Check against delivery

Speech at the balance sheet press conference of GILDEMEISTER Aktiengesellschaft on 15 March 2012 at 11.00 a.m. in Bielefeld-Sennestadt

- Introduction of colleagues -

Ladies and gentlemen,

turning to today's agenda. I would like to commence with the development of the machine tool industry. Following this, the Executive Board will report on the **GILDEMEISTER financial year 2011** and the forecast for 2012.

Industry development 2011

International development

The worldwide market for machine tools developed positively in 2011. **Global machine tool consumption** rose in the reporting year 2011 by 29% to € 60.7 billion (previous year: € 47.1 billion). Once again the most machine tools by far were bought in **China** in 2011. China was once more the world's largest sales market at € 21.4 billion. **Japan's** machine tool consumption grew strongly at +48% and took second position with € 5.5 billion (previous year: € 3.7 billion; share 9%). **Germany** with consumption of € 5.0 billion (+42%; share in global consumption: 8%) took the third place. It was followed by the USA (€ 4.8 billion; 8%) and South Korea (€ 3.7 billion; 6%). **These five markets represent 66% of the worldwide consumption of machine tools.**

According to calculations of the German Machine Tool Builders Association (VDW), **global machine tool production** likewise amounted to € 60.7 billion. Thus production rose in 2011 by 29%. For the first time since the year 2007, Japan was once again the world's largest producer of machine tools at € 13.2 billion; this represents 22% of the machine tools produced worldwide. China followed with production of € 13.1 billion or 22% of global production. Germany at € 9.7 billion (+16%) was once again the third largest producer.

German machine tool industry

Order intake of the German machine tool industry rose by 45% to € 16.7 billion (previous year: € 11.5 billion). Domestic demand increased by 46% (previous year: +74%). International demand rose by 45% (previous year: +89%).

Production rose by 33% to € 13.1 billion and was thus above the previous year's figure (€ 9.9 billion). Of the machine tools produced in Germany, 61% were exported.

Financial year 2011 of the GILDEMEISTER Group

Financial year 2011 was a **transitional year** for GILDEMEISTER. Over the course of the year we were able to report a steady increase and started the current financial year with a sound order book.

At the current time we **cannot see any serious indications of a collapse in economic activity** in our industry. Nevertheless, the financial and debt crisis is having a dampening effect on willingness to invest in Europe. In the BRIC countries demand for machine tools continues uninterrupted. Should the US economy return to a clear growth trend in the current year, there is a possibility that the stagnation in Europe can even be balanced out. However, the situation the global economy finds itself in also holds risks. Challenges in the current year include, amongst others, the fact that machine tool producers are starting to feel the growing global competition for raw materials keenly and therefore have to keep an even closer eye on their production costs overall.

GILDEMEISTER's **positive business development** was helped by the economic cycle gaining momentum again in the first half-year and because the investment backlog, which had formed during the crisis, started to clear. Our earnings situation improved continuously. In addition, our cooperation with Mori Seiki bore its fruits. However, we were not satisfied with the development of

Energy Solutions. Due to the massive turmoil on the southern European markets, our plan could not be fulfilled. Our innovations, which we presented at the EMO industry fair in September, were met with great interest from the market and we were able to achieve a very encouraging record order result at this most important trade fair.

Sales revenues

In the reporting year, GILDEMEISTER achieved the second highest sales revenues in the company's history. They exceeded the previous year's figure by € 310.9 million (+23%) and were € 1,687.7 million (previous year: € 1,376.8 million). Domestic sales revenues reached € 632.6 million (+27%), international sales revenues rose to € 1,055.1 million (+20%).

Segment Reporting

We have **reorganised our segments:** Due to the structural adjustments, as well as the reorientation of the business model, Energy Solutions and the Services segment have been aggregated in the joint **segment "Industrial Services".** This aggregation offers our industrial customers all sales and services from one source. The segments developed as follows:

The "**Machine Tools" segment** is our core segment and includes the group's new machines business. It contributed 64% of group sales revenues (previous year: 56%). Sales revenues grew by 41% to € 1,088.1 million (previous year: € 769.9 million). The turning technology of GILDEMEISTER accounted for 16% (previous year: 17%). The milling technology of DECKEL MAHO contributed 39% (previous year: 32%); ultrasonic/lasertec accounted for 2% (previous year: 3%). The ECOLINE contributed 7% (previous year: 6%).

"Industrial Services" had a share of 36% in group sales revenues (previous year: 44%). The Services division recorded clear growth in order intake, sales revenues and earnings in comparison with the previous year. Overall sales revenues amounted to € 599.4 million (previous year: € 606.7 million).

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

Order intake

We have achieved the highest order intake in the company's history! It rose by 36% to € 1,927.3 million (previous year: € 1,418.4 million). The Machine Tools business rose by 46% to € 1,245.8 million. "Industrial Services" increased by 21% to € 681.3 million.

In **Germany** orders rose by 42% to € 764.2 million (previous year: € 537.7 million). In **Europe** growing order intake could be recorded (€ 652.2 million, +22%). In **America** orders were 33% above the previous year's level (€ 136.6 million). In **Asia** business grew by 54% to € 374.2 million. Particular growth stimulus was noted in **China** (€ 124.8 million).

Order backlog

As of 31 December 2011, the group **order backlog** amounted to € 811.2 million and thus was € 182.9 million or some 29% above the previous year's figure (€ 628.3 million). In "Machine Tools" the order backlog rose in comparison with the same date in the previous year by € 157.1 million or 47% to € 482.1 million (31 Dec. 2010: € 335.0 million). In Machine Tools this signifies a calculated production capacity utilisation of an average five months - a good basic capacity utilisation for the current financial year. "Industrial Services" had an order backlog as of 31 December of € 319.1 million.

Results of Operations 2011

GILDEMEISTER was able to markedly increase its earnings key performance indicators in financial year 2011. EBITDA amounted to € 146.1 million (previous year: € 74.5 million); **EBIT** rose to € 112.5 million (previous year: € 45.0 million). **EBT** rose to € 66.9 million (previous year: € 6.5 million) and the group **annual profit** grew to € 45.5 million (previous year: € 4.3 million). **With this we are recording the third best result in the company's history.**

Earnings per share amount to € 0.85 (previous year: € 0.09). The Executive Board and the Supervisory Board of GILDEMEISTER Aktiengesellschaft will propose to the 110th Annual General Meeting of Shareholders on 18 May 2012, to distribute a dividend of € 0.25 per share.

GILDEMEISTER Share

The **GILDEMEISTER share** clearly lost in value in financial year 2011 as a consequence of the volatility on the international capital markets. The positive industry development in machine tool building was reflected in GILDEMEISTER' s good business figures but not in the share's value. In the 2011 stock market year, the share was quoted at the start of the year at € 16.90 (3 Jan. 2011) and reached its highest value of € 17.50 on 3 May 2011. The share closed the year on 30 December 2011 at € 9.75. Actually it is quoted at € 12.21 (14 March 2012).

The following provides some explanatory notes on the GILDEMEISTER Group Consolidated Financial Statements for 2011:

Net worth and financial position

The **balance sheet total** rose to € 1,371.8 million (previous year: € 1,357.5 million). The material change in assets arose out of an increase in inventories (€ +41.7 million). The financial position developed positively in the reporting year. **Free cash flow** was positive as announced and doubled in comparison with the previous year to € 95.2 million (previous year: € 45.2 million).

Equity

Equity rose by € 242.3 million to € 655.2 million (previous year: € 412.9 million) primarily due to the capital increases (net proceeds: € 213.7 million) and the annual profit. The **equity ratio** rose to 47.8% (previous year: 30.4%). The shares that we purchased during the share buyback programme reduced equity by € 20.7 million.

Investments

Investments in property, plant and equipment and in intangible assets amounted to € 74.9 million (previous year: € 39.0 million). The clear rise compared to the previous year is primarily due to extending our worldwide sales and service presence. Furthermore, in the reporting year we have caught up with investments that we purposely did not carry out in recent years. Depreciation of property, plant and equipment, taking into account capitalised development costs and finance leases, amounted to € 33.6 million (previous year: € 29.5 million).

The main focus of our investing activity was the opening of the **"HSC Center" in Geretsried** and the new **DMG / Mori Seiki Technology Center in India**. In addition, we were able to conclude the construction of the joint technology center in Singapore, which further strengthens our presence in the Southeast Asian markets. At our production site in Seebach we have started construction of the "Technical Innovation Center" and the assembly capacity extension. A further investment priority was the development of our innovative products. With the MILLTAP 700 and the DMU 600P we are opening up new market segments. Furthermore, we have purchased licences and made available the tools, models and equipment necessary for production.

By increasing the percentage of shares in Mori Seiki Co. Ltd. to 5.10%, additions to financial assets amounted to € 14.8 million (previous year: € 11.0 million). Investments amounted in total to € 89.7 million (previous year: € 50.0 million).

Employees

As of 31 December 2011, GILDEMEISTER had **6,032 employees**, of whom 222 were trainees (previous year: 5,445). In the "Machine Tools" segment we have hired additional production staff at our sites in Poland and China due to the growing need for assembly capacity for the ECOLINE series. The rise in personnel numbers in the "Industrial Services" segment results primarily from combining the sales and service activities with Mori Seiki in Germany and the associated integration of 101 employees. Moreover, the companies in the growing markets of China, India and Russia increased their workforce. In

Germany we added personnel at the production sites at Pfronten and Seebach due to improved business development.

Employee expenses rose by € 51.5 million to € 384.7 million (previous year: € 333.2 million). The personnel expenses ratio fell as a consequence of higher total operating revenue to 22.1% (previous year: 24.3%).

Research & Development

In the reporting year, GILDEMEISTER presented **20 new developments** at 63 national and international trade fairs and exhibitions. Our research and development costs of € 54.6 million were about 13% above the previous year's figure of € 48.1 million. At the most important machine tool trade fair, the **EMO in Hanover**, GILDEMEISTER and Mori Seiki jointly displayed 97 high-tech exhibits over a total exhibition area of 7,655 square metres. In research and development we are pushing innovations in order to set the trend with top technological performance.

In the **"Machine Tools"** segment we have extended our product range. With the **MILLTAP 700 -** the first machine jointly developed by DMG and Mori Seiki - GILDEMEISTER is opening up a new market segment. Furthermore, we are a committed member of the German Machine Tool Builders (VDW) **Blue Competence** initiative. The aim of the initiative is to reduce the energy requirement of production machines in Europe by up to 30%. A high value is placed on the **energy efficiency** of machine tools at GILDEMEISTER.

With **DMG LifeCycle** Services, we offer the customers a unique service portfolio to maximise the productivity of our machines. The solutions cover the entire life cycle - from commissioning to training, innovative software products, expert service on site and to trade-in as a used machine. In the **renewable energies** division, GILDEMEISTER showed two innovative new developments with the CellCube 200-400 big battery and the SunCarrier 70.

Forecast for financial year 2012

Since 1 January 2012, the Executive Board of GILDEMEISTER Aktiengesellschaft has five members. **Christian Thönes** was appointed as deputy member of the Executive Board. In his new position he is responsible for the direction of product development, domestic and foreign projects as well as the medium-term planning for the international expansion of our production workshops - issues that are increasingly gaining in importance due to globalisation within our industry.

On the current business development:
Economic growth will slow down in the year 2012 according to economic experts. Current forecasts for machine tool building expect a noticeable weakening in individual markets. The VDW, however, expects consumption to rise by 2.5% worldwide.

GILDEMEISTER had a good start to financial year 2012. **Order intake** developed in line with plans in January and February. Orders rose by 29% to € 374.9 million (previous year: € 291.6 million). This was due in part to the successful **annual kick-off events**. We had good trade fair results from the NORTEC in Hamburg, our traditional in-house exhibition in Pfronten and from the METAV in Dusseldorf.

In the first quarter of 2012 we are expecting **order intake** of more than € 500 million (previous year's quarter: € 445.9 million). For the whole year we are currently expecting **order intake of more than € 2 billion for the first time**. We expect growth stimulus to come from the sale of Mori Seiki machines in Germany and Europe. For the first time they will be significantly entered in our order intake. In "Industrial Services" we are expecting further growth.

The forthcoming **leading trade fairs** in 2012 will again form a core element of our worldwide sales activities. Together with our partner Mori Seiki we will exhibit at the **CIMES** in Beijing, the **IMTS** in Chicago, the **AMB** in Stuttgart, the **BIMU** in Milan and the **JIMTOF** in Tokyo, amongst others.

For the first quarter 2012 we are planning **sales revenues** of more than € 400 million (previous year's quarter: € 377.4 million). Taking into account the high order backlog, we intend to increase sales revenues in the "Machine Tools" segment once again over the whole year. In the "Industrial Services" segment we are also planning growth in sales revenues. Overall for financial year 2012 we are planning **sales revenues of more than € 1.9 billion.**

In the first quarter of 2012, **earnings** should improve significantly in a year-on-year comparison. Over the whole year we are planning an **EBT of more than € 100 million** and **annual profit of more than € 65 million**. Based on the positive outlook for business and earnings, we are planning to distribute a **higher dividend** per share for financial year 2012.

A highlight at the start of the year was the opening of the joint DMG / Mori Seiki **Technology Center in Singapore** on 21 February 2012. It will strengthen our cooperation in Southeast Asia. The investment amounted to € 6 million.We intend to triple order intake in this region in the medium-term.

At the occasion of the in-house exhibition in Bielefeld from 12 June to 16 June we are planning the **opening of our "Energy Solutions Park"**. We will implement a unique energy concept at the Bielefeld site, whose main focus is the supply of the site with self-generated renewable energy. About 15% of the energy is to be produced from emission-free energy sources in the future. Power will be generated, stored and used around the clock in the future. This could allow the climate neutral production of about 160 machines.

In July, **DECKEL MAHO in Seebach** will open the new production and logistics center as well as the "Technical Innovation Center". Over an area of 7,500 square metres we will increase assembly capacity by more than 40%, optimise logistics procedures and further improve efficiency in the development process.

We have good reason to place our financial report under the motto **"Creating the future - forming real value"**. We have chosen the right strategic direction so that GILDEMEISTER' s situation remains secure even if the market environment becomes more difficult. In the **transitional year 2011**, we have once again picked up from the growth year of 2008. In the Asian and US American regions the cooperation with Mori Seiki is opening up new opportunities for us. In addition, we will further increase innovations in the product and service area for growing business sectors. These are medical technology, aerospace and the automotive industry, for example.

In **financial year 2012** we expect further growth in the "Industrial Services" segment. A possible weakening single markets can be offset according to our current estimates by the development in the Asian growth markets and in Russia and Brazil, which is still progressing well.

"Creating the future - forming real value": Our machines will continue to move the world for they lie at the start of the worldwide process chains. The future is shaped by them, as new, real products are developed on them daily. By a consequent value management we will continue to do everything that GILDEMEISTER is an attractive investment. GILDEMEISTER is strengthened for the year 2012.

Bielefeld, 15 March 2012
Dr. Rüdiger Kapitza
Chairman of the Executive Board