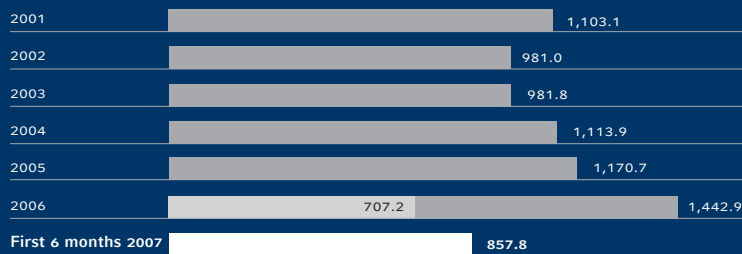
GILDEMEISTER GROUP	2007	2006	CHANGES	
	FIRST 6 MONTHS € M	FIRST 6 MONTHS € M	2007 AGAINST 2006 € M	%
<b>Sales Revenues</b>				
Total	709.2	591.4	117.8	20
Domestic	313.3	267.5	45.8	17
International	395.9	323.9	72.0	22
% International	56	55		
<b>Order Intake</b>				
Total	857.8	707.2	150.6	21
Domestic	386.1	312.7	73.4	23
International	471.7	394.5	77.2	20
% International	55	56		
<b>Order Backlog*</b>				
Total	595.3	448.6	146.7	33
Domestic	228.8	163.9	64.9	40
International	366.5	284.7	81.8	29
% International	62	63		
Investments	20.8	11.4	9.4	82
Personnel Costs	177.8	155.1	22.7	15
Personnel Expenditure Quota (in %)	24.2	25.3		
Employees	5,556	5,152	404	8
plus Trainees	163	135	28	21
Total Employees*	5,719	5,287	432	8
EBITDA	60.4	46.3	14.1	
EBIT	45.7	31.0	14.7	
EBT	30.4	12.5	17.9	
Annual Profit	16.7	6.3	10.4	

\* Reporting date 30 June

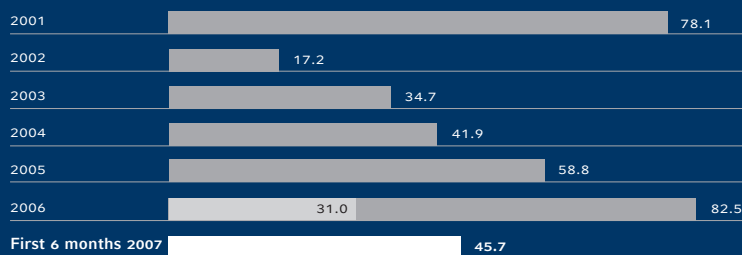
**SALES REVENUES**  
in € million



**ORDER INTAKE**  
in € million

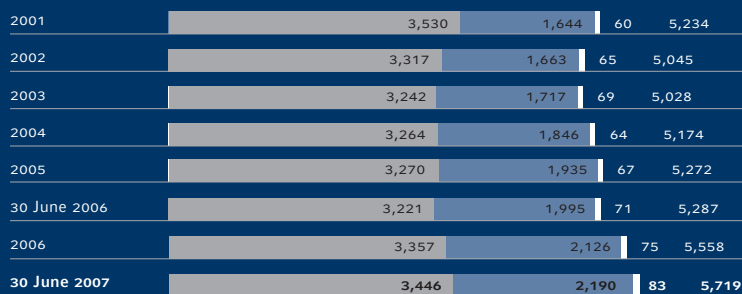


**EBIT**  
in € million



**NUMBER OF EMPLOYEES**  
incl. trainees

Machine Tools  
Services  
Corporate Services



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Economic Development



Business Development

Opportunities and Risk Report

Forecast 2007

Interim Consolidated Financial Statements

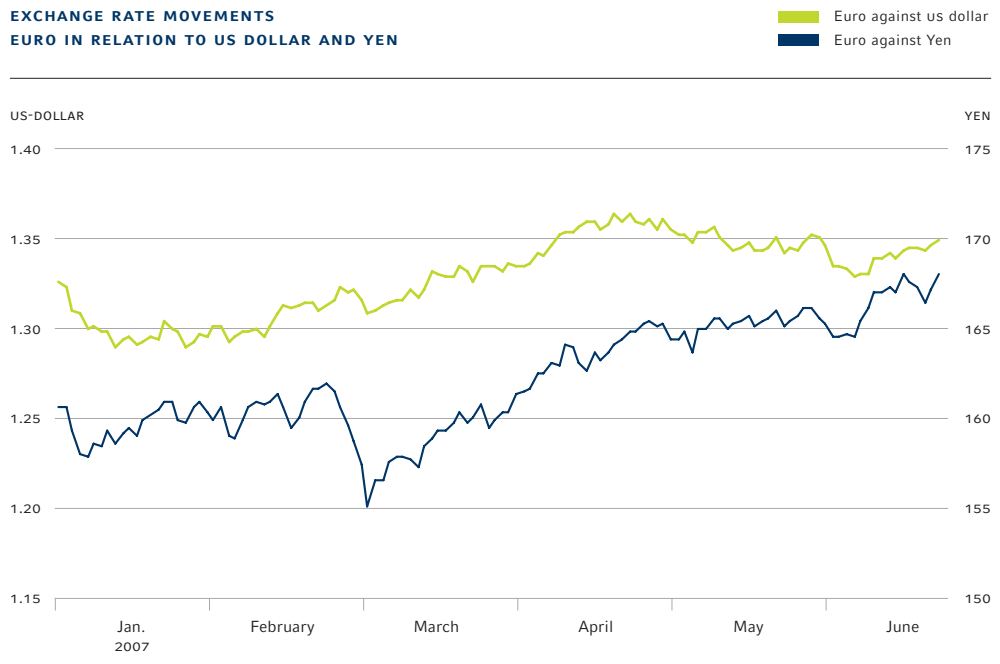
Financial Calendar

	<p>COVER PICTURE</p> <p><b>Workpiece:</b> Aluminium model of a bicycle helmet, completely machined in 150 minutes on the <b>DMU 80 monOBLOCK®</b> universal milling machine with high-dynamic swivel-mounted milling head and 5-axis machining.</p> <p><b>Technological application</b> for the sports article manufacturing industry: for example for high-tech cycle helmets made of polycarbonate.</p>	
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**Overall economic development** continued to follow an upward trend in the first half of 2007. Positive stimuli continued to come from Asia: in Japan economic growth steadied; China's rapid rate of growth continued. The US economy slowed down slightly. The clear economic revival continued in Germany. According to provisional calculations of the German Economic Research Institute (DIW), gross domestic product increased by 0.4% in the second quarter compared to the previous quarter.

For GILDEMEISTER's international business, the US dollar, the Japanese yen and the Chinese yuan are of particular importance. The foreign **exchange rate** of the currencies most important for us changed in the second quarter as follows: the US dollar became increasingly weaker; on 25 April it fell to its lowest level yet of 0.73 euros. At an average value of 0.74 euros, the US dollar was well below the previous year's value (0.80 euros). Initially, the Chinese yuan also developed weakly in comparison with the euro but it regained in value over the quarter and as of 29 June had returned to the level at which it started the quarter (10.28 yuan). The Japanese yen lost value continually. On 2 April one euro cost 157.35 yen and on 22 June the euro reached the highest level of the quarter at 166.75 yen. The euro closed the quarter at a value of 166.63 yen (29 June 2007). The average rate of exchange was 162.89 yen (previous year's quarter: 143.81 yen).

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

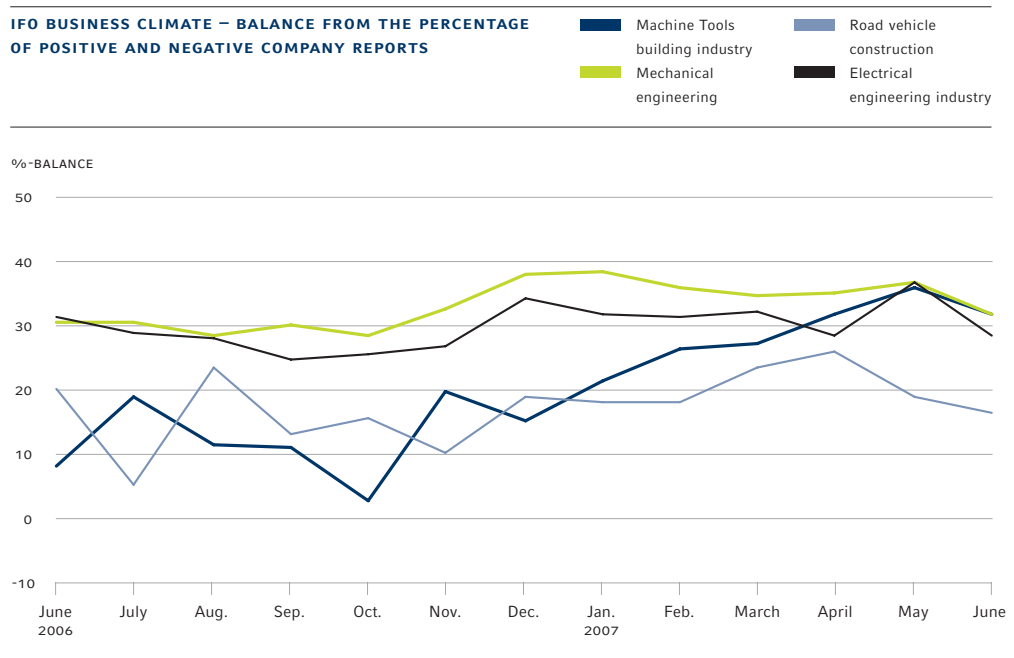


The **worldwide market for machine tools** continued to develop steadily in 2007. Even following the latest forecasts (dated May 2007) the German Machine Tool Builders' Association (VDW) and the ifo Institute remain unchanged in expecting both global consumption and global production to increase by 8% to € 51.2 billion, respectively.

In comparison with the global market, the **German machine tool industry** could develop somewhat more strongly: More especially in view of the EMO taking place in Hanover in autumn, the VDW and the ifo Institute expect consumption growth of 13% and a 10% increase in production. Order intake in the first half year was higher than the comparison level of the previous year. In particular, international orders contributed to this increase but domestic orders were also clearly higher than those of the previous year.

The ifo **business climate** for the main trade and industrial consumers of machine tools reflects an optimistic mood. In particular, the mechanical engineering and electrotechnical industries are at a historically high level.

Source: vdw (German Machine Tool Builders' Association)



Source: Economic Research Institute (ifo), Munich

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

The GILDEMEISTER group including GILDEMEISTER Aktiengesellschaft comprised 68 enterprises as at 30 June 2007. The consolidated group has thus increased by one DMG sales and service company compared to 31 March 2007. DMG Scandinavia Norge AS, with registered office in Langhus, Norway, commenced business operations in June. Through this company, which is owned by DMG Europe Holding GmbH, GILDEMEISTER will further expand its sales and service activities in Scandinavia.

### Sales Revenues

As planned, sales revenues in the second quarter of € 388.9 million (+21%) exceeded the first quarter's level (€ 320.3 million). In the first six months, sales revenues reached € 709.2 million and were thus 20% above the previous year's level (€ 591.4 million). Domestic sales revenues rose by 17% to € 313.3 million. International sales revenues increased by 22% to € 395.9 million. The export share amounted to 56% (same period in the previous year: 55%).

**SALES REVENUES GILDEMEISTER GROUP**  
in € million

	Domestic	International	Total
First 6 months 2006	267.5	323.9	591.4
First 6 months 2007	313.3	395.9	709.2

More detailed information on sales revenues in each segment is given on page 9 et sqq.

Based on our solid order backlog and the expected "EMO effect", we are planning to increase sales revenues to more than € 1.4 billion.



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

### Order Intake

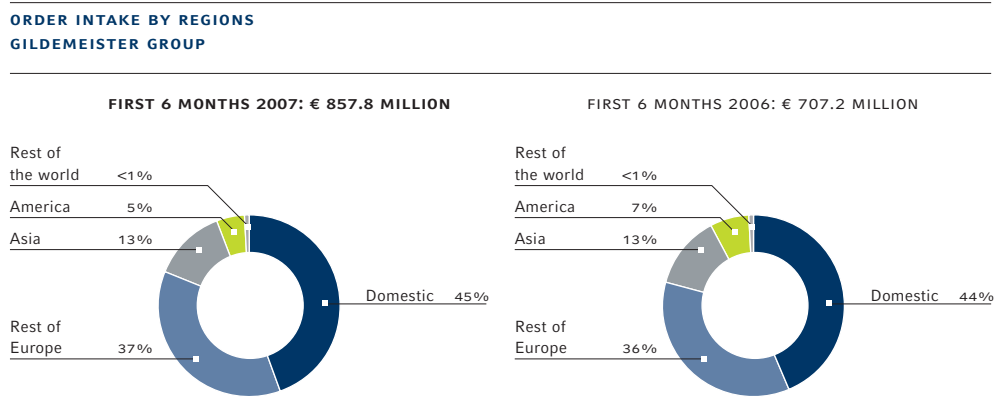
In the second quarter order intake rose by 20% to € 441.7 million (previous year: € 368.0 million). In total, order intake in the first six months increased to € 857.8 million and thus was 21% or € 150.6 million higher than the same period in the previous year (€ 707.2 million). Domestic orders increased by 23% to € 386.1 million (previous year: € 312.7 million). International orders rose by 20% to € 471.7 million (previous year: € 394.5 million). Orders from abroad accounted for 55% (previous year: 56%).

Order intake in the first half year exceeded our plans. Our innovative products, worldwide focused marketing activities and successful participation in international industry trade fairs have made a significant contribution to the increased order intake. Additionally we were able to conclude orders at 36 trade fairs and in-house exhibitions.

ORDER INTAKE GILDEMEISTER GROUP			
in € million			
	Domestic	International	Total
First 6 months 2006	312.7	394.5	707.2
First 6 months 2007	386.1	471.7	857.8

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:



The good order intake in the first half year resulted from the increased demand in the European markets as well as in Germany and Asia. Taking this development into consideration, we now want to achieve order intake for the whole year of more than € 1.6 billion.

**Order Backlog**

As at 30 June 2007 the order backlog for the group amounted to € 595.3 million (+33%). Of the orders on hand, international orders accounted for 62% (corresponding date of the previous year: 63%). In a year-on-year comparison, the backlog from international orders rose by € 81.8 million or 29%. The domestic orders backlog grew by € 64.9 million (+40%) to € 228.8 million.



The order backlog signifies production capacity utilisation of around six months.

## Results of Operations, Net Worth and Financial Position

The GILDEMEISTER group's profitability once again improved. EBITDA and EBIT rose again in the **second quarter** according to plan in comparison with the first quarter and also in a year-on-year comparison with the previous year. EBITDA reached € 36.3 million (previous year: € 28.2 million). EBIT rose to € 29.3 million (previous year: € 20.6 million).

As of the end of the **first six months**, EBITDA amounted to € 60.4 million (previous year: € 46.3 million), EBIT reached € 45.7 million (previous year: € 31.0 million). EBT rose to € 30.4 million (previous year: € 12.5 million). GILDEMEISTER reports an annual profit after taxes of € 16.7 million (previous year: € 6.3 million).

Total work done increased by 19.8% to € 734.4 million (previous year: € 613.1 million). The materials quota amounted to 52.5% (previous year: 53.3%), which corresponds to a cost of materials of € 385.1 million (previous year: € 326.5 million). Gross profit rose by € 62.7 million to € 349.3 million (previous year: € 286.6 million); the gross profit margin of 47.5% is 0.8 percentage points above the previous year's level (46.7%). The personnel expenditure quota was 24.2% (previous year: 25.3%). Personnel costs amounted to € 177.8 million (previous year: € 155.1 million). The balance of other expenses and income rose to € 111.1 million due to the increase in volume (previous year: € 85.2 million). Depreciation amounted to € 14.7 million (previous year: € 15.3 million). The financial results amounted to € -15.3 million (previous year: € -18.5 million). At the end of the first six months the tax ratio decreased to 45.0% (previous year: 49.5%). Due to the higher EBT, tax expenditure was € 13.7 million (previous year: € 6.2 million).

	30 JUNE 2007 € M	31 DEC. 2006 € M	30 JUNE 2006 € M
<b>Net worth</b>			
Fixed assets	269.8	265.5	258.4
Current assets	779.4	689.4	754.7
Equity	297.3	288.6	267.5
Outside capital	751.9	666.3	745.6
<b>Balance sheet total</b>	<b>1,049.2</b>	<b>954.9</b>	<b>1,013.1</b>

The balance sheet total as of 30 June 2007 amounted to € 1,049.2 million (+€ 94.3 million). The fixed assets on the assets side increased by € 4.3 million to € 269.8 million. Current assets rose by € 90.0 million to € 779.4 million. Under current assets, inventories increased by € 47.0 million to € 340.0 million and trade receivables by € 35.5 million to € 288.8 million. The advance work for the planned increase in sales revenues and for the EMO 2007 led to a rise in raw materials and consumables (+€ 19.3 million) to € 118.4 million, in unfinished goods (+€ 21.2 million) to € 117.7 million and in finished goods (+€ 4.4 million) to € 99.2 million. The rise in trade receivables of € 35.5 million to € 288.8 million was disproportionately small when set against the increased sales performance. Further optimisation of our claims management had a positive impact. The change from factoring to the ABS programme, which was implemented in the second quarter of 2007, led to a lower number of sales of bad debts. Therefore on the liabilities

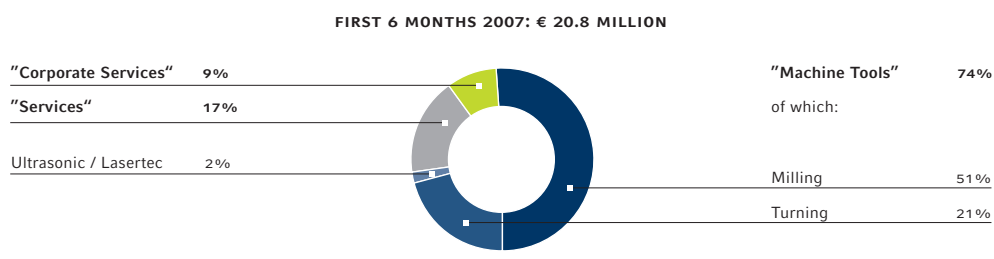
side outside capital rose by € 85.6 million to € 751.9 million. Financial liabilities rose by € 40.8 million, payments on account for orders received rose by € 17.4 million and trade creditors rose by € 6.0 million.

The free cash flow was positive in the second quarter at € 6.4 million, in the first six months it was still negative at € 35.5 million in line with expectations (previous year: € -34.0 million). **Cash flow** from current operations amounted to € -16.7 million in the first six months (previous year: € -25.2 million). Positive contributions to the cash flow development came from earnings before tax (EBT) of € 30.4 million, depreciation of € 14.7 million and an increase in advance payments (€ 17.4 million) from a reduction in trade receivables (€ 6.1 million). The higher amount of cash of € 46.8 million tied up in inventory assets and trade receivables of € 35.2 million reduced cash flow. Cash flow from investment activity amounted to € -18.8 million (previous year: € -10.2 million). Cash flow from financing activities of € 30.7 million (previous year: € 52.0 million) resulted from a change in financial liabilities (€ 39.4 million) and from the distribution of the dividend in May 2007 (€ -8.7 million). For the entire year we continue to expect free cash flow of more than € 40 million.

	2007 FIRST 6 MONTHS € M	2006 FIRST 6 MONTHS € M
<b>Financial position</b>		
Cash flow from current operations	-16.7	-25.2
Cash flow from investment activity	-18.8	-10.2
Cash flow from financing activity	30.7	52.0
Changes in cash and cash equivalents	-4.7	16.3
Liquid funds as at 01 January	42.2	21.9
Liquid funds as at 30 June	37.5	38.2

### Investments

In the first half year investments amounted to € 20.8 million (previous year: € 11.4 million); this corresponds to 46% of the investments planned so far for the current financial year (€ 45.0 million). At the Pleszew site, Poland, we are investing in the capacity expansion at our FAMOT production plant. Further key investments are the expansion of the assembly area in Pfronten, in order to strengthen the “horizontal machining centers” section, and the infrastructure measures taken at the Bielefeld location. In the run-up to the EMO, further investments in the development of new machine types as well as in models, measuring devices and tools have been given priority. For the financial year 2007, the investment volume has been extended by € 7.5 million to € 52.5 million; this serves, in particular, to strengthen the area of automation and the acquisition of an estate in India for the planned construction of a technology centre.

**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, milling, ultrasonic and laser technologies. We have combined our development and technology expertise in five product plants.

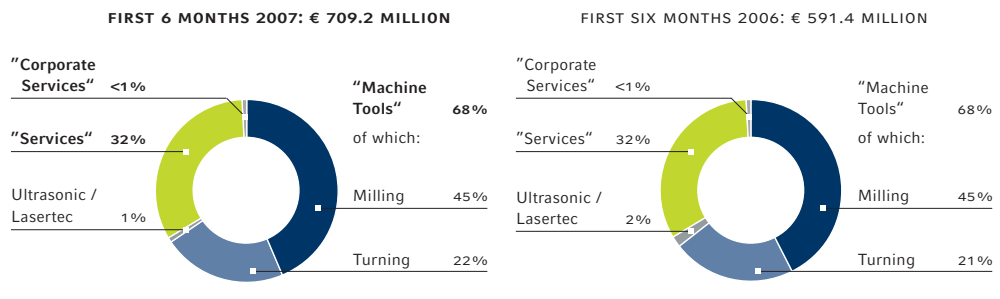
KEY FIGURES "MACHINE TOOLS" SEGMENT	2007	2006	CHANGES	
	FIRST 6 MONTHS € M	FIRST 6 MONTHS € M	2007 AGAINST 2006 € M	%
<b>Sales Revenues</b>				
Total	484.6	399.8	84.8	21
Domestic	202.3	166.8	35.5	21
International	282.3	233.0	49.3	21
% International	58	58		
<b>Order Intake</b>				
Total	614.3	505.7	108.6	21
Domestic	238.5	208.5	30.0	14
International	375.8	297.2	78.6	26
% International	61	59		
<b>Order Backlog*</b>				
Total	520.2	405.8	114.4	28
Domestic	155.3	131.5	23.8	18
International	364.9	274.3	90.6	33
% International	70	68		
<b>Investments</b>	15.3	8.0	7.3	91
<b>Employees</b>	3,283	3,086	197	6
plus trainees	163	135	28	21
<b>Total employees*</b>	3,446	3,221	225	7
<b>EBIT</b>	24.5	9.6	14.9	

\* Reporting date 30 June

**Sales revenues** in the reporting period amounted to € 484.6 million and were € 84.8 million or 21% above the previous year's value (€ 399.8 million). The "Machine Tools" segment contributed 68% of group sales revenues (previous year: 68%). The milling technology of DECKEL MAHO contributed 45% (previous year's period: 45%). The turning technology of GILDEMEISTER contributed 22% (previous year: 21%). The new technologies, ultrasonic and laser, contributed 1% (previous year's period: 2%).

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

**GILDEMEISTER GROUP SALES REVENUES  
BY SEGMENTS / DIVISIONS**



In the "Machine Tools" segment **order intake** increased by € 108.6 million or 21% to € 614.3 million (previous year: € 505.7 million). "Machine Tools" thus accounted for 72% of the total group order intake as in the previous year. Orders for complex technology machines as well as for entry level machines both developed satisfactorily. Moreover, our product innovations were also well received by the market. In connection with targeted marketing measures, well attended trade fairs and the DMG in-house exhibitions, the new products have contributed significantly to the higher order intake.

On 30 June 2007 the **order backlog** within the group amounted to € 520.2 million. (previous year: € 405.8 million). In the first six months of the year, GILDEMEISTER achieved an **EBIT** of € 24.5 million in the "Machine Tools" segment (previous year: € 9.6 million). The "Machine Tools" segment had 3,446 **employees** (previous year: 3,221). In particular the workforces at the Pfronten and Shanghai locations were systematically increased in view of the greater sales performance.

### “Services”

The “Services” segment mainly includes the business activities of DMG Vertriebs und Service GmbH and its subsidiaries. **DMG Service Solutions** offer worldwide customised service solutions and service products over the entire lifespan of the DMG machine tools. The **Service Solutions** comprise a variety of services. Our worldwide network ensures direct customer contact and fast availability. **DMG Service Products** – such as DMG SPARE PARTS, DMG Powertools, adjustment devices and tool management from MICROSET, the components and systems from a+f and SACO – allow users to increase their productivity significantly. Up-to-date service news may be obtained at [www.gildemeister.com](http://www.gildemeister.com).

KEY FIGURES “SERVICES” SEGMENT	2007	2006	CHANGES	
	FIRST 6 MONTHS € M	FIRST 6 MONTHS € M	2007 AGAINST 2006	%
<b>Sales Revenues</b>				
Total	224.4	191.5	32.9	17
Domestic	110.8	100.6	10.2	10
International	113.6	90.9	22.7	25
% International	51	47		
<b>Order Intake</b>				
Total	243.3	201.3	42.0	21
Domestic	147.4	104.1	43.3	42
International	95.9	97.2	-1.3	-1
% International	39	48		
<b>Order Backlog*</b>				
Total	75.1	42.7	32.4	76
Domestic	73.5	32.3	41.2	128
International	1.6	10.4	-8.8	-85
% International	2	24		
Investments	3.6	3.0	0.6	20
Employees*	2,190	1,995	195	10
EBIT	33.8	29.1	4.7	

\* Reporting date 30 June

Demand for skilled services continued at a high level. **Sales revenues** reached € 224.4 million and were thus 17% above the same period in the previous year (€ 191.5 million). “Services” accounted for 32% of group sales revenues (previous year’s period: 32%). **Order intake** increased to € 243.3 million (previous year: € 201.3 million). “Services” thus accounted for 28% of all order intake (previous year’s period: 28%). The **order backlog** amounted to € 75.1 million. **EBIT** amounted to € 33.8 million (previous year: € 29.1 million). Profitability has developed as planned. The number of **employees** rose by 195 to 2,190 (previous year: 1,995). In the course of further globalisation, our sales and service capabilities in Europe and Asia have specifically been expanded.

“Corporate Services”

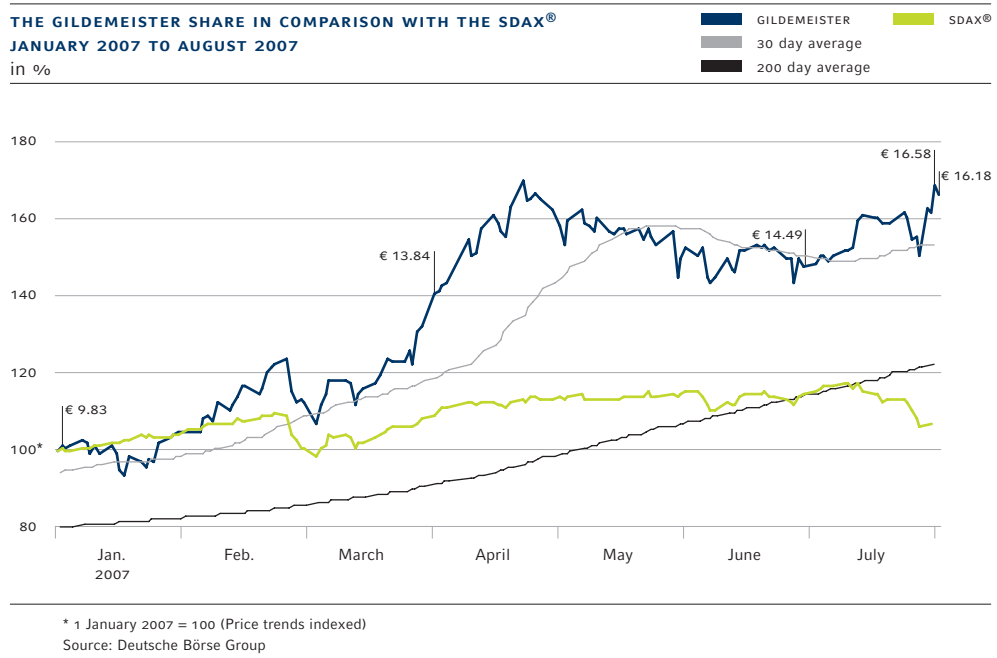
KEY FIGURES “CORPORATE SERVICES” SEGMENT	2007	2006	CHANGES
	FIRST 6 MONTHS € M	FIRST 6 MONTHS € M	2007 AGAINST 2006 € M
Sales Revenues	0.2	0.1	0.1
Order Intake	0.2	0.1	0.1
Investments	1.9	0.4	1.5
Employees*	83	71	12
EBIT**	-11.9	-7.3	-4.6

\* Reporting date 30 June  
 \*\* Previous year’s figures adjusted as to reporting of transaction costs

The “Corporate Services” segment essentially comprises GILDEMEISTER Aktiengesellschaft with its group-wide holding functions. EBIT amounted to € -11.9 million (previous year: € -7.3 million). The change in the results was due to increased demands on the central functions.

GILDEMEISTER Share

The GILDEMEISTER share developed better than the SDAX also in the second quarter. Following a price of € 13.84 on 2 April 2007, the share reached its “All-time-high” at € 16.58 (31 July 2007). It closed the second quarter at € 14.49 (29 June 2007). The share’s progress since the start of the year corresponds to an increase of 47%. In the same period the SDAX increased 14%. At present, the share is listed at € 16.18 (1 August 2007). Research studies may be accessed in the Internet or may be requested from our investor relations team.





The GILDEMEISTER shares are held in wide free float. On the basis of a total number of 43.3 million shares, the shares were transferred 0.9 times during the first six months (previous year: 0.7 times). The structure of shareholders has not changed significantly in the second quarter.

**Your contact to the GILDEMEISTER Investor and Public Relations Team:**

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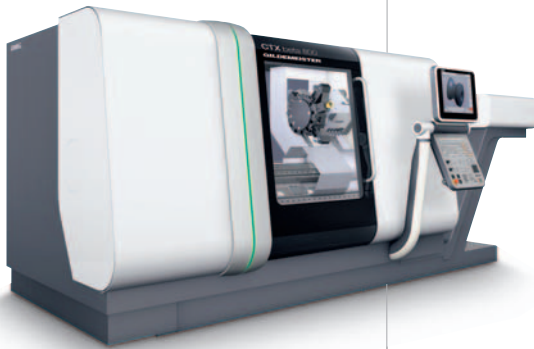
**Research and Development**

In the first six months expenditure on research and development amounted to € 23.0 million and was above the previous year's level (€ 21.3 million). There are currently 441 employees working on the development of our new products, this represents 13% of the workforce at the plants.

GILDEMEISTER presented four of 19 planned new developments at 36 trade fairs and in-house exhibitions. The latest new product presentation was the DMG 65 H DUOBLOCK® from DECKEL MAHO Pfronten a compact horizontal machining center that is highly precise and user-friendly. Activities in the area of research and development are geared towards the industry highlight – the **EMO** in Hanover. At this most important international trade fair, which takes place from 17 to 22 September, we will be presenting 18 new developments, 14 of which are world premieres. In addition to increasing drive dynamics and precision, we have focused our activities on three aspects:

- **The new machine design** – The DMG ERGoline® Control, premium surface materials and the entire colouring and design set new standards in machine tools and create an additional customer benefit. The new transparency allows the user to both see and experience the machining process. Large doors improve access to the working area.
- **Innovative control and software products** – The user-friendly dual channel control opens up new areas of application with the simultaneous machining of two workpieces on the main and counter spindle. Moreover, the software products from our DMG Powertools range also make a significant contribution to an increase in productivity. The “Virtual Machine”, our latest software product, offers the user complete processing safety through a comprehensive and integrated simulation of machine, control behaviour and piece machining.

- **Automation** – New automation modules cover numerous applications with standardised, modular and compact solutions. At the same time manual operation is still possible and additional work processes utilise the automation components to full capacity at optimal cost.



**The new DMG machine design:**

From the beginning of 2008 we will commence delivery of our machines of the “new design generation”. Unmistakable hallmarks are the high degree of transparency, the DMG *ERGoline*® Control for fast and easy programming and the large 19" screen. Softkeys and the satined chrome surfaces impart a new quality experience. The keyboard and screen can be individually adjusted and make the working more efficient and relaxed. The new DMG *SMARTkey* with transponder technology facilitates enhanced functionality, such as the individual assignment of user data. The DMG *LIGHTline* emphasises the unique and consistent visual appearance of the machines.



**Employees**

As at 30 June 2007 GILDEMEISTER had 5,719 employees, of whom 163 were trainees (31 March 2007: 5,647). In comparison with the first quarter, the number of employees has risen by 72. An increase in personnel took place in both the “Machine Tools” and the “Services” segments; a large proportion of the employees have been hired in Europe. At the end of the first six months, 3,386 employees (59%) worked for the domestic companies and 2,333 employees (41%) for our international companies. Personnel expenditure amounted to € 177.8 million (previous year’s period: € 155.1 million). The personnel expenditure quota decreased to 24.2% (previous year’s period: 25.3%).

**Opportunities and Risk Report**

**Risks** that are associated with our entrepreneurial activities are continually monitored by the GILDEMEISTER risk management system. Our group-wide risk management system enables us to clarify changes in the overall risk position of the group by means of a simple key figure. Through a controlled and conscious manner of dealing with risks, we can seize opportunities and achieve competitive advantages. Every quarter, trained employees identify relevant facts in the individual company divisions, and their risk potentials are quantified and assessed using statistical parameters. The Executive Board and the Supervisory Board are regularly informed about the risk position of the group and its companies.

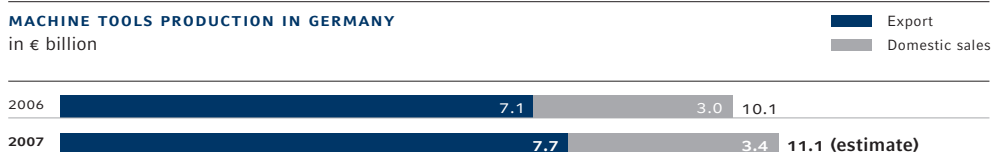
**Opportunities** arise out of our continued forward-looking investment strategy with the aim of safeguarding our market leadership in innovations. GILDEMEISTER has additionally reevaluated the opportunities offered by renewable energy sources and has extended the “Advanced Technologies” division. In addition to components and part systems, a+f GmbH will intensify its offer of programmable tracker systems (SunCarrier), in order to be part of the solar growth market.

No major changes have occurred in the risk position since the publication of our last report in the 2006 financial report. Overall the risks can be controlled and from today’s perspective the future of the GILDEMEISTER group is not at risk. We are currently not expecting any fundamental changes in the risk position.

**Forecast 2007**

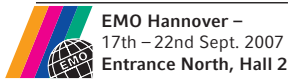
The **world economy** will continue to develop at a high rate in the current year. All the industrial markets are simultaneously creating momentum. A significant boost is also coming from Japan and the European Union. The upswing in the German economy continues. The **worldwide market for machine tools** will continue to develop positively in 2007. According to current forecasts of the German Machine Tool Builders’ Association (VDW) and the ifo Institute, global consumption will increase by 8% to € 51.2 billion. This estimate is based on the positive outlook for the major Asian markets such as China and India, as well as for the European markets. Economic experts are expecting an increase in consumption of 13% for Germany, in particular in view of the EMO, which is taking place in Hanover in the autumn. An increase in German exports of 9% is expected; domestic sales are expected to rise by 12%.

**MACHINE TOOLS PRODUCTION IN GERMANY**  
in € billion



Source: vdw (German Machine Tool Builders' Association)

**GILDEMEISTER** continues its growth trend in the financial year 2007. With the opening up of new sales markets in eastern Europe we will further expand our global presence. We will increase our worldwide service capacity and thereby strengthen customer loyalty. **GILDEMEISTER** will reinforce its market position in the growing area of automation. With the acquisition of **wkz Werkzeugmaschinen GmbH** (1 July 2007), whose name will be changed into **DMG Automation GmbH**, a specialist for integrated solutions with robots for machine tool automation has now joined the group. From **EMO** on, we are offering automation solutions to our customers from one source. Furthermore, we are increasingly active in the field of renewable energy sources with our components, part systems and complete solar installations. At the beginning of July we concluded the first major order for 150 SunCarriers at a value of approximately € 31.5 million; a further major order worth about approximately € 31.5 million followed by end of July.



The second half of 2007 is marked for **GILDEMEISTER** by the **EMO**. This most important trade fair worldwide for machine tools is trend-setting for our industry. For **GILDEMEISTER** the **EMO** offers an ideal platform to present its product range, together with all its innovations, to a large number of industry experts. We will present 70 exhibits at the **EMO**, 14 of which are world innovations. In 2007 we will be represented at a total of 56 international trade fairs and in-house exhibitions.

Based on our good results in the first six months and our ongoing planning, we now want to achieve order intake of more than € 1.6 billion in the **financial year 2007**. On the basis of our solid order backlog and the expected “**EMO effect**”, we are planning to increase sales revenues to more than € 1.4 billion. For the financial year 2007 we are expecting a clear double-digit percentage increase in **EBT** and in the annual profit. We plan a further increase in the dividend for the current financial year.

## Consolidated Income Statement

2 <sup>nd</sup> Quarter	2007		2006*		CHANGES	
	1 APRIL-30 JUNE	%	1 APRIL-30 JUNE	%	2007 AGAINST 2006	%
	€ M		€ M		€ M	
<b>Sales revenues</b>	388.9	100.3	317.3	100.0	71.6	22.6
Changes in stocks of finished goods and work in progress	-3.2	-0.8	-1.6	-0.5	-1.6	100.0
Capitalised payments	2.0	0.5	1.5	0.5	0.5	33.3
<b>Total work done</b>	387.7	100.0	317.2	100.0	70.5	22.2
Cost of materials	-203.9	-52.6	-166.1	-52.4	-37.8	22.8
<b>Gross profit</b>	183.8	47.4	151.1	47.6	32.7	21.6
Personnel expenditure	-90.7	-23.4	-78.8	-24.8	-11.9	15.1
Other expenses and income	-56.8	-14.7	-44.1*	-13.9	-12.7	28.8
Depreciation	-7.0	-1.8	-7.6	-2.4	0.6	7.9
<b>Financial result</b>	-7.6	-1.9	-10.3*	-3.2	2.7	26.2
<b>EBT</b>	21.7	5.6	10.3	3.3	11.4	
Tax on income and earnings	-9.8	-2.5	-5.1	-1.6	-4.7	
<b>Annual profit</b>	11.9	3.1	5.2	1.7	6.7	

**Earnings per share acc. to IAS 33 in €** **0.27** **0.12**

\* Figures adjusted as to reporting of transaction costs

First 6 months	2007		2006*		CHANGES	
	1 JAN.-30 JUNE	%	1 JAN.-30 JUNE	%	2007 AGAINST 2006	%
	€ M		€ M		€ M	
<b>Sales revenues</b>	709.2	96.6	591.4	96.5	117.8	19.9
Changes in stocks of finished goods and work in progress	21.9	3.0	19.1	3.1	2.8	14.7
Capitalised payments	3.3	0.4	2.6	0.4	0.7	26.9
<b>Total work done</b>	734.4	100.0	613.1	100.0	121.3	19.8
Cost of materials	-385.1	-52.5	-326.5	-53.3	-58.6	17.9
<b>Gross profit</b>	349.3	47.5	286.6	46.7	62.7	21.9
Personnel expenditure	-177.8	-24.2	-155.1	-25.3	-22.7	14.6
Other expenses and income	-111.1	-15.1	-85.2*	-13.9	-25.9	30.4
Depreciation	-14.7	-2.0	-15.3	-2.5	0.6	3.9
<b>Financial result</b>	-15.3	-2.1	-18.5*	-3.0	3.2	17.3
<b>EBT</b>	30.4	4.1	12.5	2.0	17.9	
Tax on income and earnings	-13.7	-1.9	-6.2	-1.0	-7.5	
<b>Annual profit</b>	16.7	2.2	6.3	1.0	10.4	

**Earnings per share acc. to IAS 33 in €** **0.38** **0.15**

\* Figures adjusted as to reporting of transaction costs

## Consolidated Balance Sheet

<b>ASSETS</b>	30 JUNE 2007 € M	31 DEC. 2006 € M	30 JUNE 2006 € M
<b>Long-term assets</b>			
Intangible assets	96.1	97.4	100.5
of which goodwill	70.5	70.6	70.3
Tangible assets	173.5	167.9	157.6
Financial assets	0.2	0.2	0.3
Trade debtors	0.1	0.8	1.2
Other long-term assets	19.3	18.5	9.5
Deferred taxes	34.5	31.4	28.7
	<b>323.7</b>	<b>316.2</b>	<b>297.8</b>
<b>Short-term assets</b>			
Inventories	340.0	293.0	317.7
Trade debtors	288.7	252.5	292.2
Other short-term assets	58.2	49.9	67.2
Cash and securities	37.5	42.2	38.2
Long-term assets held for sale	1.1	1.1	0.0
	<b>725.5</b>	<b>638.7</b>	<b>715.3</b>
	<b>1,049.2</b>	<b>954.9</b>	<b>1,013.1</b>
<b>EQUITY AND LIABILITIES</b>	30 JUNE 2007 € M	31 DEC. 2006 € M	30 JUNE 2006 € M
<b>Equity</b>			
Subscribed capital	112.6	112.6	112.6
Capital provisions	68.3	68.3	68.3
Revenue provisions	116.8	108.1	86.7
Minority interests	-0.4	-0.4	-0.1
	<b>297.3</b>	<b>288.6</b>	<b>267.5</b>
<b>Long-term liabilities</b>			
Long-term financial liabilities	262.0	226.6	315.9
Pension provisions	27.8	28.0	28.0
Other long-term provisions	24.5	23.6	22.5
Trade creditors	1.0	0.7	0.9
Other long-term liabilities	1.0	8.8	5.1
Deferred taxes	7.6	9.7	10.5
	<b>323.9</b>	<b>297.4</b>	<b>382.9</b>
<b>Short-term liabilities</b>			
Short-term financial liabilities	37.6	32.2	48.6
Other short-term provisions	136.6	114.7	80.5
Payments received on account	72.4	55.0	45.7
Trade creditors	135.9	130.2	134.8
Liabilities from bills of exchange	0.2	0.1	21.4
Other short-term liabilities	45.3	36.7	31.7
	<b>428.0</b>	<b>368.9</b>	<b>362.7</b>
	<b>1,049.2</b>	<b>954.9</b>	<b>1,013.1</b>

## Consolidated Cash Flow Statement

	2007	2006
	1 JAN.-30 JUNE	1 JAN.-30 JUNE
	€ M	€ M
<b>CASH FLOW FROM CURRENT OPERATIONS</b>		
Earnings before taxes (EBT)	30.4	12.5
Taxes on profit	-13.7	-6.2
Depreciation of assets	14.7	15.3
Changes in deferred taxes	-5.2	1.5
Changes in long-term provisions	0.7	0.7
Other non-cash expenses and income	1.0	1.9
Changes in short-term provisions	21.9	4.9
Changes in inventories, trade debtors and other assets	-90.7	-41.4
Changes in trade payables and other liabilities	24.2	-14.4
	-16.7	-25.2
<b>CASH FLOW FROM INVESTMENT ACTIVITY</b>		
Amounts paid out for investments in intangible and tangible assets	-20.8	-10.0
Amounts paid out for investments in financial assets	0.0	-1.4
Amounts received from the disposal of fixed assets	2.0	1.2
	-18.8	-10.2
<b>CASH FLOW FROM FINANCING ACTIVITY</b>		
Amounts received from raising (financing) credits	39.4	56.3
Distribution of dividends to shareholders	-8.7	-4.3
	30.7	52.0
Changes affecting payments	-4.8	16.6
Consolidation and exchange rate related changes not affecting payments	0.1	-0.3
Liquid funds as at 1 January	42.2	21.9
Liquid funds as at 30 June	<b>37.5</b>	<b>38.2</b>

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## Statement of Changes in Group Equity

	SUBSCRIBED CAPITAL € M	CAPITAL PROVISIONS € M	REVENUE PROVISIONS € M	MINORITY INTERESTS € M	GROUP EQUITY € M
As at 1 January 2007	112.6	68.3	108.1	-0.4	288.6
Annual profit	0.0	0.0	16.7	0.0	16.7
Changes in currency / Changes in market value of derivatives	0.0	0.0	0.7	0.0	0.7
Consolidation transactions / other changes	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	-8.7	0.0	-8.7
<b>As at 30 June 2007</b>	<b>112.6</b>	<b>68.3</b>	<b>116.8</b>	<b>-0.4</b>	<b>297.3</b>

	SUBSCRIBED CAPITAL € M	CAPITAL PROVISIONS € M	REVENUE PROVISIONS € M	MINORITY INTERESTS € M	GROUP EQUITY € M
As at 1 January 2006	112.6	68.3	85.0	-0.1	265.8
Annual profit	0.0	0.0	6.3	0.0	6.3
Changes in currency / Changes in market value of derivatives	0.0	0.0	-0.3	0.0	-0.3
Consolidation transactions / other changes	0.0	0.0	0.0	0.0	0.0
Dividend	0.0	0.0	-4.3	0.0	-4.3
<b>As at 30 June 2006</b>	<b>112.6</b>	<b>68.3</b>	<b>86.7</b>	<b>-0.1</b>	<b>267.5</b>



## Consolidated Segmental Reporting

<b>2<sup>ND</sup> QUARTER 2007</b>	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales revenues	270.4	118.4	0.1	0.0	388.9
EBIT	16.3	20.7	-7.2	-0.5	29.3
Investments	10.4	2.4	1.2	0.0	14.0
Employees	3,446	2,190	83	0	5,719

<b>2<sup>ND</sup> QUARTER 2006</b>	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales revenues	216.3	101.0	0.0		317.3
EBIT	6.8	17.9	-3.6*	-0.5	20.6*
Investments	5.1	1.9	0.1		7.1
Employees	3,221	1,995	71		5,287

\* Previous year's figures adjusted as to reporting of transaction costs

<b>FIRST 6 MONTHS 2007</b>	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales revenues	484.6	224.4	0.2	0.0	709.2
EBIT	24.5	33.8	-11.9	-0.7	45.7
Investments	15.3	3.6	1.9	0.0	20.8
Employees	3,446	2,190	83	0	5,719

<b>FIRST 6 MONTHS 2006</b>	MACHINE TOOLS € M	SERVICES € M	CORPORATE SERVICES € M	TRANSITIONS € M	GROUP € M
Sales revenues	399.8	191.5	0.1		591.4
EBIT	9.6	29.1	-7.3*	-0.4	31.0*
Investments	8.0	3.0	0.4		11.4
Employees	3,221	1,995	71		5,287

\* Previous year's figures adjusted as to reporting of transaction costs

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### Notes to the Interim Consolidated Financial Statements

**1 APPLICATION OF REGULATIONS** The Interim Consolidated Financial Statements of GILDEMEISTER Aktiengesellschaft as of 30 June 2007 were prepared, as were the Consolidated Financial Statements of the year ending 31 December 2006, in accordance with the International Financial Reporting Standards (IFRS) applicable on the reporting date and in accordance with the interpretation of the above standards. In particular, the regulations of the IAS 34 on interim reporting were applied.

All interim financial statements of those companies that were included in the Interim Consolidated Financial Statements were prepared in accordance with uniform accounting and valuation principles that also formed the basis for the Consolidated Annual Financial Statements for the year ending 31 December 2006.

Bearing in mind the sense and purpose of the 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 exercising of election rights according to IFRS.

In the interests of a more precise presentation of costs, GILDEMEISTER has made a change to the information presented in the Income Statement. Expenses from the amortisation of transaction costs for the corporate bond issue and the syndicated loan facility that were previously reported in other operational costs are now accounted for in the financial results as was the case in the consolidated financial statements as at 31 December 2006. As at 30 June 2006 transaction costs of € 2,792 κ and as of 30 June 2007 an amount of € 856 κ were reported in the financial result.

The accounting and valuation principles and applied consolidation methods remain unchanged from the financial year 2006. Since 1 January 2007, new standards and interpretations of the IFRS accounting rules have come into force, which were obligatorily applied to the present consolidated financial statements. For further details we refer to the Notes to the Consolidated Financial Statements of the year ending 31 December 2006.

**2 CONSOLIDATED GROUP** As at 30 June 2007, the GILDEMEISTER group comprised 68 companies, including the GILDEMEISTER Aktiengesellschaft, 67 of which were included in the Interim Financial Statements as part of the full consolidation process. The changes are commented on in the “Business Development” section. The changes do not impair comparison with the Consolidated Financial Statements for the year ending 31 December 2006.

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

Group result excluding profit share of other shareholders	€ 16,661 κ
Average weighted number of shares	43,302,503 pieces
Earnings per share acc. to IAS 33	€ 0.38

There were no dilution effects in the reporting period.

4 CONSOLIDATED INCOME STATEMENT, BALANCE SHEET, CASH FLOW STATEMENT	Details on the consolidated income statement, the consolidated balance sheet and on the consolidated cash flow statements may be found in the section “Results of Operations, Net Worth and Financial Position”.	Economic Development
5 STATEMENT OF CHANGES IN GROUP EQUITY	The group annual profit as at 30 June 2007 of € 16.7 million had the effect of increasing equity. Equity rose due to currency translations not recognised in the balance sheet and the change in market valuation of derivative financial instruments of € 0.7 million. The distribution of the dividend in May 2007 (€ -8.7 million) reduced equity.	
6 CONSOLIDATED SEGMENTAL REPORTING	No changes have occurred in the delimitation of segments or in the determination of results achieved by each segment compared with 31 December 2006. Further details on the course of business are included in the section “Segments”.	Business Development
7 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE	Significant events occurring after the balance sheet date are presented in “Forecast 2007”. No other significant events have occurred.	Opportunities and Risk Report

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### Responsibility Statement

As of 20 January 2007 the **Takeover Bids Directive Implementation Act (TUG)** is applicable. According to Section 37 w paragraph 2 no. 3 of the WpHG (Securities Act), the executive board of GILDEMEISTER Aktiengesellschaft is required to make the following statement of responsibility in connection with the present interim report:

*“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, 2 August 2007

GILDEMEISTER Aktiengesellschaft

The Executive Board



Dipl.-Kfm. Dr. Rüdiger Kapitza



Dipl.-Ing. Günter Bachmann



Dipl.-Kfm. Dr. Thorsten Schmidt



Dipl.-Kfm. Michael Welt

Supervisory Board:

Hans Henning Offen, Chairman;

Gerhard Dirr, Deputy Chairman

# Financial Calendar

25 SEPTEMBER 2007	German Investment Conference
07 NOVEMBER 2007	3 <sup>rd</sup> Quarterly Report 2007 (1 July to 30 September)
12 FEBRUARY 2008	Press release on Provisional Figures for the financial year 2007
13 MARCH 2008	Press conference on Financial Statements
13 MARCH 2008	Publication of Annual Report 2007
14 MARCH 2008	DVFA Analysts' Conference
16 MAY 2008	General Meeting of Shareholders at 10 am 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 estimates by the management regarding future developments. Such statements are subject to risks and uncertainties and as such it is impracticable for GILDEMEISTER to carry out a check or make a precise estimate, such as for example for the future market environment and the general economic conditions, the conduct of the market participants, the successful integration of new acquisitions and the realisation of expected synergy effects as well as measures by state agencies. Should one of these uncertainty factors or incalculabilities occur, or should the assumptions on which these statements are based turn out to be incorrect, the actual results may deviate significantly from the results explicitly stated or implicitly included in these statements. GILDEMEISTER neither intends nor assumes a separate obligation to update forward-looking statements in order to adapt them to events or developments after the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein.

This report is available in German and English; both versions are available on the Internet for downloading at [www.gildemeister.com](http://www.gildemeister.com). Further copies and additional informative literature on GILDEMEISTER are available free of charge upon request.

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