Check against delivery!

Speech given at the 113th Annual General Meeting
of DMG MORI SEIKI AKTIENGESELLSCHAFT on 8 May 2015

Ladies and Gentlemen,

on behalf of the Executive Board, I would also like to warmly welcome you to our 113th Annual General Meeting in Bielefeld.

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

We succeeded in meeting and even marginally exceeding our forecasts. Here are the most important **key figures**: Order intake reached € 2,331.4 million. Sales revenues rose to € 2,229.0 million. We also managed to improve key income figures: EBITDA rose by 20% to € 232.5 million. EBIT amounted to € 182.6 million, an increase of 24%. EBT rose by 30% to € 175.3 million. The annual profit of the group reached € 121.1 million (previous year: € 93.2 million), also an increase of 30%. Thus, we have achieved the highest values in all key income figures in the company's history.

Ladies and gentlemen, we want you to benefit from our company's success and that is why under **Agenda item 2** of today's Annual General Meeting, the Executive and Supervisory Boards propose to **distribute an increased dividend of € 0.55 per share** for financial year 2014. This is a dividend yield of 2.3%.

International development of the machine tool industry 2014

The **global machine tool market** recorded only modest growth in 2014. **Global consumption** rose by 3.6% to € 60.3 billion (previous year: € 58.2 billion); the main cause of this were exchange rate effects. Asia recorded growth of 6.1% (previous year: -21.6%). In North and South America there was a -5.1% (previous year: -9.9%) decline in growth; consumption in the USA was stable (+0.1%). The demand for machine tools in Europe rose by 4.6% (previous year: +0.9%). Most machine tools were once again consumed in **China** (+0.5%). At a volume of € 19.0 billion, China had a share of 32% in world consumption (previous year: € 18.9 billion). We estimate our relevant market share to be worth € 6.6 billion. The second most important market for machine tools 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 fell in the reporting year by -1.9% to € 5.4 billion. **Japan** was the strongest growing market in the year 2014 and ranked fourth with a consumption of € 4.3 billion (previous year: € 2.9 billion; +45.8%). (As was the case in the previous year, this value is strongly distorted by currency fluctuations in the reporting year as well.) **South Korea** ranked fifth with € 3.7 billion (previous year: € 3.3 billion; +11.3%). **These five markets represent 64% of world machine tool consumption.**

Global production amounted to € 59.7 billion – an increase of 3.3%. For the fifth time in a row, **China** was the world's largest producer of machine tools, with a volume of € 12.6 billion (share: 21%; -1.6%). In **Japan**, production reached € 10.9 billion (18%; +19.9%). At € 10.7 billion (18%; -3.8%), **Germany** was once again the third largest producer.

German machine tool industry

In 2014, the German machine tool industry recorded declining sales revenues, but a stable production. At € 14.8 billion, **order intake** in Germany was up 4% from the previous year' s level (€ 14.2 billion). At € 13.2 billion, **production** was on the same level as in the year before. 70% of machine tools manufactured in Germany were exported.

The most important export market for German machine tools was **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** with € 0.5 billion (5%).

Report on financial year 2014 of the DMG MORI SEIKI group

The DMG MORI SEIKI group completed **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 succeeded in meeting and even marginally exceeding our forecasts.

In the reporting year, we further pressed ahead with strategic projects. Thus the **cooperation with our Japanese partner**, DMG MORI SEIKI COMPANY LIMITED, formed a significant part of our strategy. So in the field of sales and services, we were able to successfully expand our target cooperation in Brazil and Canada mid-year. As of the end of 2014 we are now jointly represented in all major markets worldwide, operating **154 sales and service locations in 34 countries.** We aim to further increase and strengthen our **international market presence**. One major milestone was set in this respect with the opening of our **Global European Headquarters** in Winterthur in December 2014.

Ladies and gentlemen, we again prepared a report on the company’s relations with affiliated companies in the previous financial year. In this dependent company report in accordance with Section 312 AktG (01 January 2014 – 31 December 2014), an analysis was performed of all business conducted between us and our cooperation partner. The findings showed that all business dealings were conducted in an adequate manner and without detriment to DMG MORI SEIKI AKTIENGESELLSCHAFT. This report was closely audited and approved by KPMG as auditor of the company's annual accounts and by the Supervisory Board without reservation.

Order intake

In a market environment becoming increasingly more difficult, we succeeded in recording the highest order intake in the company's history at € 2,331.4 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 increased 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 attributable to 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 level (€ 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 2014

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 group's new machines business. Sales revenues amounted to € 1,258.4 million (previous year: € 1,220.6 million, +3%) and thus contributed **56%** (previous year: 59%) of group sales revenues.

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).

"Corporate Services" again accounted for less than 1% of group sales revenues.

Order backlog

On 31 December 2014, order backlog within 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). In "Machine Tools", order backlog amounted to € 530.1 million. This means a calculated production capacity of an average of five months – a stable 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 and has thereby achieved the best result in the company's history: For the whole year, **EBITDA** increased 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 was € 121.1 million (+30%, previous year: € 93.2 million). **Thus, we have achieved the highest values in all key income figures in the company's history.**
Earnings per share amount to € 1.41 (previous year: € 1.33).

DMG MORI SEIKI AKTIENGESELLSCHAFT

DMG MORI SEIKI AKTIENGESELLSCHAFT has management and holding functions. The **earnings** result essentially from the income of domestic subsidiaries and from equity investment. Overall, DMG MORI SEIKI AKTIENGESELLSCHAFT closed financial year 2014 with an annual profit of € 55.0 million (previous year: € 35.2 million). Taking into account the profit carryforward of the previous year and allocation to retained earnings, **net retained profits** totalled € **45.1 million** (previous year: € 39.5 million).
The Executive and Supervisory Boards propose under **Agenda item 2** of today's 113th Annual General Meeting to use the net retained profits as follows:
- distribution of € 43,349,896.70 to the shareholders through dividends of € 0.55 per share,
- to carry forward to new account the remaining net retained profits of financial year 2014 amounting to € 1,709,264.83.

And now a few comments on the consolidated financial statement of 2014 of the DMG MORI SEIKI group:

- The **balance sheet total** rose to € 2,229.8 million (previous year: € 2,010.0 million).
- Under **assets, fixed assets** rose by € 92.5 million to € 810.9 million (+12.9%; previous year: € 718.4 million). **Long-term receivables and other long-term assets** rose to € 69.1million (+2.7%; previous year: € 67.3 million). **Short term receivables and other assets** increased in comparison with the previous year by 14.1% to € 421.5 million.
  At the end of the reporting period, **cash and cash equivalents** amounted to € 433.0 million (previous year: € 371.1 million) or 19.4% of the balance sheet total (previous year: 18.4%).
- Under **equity and liabilities**, **equity** rose by € 101.7 million or 8.7% to € 1,266.1 million (previous year: € 1,164.4 million). Annual net profit amounting to € 121.1 million and the sale of own shares valued at € 38.6 million resulted in an increase in equity, whereas the distribution of the dividend in May 2014 of € 39.4 million led to a decrease. The **equity ratio** amounted to 56.8% (-1.1%; previous year: 57.9%). **Long-term borrowings** rose by € 51.4 million to € 132.4 million.
- The capital surplus amounts to € 380.8 million (previous year: € 356.4 million).

- Overall, the group's financial position developed positively in the reporting period: **Free cash flow** amounted to € 86.1 million (previous year: € 67.3 million).

- **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 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 marginally above the previous year's figure (€ 46.3 million).

  - At the centre of the investments were **large-scale projects** which have already been launched: Thus 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 opened the new **XXL centre in Pfronten,** a state-of-the-art centre for large-scale machines. Construction of our modern **production plant in Ulyanovsk (Russia) and the new technology centre in Moscow** progressed on schedule. We were able to celebrate the roofing ceremony on 16 October in Ulyanovsk and expect to open the plant in September of this year.

  - On 15 December, we opened our **Global European Headquarters in Winterthur** in a grand opening ceremony. All sales and service activities under the DMG MORI brand are organised from this location. Besides the global headquarters in Tokyo, Winterthur is DMG MORI's second global sales and service centre.

- In addition, with DMG MORI Systems in Wernau initial steps have been taken towards increasing investments in the systems business division.

- 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 a new design. In the USA, at the **IMTS** in Chicago, 40 high-tech exhibits were shown – with CELOS in the new design. At the J**IMTOF** in Tokyo, 32 high-tech machines were also well received by the expert visitors.

- Together with our cooperation partner, in the reporting period we presented **19 world premieres** at 58 national and international trade fairs, as well as in-house exhibitions.

By tradition, we have always attached great importance to **research and development**. We develop high-tech products around the globe based on regional market demands and provide our customers with cutting-edge technology. Research and development (R&D) expenditures amounted to € 44.1 million (+3.8%; previous year: € 42.5 million).

With **CELOS** we developed – together with our cooperation partner – a standard control and operating software for all new high-tech machines of DMG MORI. A multi-touch screen enables CELOS APPs to continuously manage, document and visualise job, process and machine data. As with a **smartphone**, the user has direct access to currently 16 APPs via a multi-touch screen. CELOS is compatible with other systems, like PPS or ERP, and enables interconnectivity with CAD/CAM applications. CELOS is therefore the key element for a networked, intelligent production, and to DMG MORI it is the essential step towards **Industrie 4.0**.

In addition, we have set highlights in machine tool manufacturing with a standard and unique **corporate design**. Through the use of new surfaces that improve protection from damages, we ensure higher value stability of our machines.

Our **Additive Manufacturing** met with particular customer interest. **Components** are manufactured in **finished parts quality** through a combination of generative production and machining. This unique process integration of laser jobs with powder nozzle and machining 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 product spectrum in the "**Industrial Services**" segment; especially software development was complemented. With DMG MORI SEIKI LifeCycle Services, we offer our customers a unique service portfolio for maximising their machine productivity.

With **GILDEMEISTER energy solutions,** we have further developed the **energy monitor** for an integral energy management. This allows us to enable our customers from the industrial and production sectors to make significant cost-savings on energy. With the eCube, we have brought a new innovative **E-charging station** for quickly charging electric vehicles on to the market, putting us on the map in the growing e-mobility market.

The number of employees rose by 444 compared to the previous year. Thus, on 31 December 2014, the group employed 7,166 **employees**, (previous year: 6,722), of whom 248 were trainees (previous year: 225). In the “Machine Tools” segment, we hired new employees primarily at our sites in Pfronten and Ulyanovsk, as well as at DMG MORI Systems 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. **Employee expenses** rose by € 40.9 million to € 506.1 million (previous year: € 465.2 million). The **personnel expense ratio** amounted to 22.4% (previous year: 22.6%).

At this point, the Executive Board, and also on behalf of all managing directors, wishes to thank all group employees for their motivation and commitment. Without their exemplary dedication, we would not have been able to complete the most successful year in our company’s history. Together with DMG MORI SEIKI COMPANY LIMITED, we intend making further investments in expanding global markets and developing our leading position in the technology sector. I am absolutely confident we can achieve this goal together!

DMG MORI SEIKI share

In the stock market year 2014, the **share** was initially quoted at € 23.02 (2 Jan. 2014) and reached its highest value of € 26.82 on 25 July 2014. Following the publication of record business figures for the first half year, the share noted a strong price downturn of 10.8%. Following the presentation of business figures for the 3rd quarter on 28 October, the share experienced a further downturn of -4.4% and hit an annual low of € 18.85. The year-end price was € 23.50 (30 December 2014).
With the announcement of the voluntary public tender offer from DMG MORI SEIKI COMPANY LIMITED on 21 January 2015, the share noted a 12.6% jump in the stock price to reach € 28.82. Currently, our share quotes at € 32.33 (XETRA closing price as at 07 May 2015).

Ladies and gentlemen, on **21 January 2015**, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED concluded a **Cooperation Agreement 2015.** As agreed, DMG MORI SEIKI COMPANY LIMITED announced on the same day that it would make a **voluntary public tender offer** 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 23 February 2015, in a joint reasoned opinion, the Executive and Supervisory Boards made a recommendation to shareholders to accept the offer. This Executive Board and Supervisory Board statement was supported by a fairness opinion from Deutsche Bank and an expert opinion on the value of the company by KPMG.

On 3 March 2015, DMG MORI SEIKI COMPANY LIMITED informed that it had acquired 12.02% of the share capital by way of package acquisitions outside of the stock exchange and thus held a total participation of 38.52% in the share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT on that date. 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 aims of the offer pursued by both parties, on 9 March 2015, we agreed with DMG MORI SEIKI COMPANY LIMITED to lower the offer conditions for reaching a minimum shareholding in the ongoing public takeover procedure from 50% (plus one share) to 40%. In return, DMG MORI SEIKI COMPANY LIMITED agreed to grant all shareholders accepting the offer an additional payment in the amount of € 0.55 per share. Dear shareholders, this amount corresponds to the dividend proposed to you today for adoption. The price offered as part of the tender offer was thus increased from € 30.00 to € 30.55, **which is a 43 % premium on the weighted average price** (three months prior to the offer) or 21.4 % on the last price before the offer was published. Following expiry of the term of acceptance on 13 April 2015 (midnight), the share in capital stock amounted to 52.54 % in total – plus shares tendered.

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On 30 April 2015 the Chinese antitrust authorities also issued the approval anticipated and thus the last remaining closing condition has been met. After takeover of the tendered shares the transaction has been finalized. DMG MORI SEIKI CO., LTD. is thus the owner of a total of 52.54% of the shares.

In the course of the tender offer, the US-American investor Elliott (Paul E. Singer) – through group companies – has acquired a stake representing 11.73% – plus further financial instruments pursuant to section 25a WpHG amounting to 3.39%. After our Japanese partner, such stake makes Elliott our second-largest shareholder.

Dear shareholders, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI CO., LTD. are planning to further strengthen their successful working relationship and close cooperation. Both companies are known worldwide under the “DMG MORI” brand. In the future, this should be reflected in the company name for DMG MORI SEIKI AKTIENGESELLSCHAFT as well as for DMG MORI SEIKI CO., LTD. Thus, the future company name of DMG MORI SEIKI AKTIEN-GESELLSCHAFT is to be “DMG MORI AKTIENGESELLSCHAFT”. In the future, DMG MORI SEIKI CO., LTD. is to be known as “DMG MORI COMPANY LTD”.

Thus, under **Item 5 of today’s agenda,** the Executive and Supervisory Boards propose that Section 1 par. 1 of the company’s articles of association be amended as follows: “The company is registered under the name of DMG MORI AKTIENGESELLSCHAFT.”
DMG MORI SEIKI CO., LTD. intends to adopt a resolution regarding the company change at its Annual General Meeting on 19 June 2015.

In conclusion regarding financial year 2014:

The Executive Board has provided you with explanatory information on statements made in the management and group management report pursuant to Sections 289(4) and (5) and Section 315 (4) of the German Stock Corporation Act, which we have also published publicly on the Internet. Further details can be seen in the annual report which is available at the information desk directly in front of the entrance to the hall.

And now to the **figures of the 1st quarter 2015** and **the outlook of the current financial year:**

The beginning of the year went according to plan for DMG MORI SEIKI: The industry's largest trade fair in India – the IMTEX in Bangalore –, the 20th traditional in-house exhibition at **DECKEL MAHO Pfronten** and the INTERMOULD in Seoul were all successful. **However, financial year 2015 remains volatile.**

In the first quarter, **order intake** was € 587.2 million and thus 2% below the previous year (€ 601.2 million). In the 'Machine Tools' segment orders were € 321.9 million (previous year: € 361.8 million). The 'Industrial Services' segment recorded order intake of € 265.2 million (previous year: € 239.3 million).

Sales revenues in the first quarter reached € 538.4 million and thus exceeded the previous year's figure by € 33.3 million (+7%; € 505.1 million). In the 'Machine Tools' segment, sales revenues amounted to € 272.9 million (previous year: € 278.1 million). Sales revenues in the 'Industrial Services' segment increased by € 38.5 million to € 265.4 million (previous year: € 226.9 million).

On 31 March 2015, **order backlog** within the group was € 1,183.1 million (31 Dec. 2014: € 1,134.3 million). International orders account for 72% of existing orders. The order backlog for 'Machine Tools' gives rise to a forward order book of approx. five months on average.

The DMG MORI SEIKI group was able to improve its key income figures as of 31 March 2015 compared to the previous year: **EBITDA** amounted to € 42.4 million (previous year: € 39.5 million), **EBIT** was € 30.0 million (previous year: € 28.4 million) and **EBT** reached € 27.9 million (previous year: € 26.1 million). As of 31 March 2015, the group reported **earnings after taxes** of € 19.5 million (previous year: € 18.0 million).

Outlook of the current financial year 2015

The **global market for machine tools** in 2015 is expected to develop on the level of the previous years. In their most recent forecast (status: April 2015), the German Machine Tool Builders' Association (VDW) and the British economic research institute, Oxford Economics, are expecting a 3.3 % growth in **world consumption** rising to € 62.3 billion. The growth rate was thus revised down by 4.0 percentage points compared to the autumn forecast. With regard to macroeconomic uncertainties, we had previously considered a +7.3 % growth rate for 2015 as too high.

We are expecting individual markets to continue to show significantly diverging trends and competitive pressure to increase on the whole. Besides growth markets such as South Korea, where we are planning to build a new technology centre, we believe future sales markets to be particularly the countries in Asia. Europe will continue to remain a key market for us, where we place greater focus on stronger penetration of smaller markets.

The **CIMT in Bejing** was held from 20 to 25 April 2015. With order intake amounting to € 86.7 million and 375 machines sold, DMG MORI is satisfied with the positive results from the top machine tool trade show in Asia.

From 25 to 29 May, at the **Metalloobrabotka in Moscow**, DMG MORI will present 16 high-tech machines to the Russian market.

The highlight of the year will be the grand opening of our production plant in **Ulyanovsk** (Russia). This is the group's most state-of-the-art machine tool plant covering an area of 21,000 m². The grand opening will take place at the end of September 2015.

From 5 to 10 October 2015, we will be presenting the achievements of our cooperation at the **EMO** in Milan. As a major exhibitor, we will be presenting 34 high-tech machines at the show, including 7 world premieres. This year, our **19 new developments** will put DMG MORI's combined innovation strength to the test at 77 international and national trade shows, as well as in-house exhibitions.

All this shows: We are on track. We intend to jointly strengthen our **global market presence** and further expand our lead in the technology sector. Using each other's production sites enables us to produce "in the market, for the market". With our product and service innovations in all business sectors, we will consolidate our position as a technology leader.

Dear Shareholders,

we confirm our forecast for the current year: We are expecting an **order intake** of around € 2.4 billion. Based on our stable order backlog, we are planning annual **sales revenues** of around € 2.25 billion. If market development develops as expected, we are planning to achieve **EBIT** of around € 165 million and **EBT** of around € 160 million. In light of the high investment volume, which is to be financed largely from the company's own funds, and also based on profit forecasts, we are expecting a positive free cash flow of between € 10 and 20 million. Based on these figures, we intend to distribute a **dividend** for financial year 2015.

Ladies and Gentlemen,

we want to create value over the long term, guaranteeing you stable and adequate dividends in return for your investment. The voluntary tender offer made by our Japanese partner has been met with wide approval. **An offer price of € 30.55 means your company was worth € 2.408 billion – and thus this is an all-time high in the company's 145-year history.** Since the beginning of this week, worldwide, we also have all approvals required of the antitrust authorities. The antitrust approval is significant for the intensification of our further cooperation.

In keeping with the motto for 2015, **‘Identify the chances. Shape the future’**, we also intend to further strengthen our competitive edge. We are confident that you, our investors, and also our customers, suppliers, business partners and of course, our employees will benefit from the merger of our two global networks and pooling of resources and technological expertise.

To us, your confidence in us and our work is an incentive, responsibility and motivation. We will do everything to do justice to the confidence you have placed in us. My Board colleagues and I lead the DMG MORI SEIKI group with the goal of long-term, constant increase in value.

Thank you for your kind attention!

Dr Rüdiger Kapitza
Chairman of the Executive Board

8 May 2015