

Check against delivery

Speech at the balance sheet press conference of GILDEMEISTER Aktiengesellschaft on 18 March 2010, at 11.00 a.m. in Bielefeld-Sennestadt

Ladies and gentlemen,

Before the Executive Board reports on the **financial year 2009** of GILDEMEISTER Aktiengesellschaft and on the current financial year, we would first of all like to present the development of the machine tool industry in the past year.

Industry development 2009

International development

The worldwide market of machine tools suffered its worst crisis ever. **Global machine tool consumption** decreased in the reporting year 2009 by 31% to € 36.1 billion (previous year: € 52.5 billion). Again, China was the largest sales market by far at €10.5 billion (29%). Far behind in second place was Germany at € 3.9 billion (11%). Third place was taken by the USA at € 2.4 billion (7%), followed by Japan and Italy. These five industrial nations account for 60% of the global consumption of machine tools.

According to calculations of the VDW (German Machine Tool Builders' Association), **global machine tool production** also amounted to €36.1 billion. This means that production in 2009 declined by 31%. At € 7.5 billion (21%) Germany still ranks first in the world. For the first time, China proved to be second of the world's largest manufacturers of machine tools at € 7.0 billion (19%). Japan occupied third place with €5.1 billion (14%). Italy was in fourth place with € 3.8 billion (10%). South Korea achieved fifth place with € 1.9 billion (5%). These five countries account for 69% of the global machine tool production.

German Machine Tool Industry

Order intake of the German machine tool industry slumped by 55% to € 6.2 billion (previous year: € 13.7 billion). Domestic demand fell by 61% (previous year: -17%). International demand decreased by 50% (previous year: -12%).

Production fell by 30% to € 9.9 billion and was thus clearly below the previous year's figure (€ 14.2 billion). Of the machine tools produced in Germany, 61% were exported.

Financial year 2009 of the GILDEMEISTER Group

The financial year 2009 was, due to the economic crisis, was one of the most difficult years for the machine tool industry and also one of the most difficult for GILDEMEISTER in its corporate history. This dramatic situation demanded a lot of us. However, compared to the industry we've done well! Mastering the challenges of the international economic crisis and overcoming them requires strong alliances. In March 2009, we signed a cooperation with the leading Japanese builder of machine tools, Mori Seiki (Nagoya), which has allowed us to combine our resources and to achieve joint efficiency advantages. Our strategic cooperation covers the areas of production, purchasing, research and development, sales and services in specific markets, as well as customer financing.

Sales revenues

Sales revenues fell by € 722.8 million (-38%) to € 1,181.2 million (previous year: € 1,904.0 million); it was possible to avoid a greater decline through the good order backlog at the start of the year. Domestic sales revenues fell to € 496.5 million (-40%); international sales revenues decreased to € 684.7 million (-36%). The export share amounted to 58% (previous year: 56%).

Segmental Reporting

Our business activities include the **Machine Tool** segment with a sales revenue share of 64% (previous year: 63%) and the **Service business** with about 36% (previous year: 38%) and Corporate Services with less than 1%.

The **Machine Tools** segment includes the new machines business. Sales revenues fell by 36% or € 426.5 million to € 757.7 million (previous year: € 1,184.2 million). The milling technology of DECKEL MAHO contributed 42% (previous year: 41%); Ultrasonics / lasering technologies accounted for 3% (previous year: 2%). The turning technology of GILDEMEISTER totalled 19% (previous year: 20%). The **Services** segment was also marked by the economic downturn. Sales revenues decreased by 41% or € 296.3 million to € 423.3 million (previous year: € 719.6 million). The Solar Technology division – which belongs to the Services segment in the reporting year – contributed to this with € 88.5 million. The original service business recorded a decline of 36% or € 185.3 million compared to the previous year.

Order intake

Order intake declined by 39% and reached €1,145.9 million (previous year: €1,882.0 million). In the first three quarters, order intake developed analogously to the difficult market environment in that it declined sharply. In the fourth quarter, order intake reached a turning point at € 327.7 million (previous year: € 289.2 million). The machine tool business decreased over the entire year by 51% to € 568.0 million. The service business amounted to € 577.7 million (-21%); in which the solar business proceeded proportionately positively at € 299.8 million (+85%).

In **Germany**, in line with the market environment, orders declined considerably, by 59% to € 343.9 million (previous year: € 843.4 million). In **Europe**, order intake slowed down noticeably yet remained above the trend in the industry. In **America**, business declined according to the market development. In **Asia**, orders increased slightly. Particular signs of growth were recorded in **China**. The export share amounted to 70% (previous year: 55%).

Order backlog

As of 31 December 2009, the order backlog amounted to € 586.7 million; it was thus clearly below (19%) the previous year's figure (€ 727.4 million). This represents a utilisation period of an average of some three months.

Profitability 2009

We reached our target of achieving positive result (EBT). Despite the massive losses, by consistently initiating operational and structural measures, we have been able to achieve overall positive earnings. **Net profit** in the group amounted to €4.7 million (previous year: €81.1 million). **EBITDA** amounted to €60.9 million (previous year: €188.9 million); **EBIT** totalled €31.8 million (previous year: €158.2 million). **EBT** was positive at €7.1 million (previous year: €126.7 million).

Earnings per share rose to €0.10 (previous year: €1.87). The Executive Board and the Supervisory Board of GILDEMEISTER Aktiengesellschaft will propose to the Annual General Meeting of Shareholders, to be held on 14 May 2010, that the net profit achieved should be distributed with a **dividend of €0.10 per share** for the financial year 2009.

GILDEMEISTER Share

The GILDEMEISTER **share** gained considerably in value in 2009. The share price gain of 44% (year-on-year) outperformed the MDAX (+34%). Market capitalisation increased by 52% or €176.5 million to €516.4 million (previous year: €339.9 million). The share started the stock market year at a price of €7.49 (2 Jan. 2009) and reached its highest value of the year of €11.69 on 16 November 2009. The lowest value of the year was €4.25 (5 Mar. 2009). The share closed the year on 30 December 2009 at €11.33. The good performance was driven by the positive development in the Solar Technology division and the cooperation with Mori Seiki. The share is currently quoted at €11.45 (17 Mar. 2010).

The following provides some explanatory notes on the GILDEMEISTER Group Consolidated Financial Statements for 2009

Net worth and financial position

The balance sheet total decreased to €1,152.7 million (previous year: €1,390.4 million). The change results from a decrease in liquid funds (€ -173.5 million) as well as from reduced funds committed to inventories (€ -34.6 million). Trade receivables decreased by € 46.5 million to € 239.5 million; accounted under this is revenue recognition from the Solar Technology division of €55.4 million.

The group's financial position developed as follows: The **free cash flow** was negative, as announced, and amounted to € -100.5 million (previous year: €60.1 million). The reasons for this were recognition of sales revenues and delayed sales revenues in the Solar Technology division in the second half year 2009, that will result in incoming payments of about € 75 million at the end of the first six months 2010, as well as the significantly increased export share in our machine business, that, due to necessary export licences, resulted in delayed deliveries and payments.

Equity

Equity rose by € 1.2 million to € 380.9 million (previous year: €379.7 million). The reduction in the total assets and in the net income led to an improvement in the **equity ratio** to 33.0% (previous year: 27.3%).

Investments

Investments in property, plant and equipment and intangible assets amounted to €26.5 million (previous year: €50.2 million). Depreciation of property, plant and equipment, taking into account capitalised development costs and finance leases, amounted to € 29.1 million (previous year: €30.7 million). Additions to financial assets amounted to €31.3 million, due to the shareholding in Mori Seiki Co. Ltd. Investments thus amounted in total to €57.8 million.

Employees

As at 31 December 2009, GILDEMEISTER had 5,450 employees (previous year: 6,451), of whom 253 were trainees. At the end of the first six months, all employment agreements with agency workers had been terminated (552 workers). Over the course of the year, the number of employees had to be reduced by 1,001 (-16%). Moreover, we adjusted capacity requirements primarily by using short-time working. Through these measures that were timely introduced, we saved € 18.7 million in other operational costs and € 59.4 million in employee expenses. These savings were primarily achieved by a reduction in variable salary components (€-25.7 million), the cutting back on overtime (€-15.9 million) and the use of short-time working (€-12.1 million). On average, 30% of employees at the group were affected by short-time working in the reporting year; the extent was approximately 23% of the weekly working hours.

At year-end, 3,443 employees (63%) worked for our domestic companies and 2,007 employees (37%) for our international companies. The personnel quota was 30.3% (previous year: 20.7%). Personnel expenditures decreased by € 59.4 million to € 346.1 million (previous year: € 405.5 million).

Research and Development

In the reporting year, GILDEMEISTER presented a total of 15 new developments at 89 national and international trade fairs and exhibitions. Despite the worldwide economic crisis we maintained expenditures at the high level of € 47.9 million (previous year: € 57.3 million). Today's innovations are tomorrow's sales! At the industry highlight – the EMO 2009 in Milan – we showed 41 exhibition, including 7 world premieres. Through innovative **software**, DMG machines clearly stand out from those of the competition. With our control technology, we offer a reduction in re-tooling times by up to 30%. GILDEMEISTER has been setting the benchmarks for years as regards resource-saving production processes in the area of the energy efficiency of machine tools. We support the "Blue Competence" initiative of the VDW. Under the term **DMG ENERGY SAVING**, we have combined measures for the further improvement of energy efficiency. A total of 435 employees work on developing our products (15% of the workforce at the plants).

Forecast for the financial year 2010

The Current forecast for the **worldwide market for machine tools** in 2010 is assuming a further decline worldwide. The VDW expects consumption and production to decrease further by 6.5%. For Germany, the Association is expecting a fall of 25% in consumption and of 10% in production.

GILDEMEISTER has started the financial year 2010 with cautious optimism. As anticipated, order intake is proceeding at a restrained level. In the first two months we could note increasing product interest in the machine tools business. The satisfactory order intake resulting from the first trade fairs of the season confirms our planning approach.

At the **NORTEC** in Hamburg, GILDEMEISTER displayed 12 exhibitions to the northern German trade audience. At the **traditional Open House exhibition** at DECKEL MAHO in Pfronten, GILDEMEISTER presented 55 exhibits over a surface area of 3,243 square metres. In total, 3,913 national and international DMG customers gathered information on 2010's innovations. At these events, GILDEMEISTER achieved order intake of €58.5 million and 292 machines sold.

At the **METAV** in Dusseldorf, as the largest exhibitor we presented 21 innovative machines. With order intake of € 29.3 million and 160 machines sold, GILDEMEISTER took positive stock of this important fair for the industry. We are planning additional impetus from other scheduled worldwide industry highlights.

For the first quarter 2010, we are expecting growth in **order intake** in comparison with the previous year's quarter (€236.8 million). In the machine tool business we are assuming that we will increase order intake percentually in double figures. The service business should likewise increase in double figures. Due to full order books and the limited sales capacity, order intake for the solar business will fall below the previous year's figure. From today's perspective, we plan to achieve order intake for the group for the whole year of about € 1.2 billion.

Sales revenues in the first six months of 2010 will be significantly below the previous year's level. The reason for this is the heavily reduced order backlog in the Machine Tools segment. Here, we are expecting a sustainable revival in the second half of the year at the earliest. Over the whole year, sales revenues in Machine Tools will be less than in the previous year. In Services, we are expecting a rise in sales revenues. On the basis of the high order backlog, we expect to be able to double sales revenues in the solar business. Overall, for the financial year 2010, we are planning sales revenues of more than € 1.2 billion.

For the first and second quarters, we are expecting negative **results (EBT)**. More exhaustive statements for the current financial year are not yet possible. Despite the continuing unfavourable global economic conditions, we are working on maintaining the company's profitability. Essential influence factors on the profitability are the development of order intake and their price quality as well as the sales volume. With regard to the current difficult financial year 2010, we are not planning payment of a dividend.

We have further intensified our **cooperation** with the Japanese machine tool builder, **Mori Seiki**. At the Bielefeld site, from 10 to 12 March 2010, GILDEMEISTER presented for the first time the new business area of large machines – **DMG XXL machines**. With a turning-milling centre of Mori Seiki the first step was marked in complementing our product portfolios in the area of large machines.

In addition, we have agreed as of 1 April 2010 to expand our cooperation to the **traditional USA market** and to the **growth market of India**. Customers will benefit from a considerably stronger sales team and services structure, and can select the most suitable solution from a wide product range of both manufacturers. In India we are jointly investing in a new technology centre with a large showroom. There, extended solutions for the Indian market as well as products to suit the precise needs and desires of customers will be presented.

With the aim of offering optimum financing solutions to our customers, we will develop tailor-made and country-specific financing together with Mori Seiki and the Japanese commercial enterprise, Mitsui & Co. Ltd., through **MG Finance GmbH** from April 2010. In a first step, German and British customers can benefit from the financing on offers; in the future we intend to extend this offer throughout Europe. In this way, we are responding to the wishes of our customers for machines and financing from one source.

The opening of the **HSC Centre of Excellence** for our HSC machines in Geretsried will be a further highlight of 2010. It offers our customers – among others from the future-oriented industry of medical technology – extensive advice on the use of the high-speed cutting precision centres (HSC). Moreover work will be done in Geretsried on expanding the spare parts centre and on thus the constant improvement of logistics processes.

The main focus of activities in the business unit of **renewable energies** is, on the one hand, on extending the product range. This year a+f GmbH will erect further “SunCarrier“ solar parks in Apulia (Italy). Further important steps are the expansion of our market position in the USA and in India. At the most important solar trade fair worldwide – the **Intersolar** in Munich – from 9 to 11 June we will be presenting innovative new developments to a trade audience. Due to the increasing importance, we are planning a separate segmental reporting for this business unit as of first quarterly report 2010.

The **financial year 2010** will put GILDEMEISTER to the test once again; we are facing another difficult year. We have reacted quickly and the adjustment measures carried out create a good starting position for the future. In **financial year 2011**, conditions will also remain challenging; however, the machine tool industry and GILDEMEISTER, too, are expecting a significant improvement in trends. In the financial year 2011 we see a clear rise in order intake and sales revenues. With regard to results we likewise assume a recovery and a clear improvement.

Due to our strong global presence and the cooperation with Mori Seiki, we will share in the expected sustained revival in the global market. In the medium term, we want to return to our former targets. We have implemented new structures, we will drive their realisation and lever further potential. We will return to growth step by step. The basis of our success in the past has always been our employees. On good days and not so good days, we could always rely unreservedly on the dedicated commitment of our workforce. Developing and challenging performance is part of our corporate culture. In this way we can safeguard long-term profitable growth and the future of GILDEMEISTER.

Bielefeld, 18 March 2010

Dr. Rüdiger Kapitza

Chairman of the Executive Board