

DMG MORI SEIKI

AKTIENGESELLSCHAFT

DMG MORI SEIKI AKTIENGESELLSCHAFT BIELEFELD

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Report of the Executive Board on agenda item 6 pursuant
to §§ 203 para. 2 sentence 2, 186 para. 4 sentence 2 AktG

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DMG MORI SEIKI AKTIENGESELLSCHAFT, BIELEFELD
112th ANNUAL GENERAL MEETING
ON 16 MAY 2014, 10.00 A.M.

Report of the Executive Board on agenda item 6 pursuant to §§ 203 para. 2 sentence 2, 186 para. 4 sentence 2 AktG

The Executive Board and the Supervisory Board propose to the Annual General Meeting that the current authorized capital in an amount of € 29,729,362.00 be cancelled and that new authorized capital be created in an amount of € 102,463,392.20. The current authorized capital was used in 2013 in the amount of € 48,489,352.60 through issuance of 18,649,751 no-par value bearer shares.

By creating a new authorization providing for an amount based on the current share capital amount, the Company is to retain its flexibility so that it can react to strategic options in the future and raise the capital on capital markets needed for the Company's growth and quickly take advantage of favorable market conditions to cover a future need for funding.

Overall, a new authorized capital of up to € 102,463,392.20 is to be created. The Executive Board is authorized, with the consent of the Supervisory Board, to increase the Company's share capital during the period until 15 May 2019 on one occasion or in partial amounts on several occasions by up to a total of € 102,463,392.20 by issuing up to 39,408,997 new no-par value bearer shares against cash and/or non-cash contributions (authorized capital). The new shares may be subscribed by one or more credit institutions designated by the Executive Board with the obligation to offer such shares to the shareholders (indirect pre-emptive right).

In accordance with the principle in § 186 para. 1 AktG, which also applies to authorized capital pursuant to § 203 para. 1 AktG, each shareholder is entitled, upon demand, to subscribe to new shares in proportion to his holding in the existing share capital (pre-emptive right).

However, pursuant to § 203 para. 2 sentence 1 AktG in conjunction with § 186 para. 3 sentence 1 AktG, the Executive Board is to be authorized, with the consent of the Supervisory Board, to exclude the shareholders' pre-emptive rights in certain cases when exercising the authorized capital.

- a) With respect to a partial amount of € 5,000,000.00, the Executive Board is to be authorized to exclude the pre-emptive right with the Supervisory Board's consent in order to issue shares to employees of the Company and enterprises affiliated with the Company. This will allow the authorized capital to be used to issue shares to employees of the Company and enterprises affiliated with the Company. These shares can be issued, for example, in the context of a new stock option plan so as to promote, in the interest of the Company and its shareholders, the employees' commitment to their enterprise, thereby enhancing the enterprise value.
- b) The Executive Board is to be authorized to exclude pre-emptive rights, with the Supervisory Board's consent, when the capital is increased by way of contributions in kind in order to acquire companies, divisions of companies or shareholdings in companies or other assets in exchange for shares when an appropriate occasion arises. This will allow the Executive Board to acquire companies, divisions of companies or shareholdings in companies or other assets from third parties in exchange for shares without taking recourse to the capital markets.

The Company competes with businesses around the world. It must be in a position at all times to act quickly and flexibly on the international markets, in the interests of its shareholders. This includes the ability to acquire companies, divisions of companies or shareholdings in companies or other appropriate assets to improve the Company's

competitive position. The best way to exercise this option in the interests of the shareholders and the Company may in certain cases be to acquire a company, a division of a company or a shareholding in a company or other appropriate assets by granting shares in the acquiring company. The ability to issue shares significantly increases the Executive Board's room to manoeuvre in international competition. Practice shows that particularly the owners of attractive target companies frequently demand voting shares in the acquiring company as consideration for the sale. As the company divisions involved in this sort of transaction become increasingly larger, it is often not possible to pay for the acquisition in cash without exhausting the Company's liquidity or increasing its indebtedness to an undesirable degree.

In order to use authorized capital for these purposes, pre-emptive rights need to be excluded. Therefore, the Executive Board is to be authorized to exclude pre-emptive rights in such cases. Authorized capital with the ability to exclude pre-emptive rights allows the Company to react quickly and without the delay that would be caused if a shareholders' resolution were required, and this ability to act quickly is often important or even decisive in being able to carry out an acquisition and to hold one's own in competition with other competitors interested in the acquisition.

When pre-emptive rights are excluded, the existing shareholders' percentage ownership and their relative voting rights are reduced, but if pre-emptive rights were granted, it would not be possible to acquire companies, divisions of companies or shareholdings in companies in exchange for shares, which would make it impossible to achieve the related advantages for the Company and its shareholders. As a rule, the Executive Board will use the stock exchange price as the basis for its valuation of the shares to be provided as consideration. However, there are no plans to systematically tie the valuation to the stock exchange price, so that fluctuations in the stock exchange price will not jeopardize the results of negotiations.

The Executive Board will only use the authorization to exclude pre-emptive rights when the planned acquisition in exchange for Company shares is in the best interest of the Company. Only when this prerequisite is met the Supervisory Board will give its consent.

- c) In addition, the Executive Board is to be authorized to exclude pre-emptive rights, with the Supervisory Board's consent, in the event of a capital increase against cash contributions if the issue price for the new shares as finally determined by the Executive Board is not significantly below the stock exchange price within the meaning of §§ 203 para. 1 and 2, 186 para. 3 sentence 4 AktG and the total proportionate amount of the share capital allocable to the new shares in respect of which the pre-emptive right is excluded does not exceed 10 % of the share capital either at the time when the authorization takes effect or at the time when it is exercised. Shares that are issued or sold during the term of the authorized capital with exclusion of the pre-emptive right of shareholders in direct or analogous application of § 186 para. 3 sentence 4 AktG count towards this 10 % limit.

This arrangement is in accordance with the provision set forth in § 186 para. 3 sentence 4 AktG. It allows the Executive Board to cover a future need for funding at short notice by taking advantage of potentially favorable capital market conditions in the interest of the Company and its shareholders. In particular, the management will be able to take advantage of favorable situations on the stock market at short notice and, by fixing a price which is close to the stock exchange price, to achieve an issue amount as high as possible. As a result of the time-consuming processing of pre-emptive rights, this can be achieved only to a very limited extent when pre-emptive rights are granted. Generally, a capital increase with exclusion of pre-emptive rights as provided for in § 186 para. 3 sentence 4 AktG results in a higher influx of funds than a comparable capital increase with pre-emptive rights, because the former enables the Executive Board to act more quickly.

The pre-emptive rights of shareholders may only be excluded if the issue price for the new shares is not significantly below the stock exchange price of the shares of the

same class which are already listed. Any discount on the stock exchange price will at most be 3 to 5 % of the current stock exchange price. As a result of this limit in terms of amount and the obligation to determine the issue price for the new shares close to the stock exchange price, a dilution of the existing shares and the shareholders' loss of influence will be limited. The percentage ownership and the relative voting rights of the existing shareholders will be reduced, but shareholders wishing to retain their relative percentage ownership and their relative voting rights are able to purchase the number of shares required for this purpose on the stock exchange.

The authorization to exclude preemptive rights is limited to an amount of 10 % of the share capital existing at the time the new shares are issued or at the time when the authorization takes effect, as provided for in § 186 para. 3 sentence 4 AktG. Any shares that are otherwise issued or sold with exclusion of pre-emptive rights pursuant to or analogous to § 186 para. 3 sentence 4 AktG count towards this 10 % limit.

- d) The Executive Board is also to be authorized to exclude pre-emptive rights, with the Supervisory Board's consent, for capital increases where shareholders would normally have pre-emptive rights, in order to eliminate fractional amounts from the pre-emptive rights. The authorization to exclude pre-emptive rights for fractional amounts makes it possible to establish simple, practical subscription ratios in a capital increase where there is entitlement to pre-emptive rights. Fractional amounts arise when the subscription ratio or the amount of the capital increase means that all new shares cannot be equally distributed among the shareholders. The pre-emptive rights for these fractional amounts must be excluded in order to create a subscription ratio that can be technically implemented. The shares that are excluded from pre-emptive rights of shareholders as fractional amounts will be realized either through a sale on the stock market or in another manner to the best of the Company's ability. Any possible dilution effect resulting from the limitation on fractional amounts is minimal because the fractional amounts represent such a small portion of the overall capital increase.

All the shares issued under the above authorization in the case of a capital increase against non-cash contributions with exclusion of pre-emptive rights or in case of a cash capital increase with exclusion of pre-emptive rights, as provided for in § 186 para. 3 sentence 4 AktG, may not exceed 20 % of the share capital at the time when the authorization takes effect nor at the time when it is exercised. Shares that are issued during the term of the above authorization with exclusion of pre-emptive rights from any other authorized capital count towards this 20 % limit; however, pre-emptive rights to settle fractional amounts or to issue shares to employees do not count towards the 20 % limit. This 20 % ceiling limits the overall scope of an issue of shares from authorized capital without pre-emptive rights, thereby further protecting the shareholders from dilution of their holdings.

Considering all the circumstances, the Executive Board and the Supervisory Board believe that the authorization to exclude pre-emptive rights in the cases indicated above for the reasons stated are justified and appropriate, even given the potential dilution effect on shareholders. The Executive Board will carefully examine in each case the use of the authorization to increase the capital with exclusion of pre-emptive rights and consider the interests of the existing shareholders to determine whether it is in the best interest of the Company; the Supervisory Board will grant its consent following a review on its own. The Executive Board will inform the next Annual General Meeting of any use of the authorized capital.

Bielefeld, March 2014



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