One Brand

for the World.

Speech at the

Balance Sheet Press Conference of

DMG MORI SEIKI AKTIENGESELLSCHAFT

for financial year 2013

DMG MORI SEIKI

AKTIENGESELLSCHAFT

- Check against delivery -

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Balance Sheet Press Conference of DMG MORI SEIKI AKTIENGESELLSCHAFT
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on 12 March 2014, 11.00 a.m. in Dusseldorf
at the Hotel Intercontinental

Ladies and gentlemen,

The financial year 2013 was once again a successful year: The DMG MORI SEIKI group was able to improve the quality of earnings in a challenging market environment. The year was not only marked by our comercial success: On 1 October 2013, GILDEMEISTER AKTIENGESELLSCHAFT became DMG MORI SEIKI AKTIENGESELLSCHAFT and, in Japan, MORI SEIKI Co., Ltd. became DMG MORI SEIKI COMPANY LIMITED. Together we will appear worldwide under the DMG MORI brand: Two strong companies and an international leading partnership in machine tool building.

Let me now start with the **development of the industry** followed by the report on **financial year 2013** and the **outlook 2014.**

Industry development 2013

International development

The **world market** for machine tools declined in 2013 according to the figures of the German Machine Tool Builders‘ Association (VDW). **World consumption** fell by 12.1% to € 59.6 billion (previous year: € 67.8 billion). The decline in Asia was 18.6% (previous year: +8.2%). Essentially this was due to the heavily corrected figures on consumption and production in China. The VDW calculates that consumption in China has fallen by 20.5% or € 5.1 billion to € 19.7 billion. In a worldwide comparison, consumption in Europe fell least at 0.8% (previous year: +6.2%). In America the trend in 2013 was likewise downwards at -5.1% (previous year: +22.1%).

Despite the decline of 20.5%, the majority of machine tools were consumed once again in **China** in 2013. With a volume of € 19.7 billion, China accounted for 33% of global consumption (previous year: € 24.8 billion). The second most important market for machines tools in 2013 was the **USA** with consumption of € 6.1 billion (previous year: € 6.8 billion; -11.2%). In the third largest market, **Germany**, consumption rose in the reporting period by 5.9% to € 5.3 billion. Of this, € 3.7 billion was attributed to the relevant area for us of cutting machines, that is, 70% (previous year: € 3.9 billion; -5.7%). In **Japan** consumption decreased in local currency by 13.2% and took fourth place with € 4.0 billion (previous year: € 4.6 billion). **South Korea** was in fifth place as in the previous year with € 3.4 billion (previous year: € 3.4 billion; -2.2%). **These five markets represent 65% of the global consumption of machine tools.**

The VDW also calculated a decline in **global production** of 12.2% or € 8.2 billion to € 59.6 billion (previous year: € 67.8 billion). The world's biggest producer of machine tools in 2013 was **China** with a volume of € 13.5 billion - the equivalent of 23% of machine tools produced worldwide (previous year: -14.3%). **Japan** followed with production of € 11.7 billion (previous year, in local currency: -17.9%) or 20% of global production. **Germany** at € 11.1 billion (previous year: +2.9%) was once again the third largest producer; this equates to 19% of world production. It was followed in fourth and fifth places by Italy and South Korea. **These five countries represent 76% of global machine tool production.**

German Machine Tool Industry

In 2013 the German machine tool industry recorded declining order intake, yet stable production and a rise in sales revenues. At € 14.2 billion, **order intake** in Germany remained 6% below the previous year's figure (€ 15.1 billion). Domestic demand fell by 7% (previous year: -10%), international demand decreased by 6% (previous year: -11%). **Production** rose by 2.2% to € 13.4 billion and thus exceeded the previous year's figure (€ 13.1 billion). Of the machine tools produced in Germany, 68% were exported (previous year: 73%). The most important export market for German machines tools was once again **China** at € 2.3 billion (previous year: € 2.6 billion); this represents 25% of German machine tool exports (previous year: 27%), followed by the **USA** with € 0.9 billion (10%) and **Russia** with € 0.5 billion (6%).

Financial year 2013 of the DMG MORI SEIKI group

The DMG MORI SEIKI group has achieved its goals for financial year 2013. In a challenging market environment we were able to improve the quality of earnings. **The EBT and the annual profit each achieved their highest figure in the company's history.** Sales revenues reached € 2.054 billion, thus we have clearly performed much better than the industry average. This success was reflected in our share price: With growth of 41% (year-on-year), the share was once again one of the MDAX winners of the year.

We have successfully expanded the **cooperation with our Japanese partner**. In the Chinese and Russian markets we are now combining our sales and service activities; the cooperation in Canada and Brazil is currently being implemented. This means we are **present on all the major markets worldwide** and from now on can jointly exploit any growth potential.

In the reporting year we pushed ahead with **international production**: Capacity in the growth markets has been increased and we are planning to increase production locally in line with requirements.

An important condition for strengthening our cooperation was the successful implementation of the capital measures, which we had announced in March 2013. They are an integral part of the **Cooperation Agreement,** in which we have set out the framework for intensifying our partnership.

With the **capital increase in kind** we have acquired shares in two key strategic subsidiaries of our cooperation partner. In the current financial year this will open up access for us to production capacity in Davis (USA) and to the high-precision position measuring technology of Magnescale (Japan).

From the **subscription rights capital increase** we achieved net proceeds of around € 210 million. Our shareholders made extensive use of their pre-emptive rights: the placement ratio was 99.6% and shows the trust that they have in the development of our company and in the cooperation.

The **Joint Committee** has set to work. The Joint Committee is composed of senior executives from both companies. It manages and coordinates the joint worldwide activities, in this way we will grow even closer together. Thus in addition to the capital measures and the change of name, we have implemented a further essential part of the Cooperation Agreement.

In summer 2013, we received approval from the antitrust authorities for further intensification of the cooperation and the related measures associated with this.

Order Intake

Despite the difficult market conditions, we were able to post order intake of € 2,101.1 million. Orders in the “Machine Tools“ segment were € 1,170.1 million. The “Industrial Services“ segment, which includes the Services and Energy Solutions divisions, recorded order intake of € 930.8 million.

In **Germany** orders fell by 4% to € 705.9 million (previous year: € 735.8 million). In the rest of **Europe** steady order intake was recorded (€ 847.5 million, -1%). In **America** orders were 9% below the previous year's level (€ 160.1 million). In **Asia** the business shrank by 22% to € 386.4 million, China accounted for € 173.0 million of this.

Sales Revenues

Sales revenues rose to € 2,054.2 million and were **therefore higher than the record level of the previous year**. International sales revenues rose by 5% to € 1,377.7 million; domestic sales revenues were € 676.5 million. The export ratio rose to 67%.

Segment Report

Our business activities comprise the "Machine Tools" and "Industrial Services" segments. The segments performed as follows:

The **"Machine Tools" segment** is our core segment and includes the new machines business of the group. Sales revenues grew by € 1,209.9 million (previous year: € 1,175.0 million) and reached **59%** (previous year: 58%).

The "**Industrial Services**" segment contributed a share of **41%** to group sales revenues (previous year: 42%). Overall, sales revenues reached € 844.1 million (previous year: € 862.2 million).

As in the previous year, **"Corporate Services"** contributed less than 1% to sales revenues.

Order backlog

On 31 December 2013, the **order backlog** at the group was € 1,031.9 million; it was thus € 28.4 million or 3% above the previous year's figure (31 Dec. 2012: € 1,003.5 million). This results in a calculated production capacity of an average of some five months - a good basic capacity utilisation for the current business year.

Results of Operations 2013

The DMG MORI SEIKI group was able to improve its key earning figures at 31 December 2013 against the previous year. The **EBITDA** rose over the whole year by 12% to € 193.9 million (previous year: € 173.8 million). **EBIT** amounted to € 147.6 million (+11%, previous year: € 132.9 million), the **EBIT** margin rose to 7.2% (previous year: 6.5%). **EBT** rose by 12% to € 135.0 million (previous year: € 120.1 million) and the **annual profit** in the group reached € 93.2 million (+13%; previous year: € 82.4 million). **In EBT, as in the annual profit, we have achieved the highest figures in the company's history.**

Earnings per share were € 1.33 (previous year: € 1.32). The Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT will propose to the Annual General Meeting on 16 May 2014 to distribute a higher dividend of € 0.50 per share for financial year 2013.

DMG MORI SEIKI AKTIENGESELLSCHAFT share

The **DMG MORI SEIKI AKTIENGESELLSCHAFT share** recorded a positive performance in the past year and gained 41% (year-on-year). The decisive factors in this were the excellent business performance, the positive dynamic on the stock markets and the successfully implemented capital increases. The MDAX achieved a gain of around 36%.

In the stock market year 2013, the share was initially quoted at € 16.38 (2 January 2013) and reached its highest value of € 24.53 on 6 November 2013. The lowest value of the year was € 15.00 (5/8 April 2013). The share closed on 30 December 2013 at € 23.15. The share is currently being quoted at € 22.53 (XETRA closing rate of 11 March 2014).

The following provides some explanatory notes on the Consolidated Financial Statements for 2013 of the DMG MORI SEIKI group:

Net worth and financial position

The **balance sheet total** rose to € 2,010.0 million (previous year: € 1,618.5 million). The group’s financial position developed positively overall in the reporting period: The **free cash flow** was € 67.3 million (previous year: € 99.1 million).

Equity

Equity rose by € 389.1 million to € 1,164.4 million. This rise essentially results from the net income for the year and the capital increases. The **equity ratio** rose to 57.9% (previous year: 47.9%).

Investments

Investments in **plant, property and equipment and in intangible assets** amounted to € 106.6 million (previous year: € 74.5 million). The increase against the previous year is essentially attributable to expanding our production capacity and the realignment of our sales and service activities in Europe. Depreciation of fixed assets, taking into account capitalised development costs and finance leases at € 46.3 million, was above the previous year’s level (€ 40.9 million).

The main focus of our investing activities were the ongoing construction of our **modern production and assembly plant in Ulyanovsk** (Russia) for the production of ECOLINE machines as well as the start of the **big machine production expansion** at our **Pfronten** site. In addition, we have started to implement a new **site concept** in **Brembate** (Italy). In addition to optimising mechanical production and assembly, as well as numerous modernisation measures, we are setting up a new technology centre here.

On 1 October 2013 the ground-breaking ceremony took place for the start of construction of our new **European headquarters in Winterthur (Switzerland).**

On 27 June we opened the **new Spare Parts Centre** at our Geretsried site near Munich, which further strengthens our global spare parts supply.

Employees

On 31 December 2013, the group employed 6,722 employees (previous year: 6,496). The number of employees rose in comparison with the previous year by 226. In the “Machine Tools“ segment we have hired new staff at our sites in Pleszew, Bielefeld and Pfronten. The increase in personnel in the “Industrial Services“ segment was due predominantly to the expansion of our sales and service capacity in Russia, Italy and Germany

At the end of December 2013, a total of 225 **trainees** were employed at the group (previous year: 229). At the start of the new training year, 48 trainees were hired.

Employee expenses rose by € 24.8 million to € 465.2 million (previous year: € 440.4 million). The personnel expenses ratio was 22.6% (previous year: 21.4%).

Research & Development

Together with our cooperation partner we presented **27 world premieres** at 60 national and international trade fairs and open house exhibitions in the reporting period. Amongst these were 15 of our own new developments, five joint developments and seven world premieres of our cooperation partner. Expenses for research and development (R&D) at € 51.9 million were around 7.2% below the previous year’s figure (€ 55.9 million). This is due primarily to synergies in the joint development work with our cooperation partner. At the industry highlight in the reporting period, the **EMO in Hanover,** we presented 18 world premieres.

Together with our cooperation partner we were the largest exhibitor and displayed a total of 104 high-tech exhibits. With order intake of € 276.4 million we achieved a record figure at the trade fair.

With **CELOS** we have presented a unique, joint development, which simplifies the process from the idea to the finished product and speeds up the basis for paperless production. Via a multi-touch display, CELOS currently makes it possible to use 12 apps for the continuous digitalised administration, documentation and visualisation of the order, process and machine data. CELOS is compatible with other systems, such as PPS and ERP, and enables networking with CAD/CAM applications, for example the DMG Virtual Machine. CELOS thus becomes a key element in networked, intelligent production. In addition, CELOS is open to trendsetting app extensions.

Furthermore, through the new **corporate design**, which offers enhanced functionality and user-friendliness, we have emphasised the main features of machine tool construction. By using new surfaces, which improve protection against damage, we are ensuring that our machines enjoy greater value retention. The new design comes in a choice of "BLACK“ or “WHITE“.

Our portfolio in the “**Industrial Services“** segment has been further optimised in the reporting period in all areas, in particular we have pushed ahead with software development. With DMG MORI SEIKI LifeCycle Services, we offer our customers a unique service portfolio to maximise the productivity of their machines.

To complement the **GILDEMEISTER Energy Solutions** we now offer energy efficiency consulting for industrial customers and have developed new software tools. This includes the “Energy Monitor“ for structured, systematic compilation of energy consumption at industrial enterprises.

Forecast for financial year 2014

On current business development:
The Institute for the World Economy (IfW) expects worldwide production to grow by 3.7% in 2014. The ifo business climate index has risen in Germany for the third time in succession; the prospects for future business development continue to be positive.

The **German machine tool industry** benefited at the beginning of the year from the positive expectations of the economy. The order level at the start of the year was rising. The German Machine Tool Builders' Association (VDW) and Oxford Economics are predicting that the **machine tools market worldwide** will record a growth of 5.0% over the course of the financial year.

The year started off according to plan for the DMG MORI SEIKI group: At the traditional open house exhibition at **DECKEL MAHO in Pfronten** we recorded order intake of € 167.6 million. At the CCMT, which took place in 2014 in Shanghai for the first time, we presented our range of products, especially our production plant in China. With order intake of € 16.1 million and 111 machines sold, this trade fair was also very successful for us.

Order intake in January and February was € 382.4 million. For the first quarter of 2014 we are expecting order intake of around € 550 million (previous year: € 518.7 million) and for the entire year of around € 2.3 billion. We are expecting **sales revenues** in the first quarter of 2014 higher than the previous year’s figure (1st quarter 2013: € 466.1 million). In financial year 2014, we are planning sales revenues of around € 2.2 billion. In the first quarter 2014, the **results** will be higher than the previous year’s quarter.

One highlight of the year will be the completion of our **new European headquarters in Winterthur** (Switzerland). In future, we will coordinate our sales and service activities in Europe with our cooperation partner from here. Together we will continue to systematically expand our worldwide sales and service activities and will push ahead with the integration and extension of sites.

In the area of **research and development**, together with our cooperation partner we will continue in the current financial year to pursue our innovations-based strategy to increase customer benefits. We will primarily present the success of our cooperation within the scope of the leading trade fairs, the **AMB** in Stuttgart and the **JIMTOF** in Tokyo. The constant enhancement and development of our product range forms the basis for our sustainable corporate development.

For **financial year 2014** we are expecting a positive business environment overall and moderate growth. We are primarily anticipating that the rate of business development will be considerably faster in the second half of the year. Positive effects are expected above all from expanding our production sites in the growth markets.

The slogan for our financial report 2013 is: **“One brand for the world“.** It stands for two strong companies and an international leading partnership in machine tool building. Through bringing together two global networks, combining our resources and our joint know-how we will also further strengthen our competitive position in the future.

Dusseldorf, 12 March 2014
Dr. Rüdiger Kapitza
Chairman of the Executive Board