110th Annual General Meeting
of GILDEMEISTER Aktiengesellschaft
on 18 May 2012
in Bielefeld City Hall

Speech of the Chairman of the Executive Board

Dr. Rüdiger Kapitza

Check against Delivery.
Ladies and Gentlemen,

On behalf of the Executive Board, I would also like to warmly welcome you to our 110th Annual General Meeting in Bielefeld.

- The **financial year 2011** was a transitional year. We started with a sound order backlog and over the course of year managed to achieve constant gains. The most important **key performance indicators of financial year 2011** show a positive development trend overall. Order intake was the highest so far in the company's history - it rose by 36% to € 1,927.3 million. Sales revenues reached € 1,687.7 million - growth of 23% - and were thus the second-best of all time. We were also able to increase earnings significantly. EBT reached € 66.9 million and was thus the third best result in the company's history. The group profit for the period improved markedly from € 4.3 million to € 45.5 million.

- Under **agenda item 2**, the Executive Board and the Supervisory Board will propose to today's annual general shareholders' meeting that a **dividend payment of € 0.25 per share be distributed**. This represents a dividend yield of 2.6%.
International Development of the Machine Tool Industry in 2011

- The worldwide market for machine tools developed positively in 2011. **Consumption** rose in the reporting year to € 62.4 billion. The most machine tools by far were sold in **China**. At € 22.9 billion (36%), China was once again the world's largest sales market. **Japan's** consumption of machine tools grew strongly at +48% and took second place with € 5.5 billion. **Germany** took third place with consumption of € 5.0 billion (+42%). It was followed by the USA and South Korea. **These five markets represent 67% of the worldwide consumption of machine tools.**

- **World production** likewise reached € 62.4 billion - a rise of 30%. For the first time since 2007, China was the world's biggest producer of machine tools at € 14.6 billion (share: 22%). Japan followed with production of € 13.1 billion (22%) and Germany at € 9.7 billion (16%) was once again the third largest producer.

**German machine tool industry**

- **Order intake** at 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 grew by 45% (previous year: +89%). **Production** increased by 31% to € 12.9 billion. Of the machine tools produced in Germany, 66% were exported.
Report on the Financial Year 2011 of the GILDEMEISTER Group

- GILDEMEISTER’s **positive business development** was helped by renewed economic activity in the first half-year and by an easing of the investment backlog that had built up during the crisis. Our earnings situation improved continuously. However, we were not satisfied with the performance of **Energy Solutions**. The enormous turmoil on the south European markets and the ruinous competition between solar module manufacturers also had a severe impact on our business performance. By contrast, our **cooperation with Mori Seiki** bore fruit. The machine tool 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 very satisfactory record orders at this highly important trade fair.

Order intake

- **We 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). In **Germany** orders rose 42% to €764.2 million (previous year: €537.7 million) and in **Europe** it was also possible to record rising order intake (€652.5 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 momentum was noted in **China** (€196.7 million).
Sales revenues

- In the reporting year, GILDEMEISTER achieved the **second highest sales revenues in the company's history.** They surpassed 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%), foreign sales revenues rose to € 1,055.1 million (+20%).

Segment Reporting 2011

- We have **reorganised our business activities** and manage these – **as already reported** – since the end of 2011 in the segments “Machine Tools” and “Industrial Services”. The segmentation takes place according to the regulations of IFRS 8. Due to the structural adjustments, as well as the reorientation of the business model the Energy Solutions and the Service are aggregated to the **joint segment “Industrial Services”**. This segment offers our customers all sales and services from one source.

- The **“Machine Tools“ segment** is our core segment and includes the group’s new machines business. It contributed a share of 64% (previous year: 56%) to the group sales revenues. Sales revenues grew by 41% to € 1,088.1 million (previous year: € 769.9 million). The turning technology of GILDEMEISTER contributed 16% (previous year: 17%). The milling technology of DECKEL MAHO accounted for 39% (previous year: 32%). ECOLINE contributed 7% (previous year: 6%); ultrasonic and lasertec accounted for 2% (previous year: 3%).
"Industrial Services" contributed 36% to 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" contributed less than 1% to sales revenues.

Order backlog

As of 31 December 2011 the order backlog within the group amounted to € 811.2 million; it was thus € 182.9 million or 29% above the previous year’s figure (€ 628.3 million). In "Machine Tools" it rose by € 157.1 million or 47% to € 492.1 million (31 Dec. 2010: € 335.0 million). This signifies an average five months calculated production capacity utilisation - a good basic capacity utilisation for the current financial year. "Industrial Services" had an order backlog as of 31 December of € 319.1 million (previous year: € 293.2 million).

Results of Operations 2011

GILDEMEISTER was able to raise its earnings key performance indicators markedly 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 rose to € 45.5 million (previous year: € 4.3 million). This means we are recording the third best result in the company's history.

Earnings per share amount to € 0.85 (previous year: € 0.09).
GILDEMEISTER Aktiengesellschaft

- **GILDEMEISTER Aktiengesellschaft** has management and holding functions. The **earnings** of GILDEMEISTER Aktiengesellschaft were mainly determined by income from financial investments (€ 64.7 million; (previous year: € 29.7 million), which comprise profit transfers from DMG Vertriebs und Service GmbH (€ 21.7 million), from GILDE-MEISTER Beteiligungen AG (€ 42.0 million) and income from investment in Mori Seiki Co., Ltd. of € 1.0 million. GILDEMEISTER Aktiengesellschaft closes financial year 2011 with a profit for the period of € 13.8 million. Taking into account the profit carried forward from the previous year (€ 3.0 million), the **net retained profits** amount to **€ 16.8 million**.

- The Executive Board and the Supervisory Board propose to today’s 110th Annual General Meeting of Shareholders, pursuant to **item two on the agenda**, to allocate the net retained profits as follows:
  - to distribute € 14,590,798.75 to the shareholders by payment of a dividend of € 0.25 per share.
  - To carry the net retained profits for the financial year 2011 of € 2,186,895.80 forward to new account.

The following contains some detailed explanations of the Annual Report 2011 of the GILDEMEISTER group

- 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). Nevertheless, with an increase in gross revenue for the period of 26.9% inventories rose only by 10.2% to € 452.0 million (previous year: € 410.3 million).
Under **assets, fixed assets** rose by € 38.5 million to € 403.9 million (+10.5%; previous year: € 365.4 million). **Non-current receivables and other assets** rose by € 6.2 million to € 59.3 million (+11.7%; previous year: € 53.1 million). **Current receivables and other assets** have fallen compared to the previous year by 15.7% or € 65.5 million to € 351.4 million. At the end of the reporting period, **cash and cash equivalents** amounted to € 105.2 million (previous year: € 111.8 million) or 7.7% of the balance sheet total (previous year: 8.2%).

Under **equity and liabilities, equity** rose by € 242.3 million or 58.7% to € 655.2 million (previous year: € 412.9 million) mainly due to the capital increases, with net proceeds of € 213.7 million, and the profit for the period. The **equity ratio** thus rose to 47.8% (previous year: 30.4%). Thus we have practically reached our target - an equity ratio of 50%. The shares that were purchased within the scope of the share buyback programme reduced equity by € 20.7 million (3.0% of the voting rights). Without the share buyback, the equity ratio would have improved by a further 1.5% (to 49.3%).

In the financial year we were able to completely reduce net indebtedness and therefore no longer have any **gearing. Non-current borrowings** decreased by € 216.5 million to € 80.2 million. This resulted in particular from a reduction in financial liabilities through the redemption of the borrowers’ notes in an amount of € 201.5 million. **Non-current financing** rose in the reporting period by € 25.8 million to € 735.4 million. **Current financing** resources fell to € 636.4 million (previous year: € 647.9 million).
The group’s financial position developed positively in the reporting period. Free cash flow was positive as announced and rose to € 95.2 million (previous year: € 45.2 million).

Investments rose again clearly for the first time; they totalled € 89.7 million (previous year: € 50.0 million). In the reporting year we caught up with making those investments that we had purposely not made in recent years. Of these, property, plant and equipment, and intangible assets accounted for € 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.

- In the reporting period we opened the "HSC Center" in Geretsried and the new DMG / MORI SEIKI Technology Center in India; this is where we focused our investments

- Through increasing the shareholding in Mori Seiki Co., Ltd. to 5.1%, additions to financial assets amounted to € 14.8 million.

- Depreciation and write-downs of property, plant and equipment, taking into account capitalised development costs and finance leases, amounted to € 33.6 million (previous year: € 29.5 million).

In 2011 we have once again proven our innovative capacity. In the reporting year, GILDEMEISTER presented 20 new developments at 63 national and international trade fairs and exhibitions. At the most important machine tool trade fair, the EMO in Hanover, GILDEMEISTER and Mori Seiki displayed 97 high-tech exhibits jointly. With order intake of € 207.6 million and 847 machines sold, this was the highest order intake at a trade fair in the company's history.
In research and development, we are driving innovations in order to set the trends with top technological performance. Our research and development costs of € 54.6 million were about 13% above the previous year's figure of € 48.1 million. A main priority was placed on the development of new products. With the MILLTAP 700 - the first machine jointly developed by GILDEMEISTER and Mori Seiki - we are tapping into a new market segment. We are also a dedicated member of the VDW Initiative Blue Competence. The initiative has set itself the target of reducing the energy requirements of production machines in Europe by up to 30%. A high value is placed on the energy efficiency of machine tools at GILDEMEISTER. In the renewable energies division, GILDEMEISTER presented two innovative new developments with the CellCube 200-400 big battery and the SunCarrier 70.

GILDEMEISTER created 587 new jobs in the reporting year. 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 increased personnel at our domestic sites as well as in Poland and China due to improved business performance. The rise in personnel numbers in the "Industrial Services" segment results primarily from combining our sales and service activities with those of Mori Seiki in Germany and the associated integration of 101 employees.
Moreover, additional personnel were recruited at the companies in the growth markets of China, India and Russia. Employee expenses rose to €384.7 million (€+51.5 million; previous year: €333.2 million). The **personnel expenses ratio** fell as a consequence of higher gross revenue for the period to 22.1% (previous year: 24.3%).

At this point, and on behalf of the management directors, too, the Executive Board would like to thank all our employees for their commitment. GILDEMEISTER has returned to a growth trend. Now it is a matter of continuing to be active globally and of taking advantage of the new markets. I am certain that we will achieve this together.

**GILDEMEISTER Share**

- As of 31 December 2011, the registered capital of GILDEMEISTER Aktiengesellschaft was €156,437,431.80. It is divided into 60,168,243 no par value bearer shares with a nominal value of €2.60 per share. Mori Seiki Co., Ltd., Nagoya (Japan) holds 20.1% of the voting rights in total and is thus the largest single shareholder.

- The Executive Board of GILDEMEISTER Aktiengesellschaft passed a resolution on 25 August 2011 to use the authorisation granted by the annual general meeting of 14 May 2010 to **buy back the company’s shares**. The buyback commenced as of 26 August 2011 and ended on 31 December 2011. In total, 1,805,048 shares were bought back. This corresponds to 3.0% of total capital. Under **item 6 of today’s agenda**, we are asking you to agree to the purchase of our own shares as an anticipatory resolution. In addition, the Executive Board and Supervisory Board are proposing an amendment to Section 5 (3) of the Articles of Association (authorised capital). The exact wording of the proposed resolution can be found under **agenda item 7** of the invitation to the annual general meeting.
Now to the performance of the GILDEMEISTER share.

- At the start of the trading year 2011, the German stock market indices were able to carry on from the previous year’s positive trend. In March the catastrophes in Japan had a noticeably negative impact on the international capital markets. Over the further course of the year, the mood became subdued. In August, in particular, when the USA's creditworthiness was downgraded by the rating agencies, the stock indices recorded dramatic losses. In the second half of the year, stock market trends were governed by the on-going debt crises in the euro region and in the USA and the concern arising from this that economic activity worldwide could remain subdued long-term.

- The GILDEMEISTER share also clearly lost in value by the end of the financial year as a consequence of volatility on the international capital markets. Although the positive industry trend in machine tool building was reflected in GILDEMEISTER’s business figures, this was not the case with the valuation placed on its share. In the 2011 stock market year, the share started the year at € 16.90 (3 Jan. 2011) and reached its highest value of € 17.50 on 3 May 2011. The lowest value of the year was € 8.69 (4 Oct. 2011). The share closed the year on 30 December 2011 at € 9.75. At the start of 2012, the share was quoted at € 10.23. The share is currently quoted at € 13.84 (16 May 2012); this represents an increase of 35% since the start of the year.
Now to the **figures for the first quarter 2012** and the **forecast for the current financial year**.

- **GILDEMEISTER has started financial year 2012 in line with plans.** This was assured, amongst others, by the successful annual kick-off events. Such as, for example, the in-house exhibition in Pfronten with a record result of 530 machines sold for a value of €163.4 million and the METAV in Dusseldorf with orders worth €41.5 million.

- A further highlight was the opening of the joint DMG / MORI SEIKI **Technology Center in Singapore** on 21 February. This will strengthen our cooperation in south-east Asia. The investment volume was about €6 million. We intend to treble order intake in this region in the medium-term.

- **Order intake** rose in the first quarter by 36% to €605.1 million (previous year: €445.9 million). The sale of Mori Seiki products contributed €89.7 million to order intake (previous year: €17.3 million). In our core "Machine Tools" business, orders increased by 22% to €359.9 million (previous year: €295.4 million). In "Industrial Services" we were able to increase order intake by 63% to €245.1 million (previous year: €150.4 million). Of this, Services contributed €235.8 million (+74%) and "Energy Solutions" €9.3 million (-36%).

- In the first quarter, **sales revenues** reached €451.8 million and were thus 20% (€74.4 million) above the comparable previous year’s figure (€377.4 million). In the “Machine Tools” core segment sales revenues rose by €51.2 million (+25%) to €259.6 million. Sales revenues in the "Industrial Services" segment were €192.1 million (previous year: €168.9 million).
- The order backlog in the group as of 31 March 2012 amounted to €964.5 million (+41% in a year-on-year comparison). The domestic order backlog rose by €108.9 million (+64%) to €277.9 million. The international order backlog grew by €172.8 million to €686.6 million (+34%). International orders account for 71% of existing orders.

- The GILDEMEISTER group’s profitability grew as planned in the first quarter. EBITDA amounted to €28.6 million (previous year: €17.9 million), EBIT reached €18.8 million (previous year: €10.4 million) and EBT rose to €15.0 million (previous year: €0.5 million). As of 31 March 2012, the group reports earnings after taxes of €10.3 million (previous year: €0.3 million).

Forecast for the current financial year 2012

- The worldwide market for machine tools should grow quite steadily overall in 2012. The latest forecast (as of April 2012) anticipates growth in worldwide consumption of 8.8% to €67.9 billion.

- We have started 2012 from a strong position and at the current time we cannot see any serious indications of a downturn in economic activity in our industry. Nevertheless, the financial and debt crisis is placing a restraint on willingness to invest in Europe. On the other hand, demand for machine tools continues uninterrupted in the BRIC countries. Should the US economy return to a clear growth trend in the current year, there is a possibility that the stagnation in Europe can be offset. Challenges in the current year include, amongst others, the fact that machine tool producers are feeling even more keenly the growing global competition for raw materials and therefore have to keep an even closer eye on their production costs overall.
In **financial year 2012** we expect further growth in the "Industrial Services" segment. The on-going excellent trend in the Asian markets, as well as in Eastern Europe and America, could compensate for a possible slight slowdown in the southern European business. We also intend to increase sales of Mori Seiki machines in Europe and Germany. For the whole year we are expecting **order intake for the first time of more than € 2 billion**. Based on current business performance and a sound order backlog, we plan to achieve **sales of more than € 1.9 billion**. In terms of costs, we are expecting increases in purchasing and personnel costs. In contrast, the net interest income has decreased markedly as a result of our capital restructuring. For the whole year we intend to achieve **EBT of more than € 100 million** and **annual profit of more than € 65 million**. The 2012 planning assumes that the market trend will continue in line with recent forecasts and that the current global economic conditions and value of the euro will remain stable. Due to the positive outlook for business and earnings, we anticipate distributing a **higher dividend per share for financial year 2012 than in the previous year**.
Ladies and Gentlemen,

- Our motto for the year 2012 is: **Creating the future - forming real value.** We have set the right strategic course, so that GILDEMEISTER's position remains secured even if the market environment becomes more difficult. In the **transitional year 2011**, we have managed to catch up again to the growth year of 2008. In the Asian and US American regions, the cooperation with Mori Seiki is opening up new opportunities for us.

- We have combined the European sales and services of GILDEMEISTER and Mori Seiki into a joint head office in Switzerland (Dübendorf). **DMG MORI SEIKI Europe AG** manages all the sales and service activities of the European DMG / MORI SEIKI companies. GILDEMEISTER holds 60% of the shares in the new holding company and Mori Seiki holds 40%. We plan to further build upon our innovations in the product and service area in Europe, too.

- On the occasion of the in-house exhibition in Bielefeld from 19 to 23 June, we are planning to hold the **opening of our "Energy Solutions Park"**. Up to 15% of the self-produced energy in the future is to come from regenerative energy. Energy will be generated, stored and used around the clock in the future. This will allow us to produce a calculated 160 machines climate-neutrally. With a broader product portfolio and greater sales focus on new markets and industrial customers, the **Energy Solutions** division will expand in the future. In the reporting year we will concentrate on developing new markets and target groups.
In July, the new production and logistics center will open at **DECKEL MAHO in Seebach** as well as the "Technical Innovation Center". Through this we will increase assembly capacity by more than 40%, optimise logistics procedures and further improve efficiency in the development process.

Also in this year we are planning to **start construction of a state-of-the-art assembly plant** in Ulyanovsk (Russia); we have already purchased a plot of about 200,000 square metres. Here we will produce the ECOLINE series milling and turning machines for the Russian market. Some of you will perhaps remember that GILDEMEISTER achieved more than a third of its group sales revenues in the 1980s in Russia. The business collapsed with the end of the Soviet Union. We intend to pick up again from our previous success and increase our Russian sales markedly in a relatively short space of time. The preconditions for this are good: We will construct our plant in Ulyanovsk, in an industrial region on the Volga, where leading Russian automotive and aerospace groups, as well as major suppliers and logistics companies, have set up business.

**Future Business Development 2013**

The general conditions for 2013 are difficult to predict from today's perspective. For 2013, the VDW and Oxford Economics are forecasting further growth in worldwide machine tool consumption. We, too, are aiming to achieve an increase in financial year 2013.
Dear Shareholders,

GILDEMEISTER is setting the trends worldwide with its innovative products. Our machines will continue to move the world as they lie at the start of worldwide process chains. Our high innovative strength, a growing international sales and service network and our cooperation with Mori Seiki ensure that about 200,000 DMG and MORI SEIKI machines are installed and in use throughout the world. The future will be shaped by them as new products are turned out daily.

My dear Shareholders,

Your trust in us and in our work is an incentive, obligation and motivation for us. We will do everything we can to remain worthy of this trust. This holds true as much for our customers, suppliers, business and cooperation partners as it does for our employees and investors. My Executive Board colleagues and I are leading GILDEMEISTER with the aim of continually increasing its value. We can assure you that we will do everything to ensure that GILDEMEISTER remains an attractive capital investment for you.

I would like to thank you for your attention.

Dr Rüdiger Kapitza
Chairman of the Executive Board
18 May 2012
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