

Balance sheet press conference 2013
of GILDEMEISTER Aktiengesellschaft

14 March 2013, Dusseldorf

Speech of the Chairman of the Executive Board
Dr. Rüdiger Kapitza

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Check against delivery

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**Speech at the balance sheet press conference of
GILDEMEISTER Aktiengesellschaft**

**on 14 March 2013, at 11.00 a.m. in Dusseldorf
in the Deutsche Bank rooms**

Ladies and gentlemen,

I would like to start with the industry's development and follow this with a report on the **GILDEMEISTER financial year 2012** and the **Forecast for 2013**.

Industry development 2012

International development

The world market for machine tools grew steadily overall in 2012. **World machine tool consumption** rose in the reporting year by 7.2% to € 66.2 billion (previous year: € 61.8 billion). By a clear margin, most machine tools in 2012 were once again consumed in **China**. With a volume of € 23.8 billion and a share in world consumption of 36%, China was again the world's largest sales market (previous year: € 22.1 billion; +8%). The second most important market for machines tools was the **USA** with growth of 29% and consumption of € 6.8 billion. Japan's consumption rose by 9% and was ranked third at € 5.8 billion (previous year: € 5.3 billion). In Germany consumption declined slightly (-2%) and reached € 4.9 billion (fourth place). South Korea (€ 3.6 billion; -4%) took fifth place, as in the previous year. **These five markets represent 68% of the worldwide consumption of machine tools.**

According to calculations of the German Machine Tool Builders Association (VDW), **machine tool production worldwide** likewise amounted to € 66.2 billion. Thus production went up in 2012 by 7.2%. The world's biggest producer of machine tools was once again China at € 14.6 billion, this corresponds to 22% of machine tools produced worldwide (change to the previous year: +6%). Japan followed with production of € 14.2 billion (+8%) or 21% of production worldwide. Germany at € 10.6 billion (+10%) was once again the third largest producer; this corresponds to a share in world production of 16%.

German machine tool industry

In 2012 the German machine tool industry recorded declining order intake yet higher production and a rise in sales revenues. **Order intake** of the German machine tool industry of € 15.1 billion remained 10% below the previous year's figure (€ 16.9 billion). Domestic demand fell by 10% (previous year: +46%); international demand decreased by 11% (previous year: +44%). **Production** rose by 9% to € 14.1 billion and was thus higher than the previous year's figure (€ 12.9 billion). Of the machine tools produced in Germany, 68% were exported.

Financial year 2012 of the GILDEMEISTER Group

In the reporting year, GILDEMEISTER was able to achieve **the highest order intake, the highest sales revenues and the highest annual profit in the company's history!** With 8,155 machines sold, we have set a record sales number. This success was reflected in the performance of our share over the year. With growth of 56.4% (year-on-year), the share was one of the MDAX winners in 2012.

We have further consolidated our **competitive position** in the strategically important markets of the future (as for example in India).

At the same time we affirmed our position in the established markets. Our **sales and service cooperation with Mori Seiki** contributed essentially to this.

In the reporting year we laid the groundwork for the further extension: We have received approval for our planned sales and service joint venture in **China** from the Chinese government. From 22 to 27 April 2013 at the CIMT in Peking DMG / MORI SEIKI will present 30 high-tech machines at the Chinese market for the first time jointly.

In the reporting year we pushed **international production**: Capacities in the growth markets were increased and more and more we plan to produce locally according to demand. We also acquired licenses to produce machine types of Mori Seiki.

Order intake

In the reporting year, GILDEMEISTER achieved the highest order intake in the company's history. **With an increase of 17%, order intake exceeded the € 2 billion mark** for the first time and reached € 2,260.8 million (€+333.5 million; previous year: € 1,927.3 million). The machine tools business grew by 1% to € 1,253.6 million. "Industrial Services" increased by 48% to € 1,007.0 million.

In **Germany** orders fell by 4% to € 735.8 million (previous year: € 764.2 million). In **Europe** it was possible to record growing order intake (€ 855.3 million; + 31%). In **America** orders were 28% above the previous year's level (€ 176.2 million). In **Asia** business grew by 32% to € 493.3 million. Further growth impetus was recorded in **China** (€ 231.1 million).

Sales revenues

Sales revenues also exceeded the € 2 billion mark for the first time. With € 2,037.4 million we reached the highest sales revenues in the company's history. Thus sales revenues were € 349.7 million or 21% above the previous year's figure (€ 1,687.7 million). Domestic sales revenues reached € 722.1 million (+14%), international sales revenues rose to € 1,315.3 million (+25%). The decisive factor in our sales success was primarily our machines business. We are proud of our **innovations** that we presented at 65 international trade fairs for the industry.

Segment Reporting

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

The "**Machine Tools**" segment is our core segment and includes the group's new machines business with the business divisions turning, milling and ultrasonic / lasertec, as well as the ECOLINE and electronics. It contributed a sales share of 58% (previous year: 64%) to the group sales revenues. Sales revenues grew by 8% to € 1,175.0 million (previous year: € 1,088.1 million). The milling technology of DECKEL MAHO contributed 36% of sales revenues (previous year: 39%). The turning technology of GILDEMEISTER contributed 14% (previous year: 16%). The milling technology of DECKEL MAHO made a contribution of 36% of sales revenues (previous year: 39%). The ECOLINE business accounted for 6% (previous year: 7%) and ultrasonic / lasertec unchanged contributed 2%.

The "**Industrial Services**" segment contributed a share of 42% to group sales revenues (previous year: 36%) and continued to perform positively in the reporting year. Overall sales revenues totalled € 862.2 million (previous year: € 599.4 million). The Services business contributed to this with significant growth in order intake, sales revenues and earnings.

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

Order backlog

As of 31 December 2012, the **order backlog** within the group totalled € 1,003.5 million; it was thus € 192.3 million or 24% above the previous year's figure (31 Dec. 2011: € 811.2 million). In "Machine Tools" the order backlog rose in a year-on-year comparison by € 78.6 million or 16% to € 570.7 million (31 Dec. 2011: € 492.1 million). In Machine Tools this signifies a calculated production capacity utilisation of about six months - a good basic capacity utilisation for the current financial year. "Industrial Services" had an order backlog as of the end of the year of € 432.8 million (previous year: € 319.1 million).

Results of Operations 2012

GILDEMEISTER was able to increase its earnings key performance indicators markedly in the financial year. EBITDA rose by 19% to € 173.8 million (previous year: € 146.1 million); EBIT totalled € 132.9 million (+18%; previous year: € 112.5 million). EBT rose by 80% to € 120.1 million (previous year: € 66.9 million) and the annual profit in the group of € 82.4 million reached the highest figure in the company's history (+81%, previous year: € 45.5 million).

Earnings per share were € 1.32 (previous year: € 0.85). The Executive Board and the Supervisory Board of GILDEMEISTER Aktiengesellschaft will propose to the 111th Annual General Meeting of Shareholders on 17 May 2013, to distribute a dividend of € 0.35 per share for financial year 2012.

GILDEMEISTER Share

The **GILDEMEISTER share** was able to record a clearly positive performance in financial year 2012 despite the turbulence on the international capital markets as a consequence of the euro debt crisis. Since the start of the year it gained 56.4% (year-on-year). In the stock market year 2012, the share was quoted at the start of the year at € 10.23 (2 Jan. 2012) and reached its highest value at € 16.11 on 18 December 2012. The lowest value of the year was € 9.74 (9 Jan. 2012). The

share closed the year on 28 December 2012 at € 15.25. The share is currently being quoted at € 19.93 (XETRA closing rate of 13 March 13).

The following provides some explanatory notes on the Consolidated Financial Statements for 2012 of the GILDEMEISTER GROUP

Net worth and financial position

The **balance sheet total** rose to € 1,615.3 million (previous year: € 1,371.8 million). The balance sheet extension arose from the inclusion of the European Mori Seiki sales and service companies. The group's financial position improved in the reporting year. The **free cash flow** was € 99.1 million (previous year: € 95.2 million).

Equity

Equity rose by € 132.7 million to € 787.9 million. This increase was substantially due to the annual profit for the year and the rise in minority interests in equity through the inclusion of the European Mori Seiki companies. The **equity ratio** rose to 48.8% (previous year: 47.8%).

Investments

Investment in plant, property and equipment, and in intangible assets of € 74.5 million were at the level of the previous year (€ 74.9 million). Depreciation of fixed assets taking into account capitalised development costs and finance lease was above the previous year's level at € 40.9 million (previous year: € 33.6 million).

A priority of our investment activities was the **capacity expansion** at the **Seebach site**. We have put the new style of cluster assembly into operation and reduced through-put times of machines by up to 60%. Furthermore, a computer-controlled logistics centre with high racks and large parts store to optimise materials flow as well as a technology centre for prototype construction have been set up.

On 26 September GILDEMEISTER opened the **Energy Solutions Park**. Since then our site in Bielefeld is supplied with power from self-produced, emission-free energy. Since the end of October, its solar and wind power installations with installed capacity of about one megawatt have been generating up to 15% of the energy requirement for the site! This amount of energy would be sufficient to provide full, uninterrupted supply for an average 220 households.

On 23 October we held a ground-breaking ceremony in **Ulyanovsk**, Russia, for our new production and assembly plant including a training and technology centre. Over a building surface area of 16,000 square metres, we intend to produce up to 100 machines per month, which are destined for the local market.

Employees

As of 31 December 2012, GILDEMEISTER had 6,496 employees (previous year: 6,032). In the “Machine Tools“ segment we have hired new staff at our sites in Pleszew, Seebach and Pfronten, given the positive sales and earnings performance. The increase in personnel in the “Industrial Services“ segment is primarily due to combining our sales and services activities with those of Mori Seiki in Europe and the accompanying integration of 227 employees. Moreover, additional employees were hired at our companies in the growth markets of China, Russia and India.

At the end of December 2012, there were a total of 229 **trainees** within the GILDEMEISTER group (previous year: 222). At the start of the new training year GILDEMEISTER took on 78 trainees (previous year: 57).

Employee expenses rose by € 55.7 million to € 440.4 million (previous year: € 384.7 million). The personnel expenses ratio decreased slightly as a consequence of higher gross revenue for the period to 21.4% (previous year: 22.1%).

Research and development

In the reporting year, GILDEMEISTER presented 17 **new developments** at 65 national and international trade fairs and open house exhibitions. Research and development expenses of € 55.9 million were slightly above the previous year's figure (€ 54.6 million). At the industry highlight in Germany in the reporting year, the **AMB** in Stuttgart, DMG and Mori Seiki, together presented a total of 40 high-tech exhibits, including eight world premieres. In the USA, at the **IMTS** in Chicago, 45 cutting edge high-tech products with the latest software and automation solutions were displayed. At the **JIMTOF** in Tokyo we presented 30 high-tech machines as largest exhibitor.

In the "**Machine Tools**" segment we were able to extend our product range. With our efficient linear drive technology, we are able to assist our customers in increasing productivity. With the **DMC 60 H linear** greater productivity of up to 25% can be achieved.

We are constantly increasing the percentage of our products that have been developed taking special account of energy-saving aspects when in use. We are co-initiators of the **VDW-Initiative Blue Competence**, whose aim is to significantly reduce the energy requirements of production machinery. Traditionally a high value has been placed on the **energy efficiency of our machines** at GILDEMEISTER - for years we have been setting the benchmarks in the industry. Our activities to increase energy efficiency are combined under the DMG / MORI SEIKI ENERGY SAVING label; they extend in their entirety to the electronics, control technology and mechanical areas.

Our "**Industrial Services**" segment range was also extended in the reporting year. With **DMG / MORI SEIKI LifeCycle Services**, we offer our customers a unique service portfolio to maximise the productivity of their machines. The solutions cover the entire life cycle from commissioning to training and innovative software products, as well as competent and fast service on site, through to trade-in as used machine.

DMG Automation offers an extensive range from workpiece and pallet handling systems to automatic loading and unloading of our machine tools through to completely automated production lines. GILDEMEISTER and Mori Seiki plan to bring together their automation expertise in the future.

Energy Solutions comprises the four business areas of components, SunCarrier, Cellstrom and Service. We have geared Energy Solutions towards a stronger focus on new markets, industrial customers and investors with an enhanced product and service portfolio for the areas of production, storage and use. In the reporting year we have concentrated on exploiting new markets and target groups.

Forecast for financial year 2013

On current business development

Economic experts are forecasting growth in global gross domestic product of 3.4% for 2013 and thus when compared to the reporting year the economic momentum will remain unchanged. The German Machine Tool Builders' Association (VDW) expects consumption worldwide to rise by 7.6%; a slight increase of 0.2% is forecast for Germany.

The year started off for GILDEMEISTER in line with plans: We started the new year with the IMTEX in Bangalore, India. Our traditional open house exhibition at DECKEL MAHO in Pfronten was very successful with order intake of € 150.5 million and 574 machines sold (*as reported on 4 February*). **Order intake** in January and February was € 357.6 million (previous year: € 374.9 million). For the first quarter of 2013 we are expecting order intake of more than € 500 million. For the current year we are planning order intake of **about € 2 billion**.

For the first quarter of 2013 we are planning **sales revenues** at the level of the previous year. For financial year 2013, we are planning sales revenues of **about € 2 billion**.

We expect a boost to come most especially from the leading trade fair for the machine tool industry. From 16 to 21 September the **EMO in Hanover** will be the central highlight of our industry. Together with Mori Seiki, as the largest exhibitor we will present 14 world premieres, amongst them machines in the new joint design.

Our worldwide production association will continue to grow. Actually we are building a modern processing and assembly plant with a training and technology centre in **Ulyanovsk** in Russia. The site in the up-and-coming industrial region on the Volga will start production at the beginning of 2014. Over a surface area of 16,000 square metres, we intend to produce up to 100 turning and milling machines per month for the Russian market. Among the advantages of the new production site are shorter delivery times and faster availability of spare parts for our customers in south-west Russia and neighbouring countries.

In the current financial year we are planning the extension of the production surface at the Pfronten site by a new **XXL centre** for the production of large machines. In Pleszew, Poland, we will extend the flow assembly production.

For **financial year 2013** we expect an increasingly volatile economic environment. The markets will reveal regional differences in their development. A prolonged stagnation in the European markets could be compensated, according to our current assessment, by development in the Asian and American growth markets as well as in Russia.

It is not without reason that we have set out our financial report under the slogan **“together. innovative. global“**: Our technologically leading products are successful throughout the world. Behind these innovations are people, who together are bringing about the group’s success – both today and in the future.

Dusseldorf, 14 March 2013

Dr. Rüdiger Kapitza

Chairman of the Executive Board