- Check against delivery -

Speech for the
Balance Sheet Press Conference of
DMG MORI SEIKI AKTIENGESELLSCHAFT
for the financial year 2014

on 12 March 2015, 11:00 a.m. in Düsseldorf,
at the Intercontinental Hotel

Ladies and gentlemen,

The DMG MORI SEIKI group completed the financial year 2014 as the **best year in the company's history**. In a challenging market environment, we achieved record results in order intake, sales revenues and income**.**

I would like to start with the **industry's development** and follow this with a report on the **financial year 2014** and the **outlook for 2015.**

Industry development 2014

International development

The **world market for machine tools** recorded only modest growth in the year 2014, according to the German Machine Tool Builders' Association (VDW). **World consumption** rose by 2.9% to € 60.7 billion (previous year: € 59.0 billion); the main cause of this were exchange rate effects. Asia meanwhile recorded a growth of 5.4% (previous year: -20.2%). In North and South America, the development declined by -5.8% (previous year: -11.5%); consumption in the USA, however, remained stable (+ 0.1%). In Europe, demand for machine tools rose by 4.1% (previous year: +1.1%).

Most machine tools were once again consumed in **China** (+0.3%). At a volume of € 19.4 billion, China had a share of 32% in the world consumption (previous year: € 19.3 billion). We calculate the share in our relevant market to be worth € 6.8 billion. The second most important market for machines tools in 2014 was the **USA** with a stable consumption of € 6.1 billion (previous year: € 6.1 billion; +0.1%). In the third largest market, **Germany**, consumption rose in the reporting period by 1.7% to € 5.6 billion. **Japan** was the strongest growing market in 2014, with a consumption of € 4.4 billion and was in fourth place in the ranking of markets (previous year: € 3.0 billion; +48.9%). (As was the case in the previous year, this value was strongly diluted by currency fluctuations in the reporting year as well). South Korea with € 3.7 billion held its spot in fifth place as in the previous year (previous year € 3.3 billion; +11.1%). **These five markets represent 64% of the worldwide consumption of machine tools.**

In respect of **world production**, the VDW calculated a rise of 2.9% or € 1.7 billion to € 60.7 billion (previous year: € 59.0 billion). The world's biggest producer of machine tools in 2014 was **China** with a volume of € 12.7 billion (previous year: € 13.3 billion; -4.1%), in **Japan** the production reached € 11.0 billion (previous year: € 9.1 billion, +21.0%) or 18% of global production. **Germany** at € 10.8 billion (previous year: € 11.1 billion; -3.5 %) was once again the third largest producer; this equates to 18% of world production. Ranking fourth and fifth are South Korea and Italy. **These five markets represent 71% of the worldwide production of machine tools.**

German machine tool industry

In 2014, the German machine tool industry recorded declining sales revenues, but a stable production and stagnating order intake. At € 14.8 billion **order intake** in Germany was 4% above the level of the previous year (€ 14.2 billion). At the same time, domestic demand rose by 6% (previous year: -7.0%), demand from abroad increased by 4 % (previous year: -6.0%).

Production at € 13.2 billion was on the same level as in the year before. As in the previous year, 70% of machine tools manufactured in Germany went to export. The most important export market for German machines tools was once again **China** at € 2.3 billion (previous year: € 2.3 billion), this represents 25% of German machine tool exports (previous year: 25%), followed by the **USA** with € 0.9 billion (10%) and **Russia** at € 0.5 billion (5%).

Financial year 2014 of the GILDEMEISTER Group

The DMG MORI SEIKI group completed the **financial year 2014 as the best year in the company's history**. In a challenging market environment, we achieved record results in order intake, sales revenues and income. We accomplished to meet our forecasts and even outperform them slightly. With an order intake of € 2.3 billion, sales revenues totalling € 2.2 billion and earnings before taxes and interest (EBIT) totalling € 182.6 million, we have considerably exceeded last year’s figures.

We have further pushed ahead additional strategic projects during the reporting year. Here, the cooperation with our Japanese partner, **DMG MORI SEIKI COMPANY LIMITED**, formed a central element in our strategy. Thus, in the field of sales and services, we were able to successfully expand our aspired collaboration with our partners in Brazil and Canada in the middle of the year. Together with our cooperation partner, we are now represented on all major markets as of the end of 2014, operating **154 sales & service centres in 34 countries around the globe.**

We intend to further strengthen **international market presence** together. One major milestone was set in this respect with the opening of our **Global Headquarters Europe** in Winterthur in December 2014. All sales and service activities under the DMG MORI brand are organised out of Winterthur. From now on, we will steer the Asian markets out of the **Global Headquarters in Tokyo**.

Order intake

In a market environment becoming increasingly more difficult, we accomplished to record the **highest order intake volume in the company's history** at € 2,331.4 million (previous year: € 2,101.1 million). Orders in the “Machine Tools" segment were € 1,256.5 million (previous year: € 1,183.6 million). The “Industrial Services" segment, which includes the fields Services and Energy Solutions, recorded order intake of € 1,074.7 million (previous year: € 917.3 million).

In **Germany**, orders rose by 15% to € 814.5 million (previous year: € 705.8 million). Order intake from the rest of **Europe** amounted to € 879.6 million (previous year: € 847.6 million; +4%). In **America**, orders rose by +13% to € 180.8 million (previous year: € 160.1 million). In **Asia,** business improved by 17% to € 453.5 million, of which € 227.8 million was contributed by China (previous year: € 173.0 million).

Sales revenues

Sales revenues of € 2,229.0 million reached an **all-time high in the company's history.** They were € 174.8 million or 9% above the previous year's figure (€ 2,054.2 million). International sales revenues rose by 5% to € 1,449.8 million, domestic sales revenues amounted to € 779.2 million. The export share was 65%.

Segment reporting

Our business activities comprise the “Machine Tools” and ”Industrial Services” segments. The segments developed as follows:

The “**Machine Tools**“ segment is our core segment and includes the new machines business of the group. Sales revenues amounted to € 1,258.4 million (previous year: € 1,220.6 million, +3%) and reached **56%** (previous year: 59%).

The **"Industrial Services"** segment accounted for a share of **44%** (previous year: 41%). Overall, sales revenues reached € 970.4 million (previous year: € 833.4 million).

As in the year before, **"Corporate Services"** had a sales share of less than 1%.

Order backlog

On 31 December 2014, the **order backlog** at the group was € 1,134.3 million; it was thus € 102.4 million or 10% above the previous year's figure (€ 1,031.9 million). This signifies a calculated production capacity utilisation of an average five months - a good basic capacity utilisation for the current financial year.

Results of Operations 2014

The DMG MORI SEIKI group was able to improve its key income figures as at 31 December 2014 compared to the previous year and has thereby achieved the best result in company's history: EBITDA increased for the whole year by 20% to € 232.5 million (previous year: € 193.9 million); **EBIT** amounted to € 182.6 million (+24%, previous year: € 147.6 million); the EBIT margin rose to 8.1% (previous year: 7.2%). **EBT** rose by 30% to € 175.3 million (previous year: € 135.0 million) and the **annual profit** of the group reached € 121.1 million (+30%, previous year: € 93.2 million). **We have thereby reached the highest values in all key income figures in the company's history.**

Earnings per share are € 1.41 (previous year: € 1.33). The Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT will propose to the Annual General Meeting on 8 May 2015, to distribute a higher dividend of € 0.55 per share for financial year 2014 (previous year: € 0.50).

DMG MORI SEIKI AKTIENGESELLSCHAFT share

The development of DMG MORI SEIKI AKTIENGESELLSCHAFT share in the past year proved to be volatile. Over the year, it increased slightly in value by 2.1%. Essentially, the main factor influencing share performance was the above-average level of volatility on the capital markets, shaped by numerous global political conflicts and the resulting macro-economic instability. In comparison, the MDAX rose by around 2.5%.

In the stock market year 2014, the share was initially quoted at € 23.02 (2 January 2014) and reached its highest value of € 26.82 on 25 July 2014. Following the publication of the business figures for the first half year, the share noted a strong price downturn of 10.8%, which was to continue for the subsequent two weeks. Another drop of the share price occurred in late October (-4.4%), which came to an end not before 28 October, hitting the lowest mark of the year at € 18.85, following the announcement of business figures for the 3rd quarter. In the subsequent weeks, the share again recorded rising prices and closed on 30 December 2014 at a price of € 23.50. In the course of the voluntary public takeover bid from DMG MORI SEIKI COMPANY LIMITED on 21 January 2015, the share posted a 12.6% jump in the share price on the next day to reach € 28.82. Currently, our share price is quoted at € 30.53 (XETRA closing price on 9 March 2015).

The following provides some explanatory notes on the DMG MORI SEIKI Group Consolidated Financial Statements for 2014:

Net worth and financial position

The **balance sheet total** rose to € 2,229.8 million (previous year: € 2,010.0 million). The group's financial position developed positively overall in the reporting period: The **free cash flow** was positive at € 86.1 million (previous year: € 67.3 million).

Equity

Equity rose by € 101.7 million to € 1,266.1 million (previous year: € 1,164.4 million). The rise essentially resulted from the annual profit in the amount of € 121.1 million. The **equity ratio**, due to the risen balance sheet total, amounted to 56.8% (previous year: 57.9%).

Investments

Investments in **plant, property and equipment and in intangible assets** amounted to € 136.9 million (previous year: € 106.6 million).The increase compared to the previous year is essentially due to the consistent continuation of our global growth strategy, as announced, as well as far-reaching modernisation measures. Depreciation and write-downs of fixed assets, taking into account capitalised development costs and finance leases at € 49.9 million, was above the previous year's level (€ 46.3 million).

At the centre of the investments were our **large projects** that have already commenced. For example, the grand opening on 3 June marked the completion of the **modernisation of our production site in Bergamo (Italy),** where we have built a new assembly hall and commissioned a new technology centre. On 8 July we have opened the new **XXL centre in Pfronten,** a state-of-the-art centre for large machines. The construction of our modern **production plant in Ulyanovsk (Russia) and of our new technology centre in Moscow** progressed on schedule. Accordingly, we could already celebrate the roofing ceremony on 16 October in Ulyanovsk and expect to open the plant in the 4^{th} quarter of this year.

On 15 December, we opened our **Global Headquarters Europe in Winterthur** in a grand opening ceremony. From there, all sales and service activities under the DMG MORI brand are organised. Besides the global headquarters in Tokyo, Winterthur is the second global sales and service centre of DMG MORI.

In addition, with DMG MORI Systems in Wernau, we have initiated the first steps to invest more in the system business segment.

Employees

On 31 December 2014, the group employed 7,166 employees, (previous year: 6,722). Thus the number of employees rose by 444 compared to the previous year. In the "Machine Tools" segment, we have hired new employees primarily at our sites in Pfronten and Ulyanovsk, as well as at DMG MORI Systems GmbH in Wernau. The personnel increase in the "Industrial Services" segment resulted largely from bundling DMG MORI sales and service capacities in China, Brazil, Canada and Russia.

At the end of December 2014, a total of 248 **trainees** were employed at the group (previous year: 225). At the start of the new training year, 58 trainees were hired.

Employee expenses rose by € 40.9 million to € 506.1 million (previous year: € 465.2 million). The personnel expenses ratio decreased as a consequence of higher gross revenue to 22.4% (previous year: 22.6%).

Research & development

Together with our cooperation partner, we have presented **19 world premieres** at 58 national and international trade fairs, as well as in-house exhibits, where we have displayed our bundled innovative force. Among them were 12 new developments of our own, four joint developments, and three world premieres of our cooperation partner. The research and development (R&D) expenditures of € 44.1 million were rounded 3.8% above the level of the previous year (€ 42.5 million). In light of the rising demand for customer-specific solutions, special constructions are becoming increasingly important.

At the industry highlight of the reporting year in Germany, the **AMB** in Stuttgart, DMG MORI, as the biggest exhibitor, presented 46 high-tech machines with CELOS and in the new design. In the USA, at the **IMTS** in Chicago, 40 high-tech exhibits were shown – with CELOS and in the new design. Likewise, at the **JIMTOF** in Tokyo, 32 high-tech machines were well received by the expert visitors.

Their main interest worldwide was especially attracted by our APP-based control and operating software **CELOS.** CELOS simplifies and accelerates the process from the idea to the finished product, and creates the basis for paper-free production. A multi-touch display enables CELOS to operate currently twelve APPs for a continuous, digitalised management, documentation, and visualisation of order, process and machine data.

CELOS is compatible with other systems, like PPS or ERP, and enables inter-connectivity with CAD/CAM applications. This makes CELOS a key element for networked, intelligent production, and to DMG MORI it is an essential step towards Industry 4.0.

In addition, we have set highlights in machine tool manufacturing with the standardised and unmistakable **corporate design**. Through the use of new surfaces that improve protection from damages, we ensure higher value stability of our machines. Since the IMTS in Chicago, DMG MORI has only presented machines in the new common corporate design.

The **LASERTEC 65 3D Additive Manufacturing** found particular customer interest. Components are manufactured in finished parts quality through a combination of generative production and milling. The unique process integration of laser jobs with powder nozzle and milling in one machine offers new possibilities for the production of highly complex and customised products.

In the reporting year, we have continued to optimise our offer in the "**Industrial Services**" segment. In this process, especially the software development was pushed ahead further. With the DMG MORI SEIKI LifeCycle Services, we offer our customers a unique service portfolio for the maximisation of their machines' productivity.

With **GILDEMEISTER energy solutions,** we have successfully established the energy monitor in the market and have expanded it for new functionalities. The innovative software enables a systematic energy management and thereby considerable cost reductions for our customers. In order to be well positioned in the rapidly growing market of e-mobility, we have developed a new e-petrol station solution with the eCube. It is a reason why we are very well positioned in the market on field of quick charging. Furthermore, we were successful in obtaining the approval for our "CellCube" storage in the important North American market.

Outlook on the financial year 2015

CURRENT:

On **21 January** 2015, a **Cooperation Agreement** was signed for **2015** between DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED. In accordance with the agreement, DMG MORI SEIKI COMPANY LIMITED announced on the same day that it would make a **voluntary public takeover bid** for the outstanding shares of DMG MORI SEIKI AKTIENGESELLSCHAFT. DMG MORI SEIKI COMPANY LIMITED initially offered all shareholders of the company € 27.50 in cash per share. With its offer, DMG MORI SEIKI COMPANY LIMITED intended to obtain a participation of more than 50% in DMG MORI SEIKI AKTIENGESELLSCHAFT. On 11 February 2015, the offer documents were submitted to the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT.

In their joint reasoned statement on 23 February 2015, the Executive Board and the Supervisory Board recommended shareholders to accept the offer. The Executive Board and the Supervisory Board based their recommendation on a fairness opinion prepared by Deutsche Bank and an expert opinion from KPMG.

On 3 March 2015, DMG MORI SEIKI COMPANY LIMITED informed that it has acquired additional 9,471,119 shares in total by way of package acquisitions outside of the stock exchange (equivalent of 12.02% of the share capital and voting rights), and that it therefore now holds a total participation of 38.52% in the share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT. Based on the acquisition price of € 30.00 per share, the offer price also increased to € 30.00 per share for all shareholders.

In order to achieve the objectives pursued with the offer by both sides, on 9 March we agreed with DMG MORI SEIKI COMPANY LIMITED to reduce the offer condition of achieving a minimum participation from 50% (plus one share) to 40%. In return, DMG MORI SEIKI COMPANY LIMITED agreed that all shareholders accepting the offer will receive an additional amount of € 0.55 per share. This amount is equivalent to the dividend to be proposed for adoption at the annual general meeting on 8 May 2015. The offer price that is offered as part of the tender offer has thus been increased from the most recent price of € 30.00 to € 30.55, which is equivalent to a premium of 43.0% on the volume-weighted average stock price (three months before publication of the offer) or of 21.4% on the most recent stock exchange price before publication of the offer.

Moreover, on 9 March 2015 DMG MORI SEIKI COMPANY LIMITED informed that it has purchased off-market further 1,674,300 shares (corresponding to 2.12% of the total share capital and the voting rights) and thus now holds a total stake of 40,64% of the total share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT (status: 11 March 2015). The minimum participation threshold of 40% has thus already been exceeded.

On the current business development:

The **German machine tool industry** benefited at the beginning of the year from the positive expectations of the economy. The orders in the beginning of the year were nearly at the same level as in the previous year. The German Machine Tool Builders' Association (VDW) and Oxford Economics assume that the **world market for machine tools** will record a growth of 7.3% in the current financial year

DMG MORI SEIKI started out the year as planned: The largest industry trade fair in India – the IMTEX in Bangalore – returned an order intake of € 11.5 million and 68 machines sold. At the traditional in-house exhibit at **DECKEL MAHO Pfronten**, which was hosted for the 20th time, we recorded an order intake of € 177.1 million and 688 sold products – including large-scale orders from the USA (€ +11.7 million), from China (€ +10.4 million), and Japan (€ +4.9 million). None-theless, the financial year 2015 remains volatile**.**

At the beginning of the year 2015, order intake was slightly below the level of the previous year. **Order intake** in January and February amounted to € 365.3 million (previous year: € 382.4 million). In the first quarter of 2015, we expect an order intake of around € 580 million (previous year: € 601.2 million) and of around € 2.4 billion for the complete year. For the first quarter 2015, we expect **sales revenues** above the level of the previous year (1st quarter 2014: € 505.1 million). In the financial year 2015, we are planning sales revenues of about € 2.25 billion. The **result** in the first quarter 2015 will be below the result of the same quarter in the previous year. For the entire year, we are planning EBIT of around € 165 million and EBT of around € 160 million.

In the current financial year, our focus together with our Japanese partner is on production capacities in strategically important markets. In Russia, the construction of our **production plant in Ulyanovsk** as well as our new technology centre in Moscow is progressing on schedule. We will bundle our shared competencies with **DMG MORI Systems GmbH** worldwide in the area of system and automation solutions. In Baden-Württemberg, we will build a new assembly centre, from where we will start supplying our customers in the automotive industry with system solutions as of early 2016.

In the **research and development** segment, we will continue pursuing our innovation-oriented strategy for increasing customer benefits together with our cooperation partner during the current year. We will present the success of our cooperation at trade fairs such as the **EMO trade fair in** Milan. The continuous innovation and integration of our product portfolio forms the basis for a sustainable company development.

Overall, for the **financial year 2015**, we expect an increasingly volatile situation. The motto of our 2014 financial report is **"identify the chances – shape the future"**. We are well positioned in the global market with our cooperation partner DMG MORI SEIKI COMPANY LIMITED in order to use the business opportunities presented to us.

Düsseldorf, 12 March 2015
Dr Rüdiger Kapitza
Chairman of the Executive Board

Statements relating to the future

This press release contains statements relating to the future, which are based on current estimates by the management regarding future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors, which could lead to the actual future circumstances including the assets, liabilities, financial position and profit or loss of DMG MORI SEIKI AKTIENGESELLSCHAFT differing materially from or being more negative than that those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI SEIKI AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may result in forward-looking statements estimates or forecasts becoming inaccurate. 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 stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. Forward-looking statements must not be understood as a guarantee or assurance of future developments or events contained therein.

There are two companies using the name “DMG MORI SEIKI“: DMG MORI SEIKI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI SEIKI COMPANY LIMITED with registered office in Nagoya, Japan. This release refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT. If reference is made in this release to the “DMG MORI SEIKI group”, this refers exclusively to the DMG MORI SEIKI AKTIEN-GESELLSCHAFT and its group companies.