



GILDEMEISTER Aktiengesellschaft Bielefeld

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Report of the Executive Board regarding item 6 of the agenda pursuant to § 71 (1) no. 8 AktG in connection with § 186 (3) and (4), sentence 2 AktG

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“GILDEMEISTER Aktiengesellschaft adopted a resolution at the Annual General Meeting of 15 May 2009 authorizing the acquisition of its own shares, but the authorization is limited until 31 October 2010. Due to the expiration of this authorization in the current fiscal year, it should be revoked as of the date on which the new authorization granted at this Annual General Meeting goes into effect and should be replaced by the aforementioned new authorization which will not expire until 13 May 2012. Under the Act Implementing the Shareholders’ Rights Directive of 30 July 2009 (ARUG), the period of authorization is no longer limited to 18 months, but can be granted for a longer period of time (up to five years). The Executive Board believes that utilising this opportunity is practical because it avoids the problems that arise when such authority expires between two Annual General Meetings.

The aforementioned provision should afford the Company the opportunity of purchasing its own shares through a public tender offer or a public solicitation to tender a sales offer. The principle of equal shareholder treatment (aktienrechtlicher Gleichbehandlungsgrundsatz) must be observed in this respect. In case of a public solicitation to tender a sale offer, any shareholder willing to sell may decide how many shares to sell and, in case a price range is set, at which price he wishes to offer these shares. If the overall acceptance of a tender offer, respectively those equal-value offers made by the shareholders following such solicitation, exceeds the designated volume, then the purchase or acceptance must be in proportion to the amount of the offered shares. In this case, however, it should be possible to provide for a preferential acceptance of smaller individual increments of shares up to a maximum of 100 shares per shareholder. This option serves the purpose of avoiding fractional amounts when setting the quota to be purchased and small remainders, and in this way simplifies the technical settlement.

The Executive Board should be authorized to redeem and cancel the Company’s own shares without the approval of the Supervisory Board and without any further resolution by the Annual General Meeting (§ 71 (1) no. 8 sentence 6 AktG). The proposed authorization provides that, pursuant to § 237 (3) no. 3 AktG, the Executive Board can redeem and cancel shares without a capital reduction. Where shares are redeemed and cancelled without reducing capital, the proportionate amount of the remaining no par value shares of the Company’s registered share capital is increased. In this regard, the Executive Board is authorized to amend the Articles of Association to reflect the changing number of no par value shares.

The sale of the Company’s own shares (“treasury shares”), which were acquired based on this or an earlier authorization or in some other manner, should be possible in the following cases while excluding pre-emptive rights:

a) *By authorising the sale of the acquired shares to a third party and the sale of the acquired treasury shares by means other than on the stock market or through an offer made to all shareholders, to the extent that the selling price is not significantly below the stock market price, the Company shall use the opportunity provided by law to exclude the pre-emptive rights pursuant to § 71 (1) no. 8 sentence 5 AktG in conjunction with § 186 (3) sentence 4 AktG. The final determination of the selling price for treasury shares shall be made shortly before the sale of the treasury shares. This opportunity serves the interests of the Company and the shareholders since it affords the Company greater flexibility. The Company is thereby able to compete for new domestic and foreign shareholder groups. It affords the Company the opportunity, above all, to sell its own treasury shares for example to institutional investors or cooperation partners. The aforementioned statutory option for the exclusion of pre-emptive rights places the Company in a position to make fast and flexible use of opportunities arising from new stock market situations, without requiring the time-consuming and costly settlements of pre-emptive rights trading. The proposed authorization therefore serves to ensure a sustained and reasonable equity capitalization for the Company. There are currently no specific plans to exercise this authority. The Executive Board shall report each use of authorized capital at the next Annual General Meeting.*

The property and voting interests of the shareholders will be suitably protected during the sale of the treasury shares to third parties while excluding pre-emptive rights pursuant to § 71 (1) no. 8 sentence 5 in conjunction with § 186 (3) sentence 4 AktG. The authorization is limited to a maximum of 10% of the Company's registered capital.

Included in the aforementioned 10% limit are shares that have been issued during the period of this authorization in connection with a capital increase while excluding pre-emptive rights either directly pursuant to § 186 (3) sentence 4 AktG or as part of the use of the authorized capital account in conjunction with § 203 (1) AktG. Also included in the 10% threshold are shares with respect to which there is a conversion right or option or a conversion duty or option duty based on warrant-linked bonds and/or convertible bonds, which were issued during the term of this authorization while excluding pre-emptive rights pursuant to §§ 221 (4), 186 (3) sentence 4 AktG. The inclusion of these shares in calculating the aforementioned threshold effectively limits the possibility of pre-emptive rights exclusion.

To protect the shareholders, it is further provided that the Supervisory Board may stipulate that actions taken by the Executive Board on the basis of this authorization will still require the prior approval of the Supervisory Board. At the same time, for purposes of protecting the shareholders, it is provided that the acquired shares, when sold by means other than on the stock market or by making an offer to all shareholders, may be sold only at a price that is not significantly, i.e. in no event more than 5%, lower than the stock market price of Company shares at the time of the sale.

- b) *The Company should furthermore be in a position to have its own treasury shares at its disposal for use as consideration in connection with corporate mergers or for the acquisition of companies, divisions in companies, shareholdings and other assets. International competition and globalization demand, more than ever, this type of consideration. The proposed authorization should provide the Company with the necessary flexibility to engage in fast and flexible action regarding new opportunities for acquiring companies or investments. No specific plans to use this authorization presently exist.*

In exercising its authority hereunder, the Executive Board shall ensure that the shareholders' interests are reasonably safeguarded. As a rule, it will use the stock market price as a benchmark in valuing the transferred Company shares which will be used as consideration. A schematic link to the stock market price is not, however, envisaged, in order to avoid, above all, compromising previously achieved negotiations due to fluctuations in the stock market price. The Executive Board shall report on any use of the authority at each next Annual General Meeting.

- c) *The authorization also provides that the treasury shares may be used to satisfy the conversion rights under the issued convertible bonds while excluding the shareholder's pre-emptive rights. It may in some cases be practicable to use treasury shares to satisfy the conversion rights instead of relying on new shares that are issued as part of a capital increase.*
- d) *Treasury shares should also be offered to employees of the Company and enterprises affiliated with the Company. The issuance of treasury shares to employees – generally subject to a reasonable lock-up period covering several years – is in the interests of the Company and its shareholders since such a measure promotes the employees' association and identification with their Company and thereby improves Company value.*

Modern compensation systems sometimes provide remuneration in shares for executive board members and employees. The use of available treasury shares as a component of compensation instead of relying on a capital increase or cash payment makes economic sense for the Company. The members of the Company's Executive Board should also have the opportunity of having the Supervisory Board be able to provide them with share-based compensation using the Company's treasury shares. As the competent body charged with the responsibility of approving the compensation of the Executive Board, the Supervisory Board has the sole authority to decide such matter.

The decision on how the authority shall be exercised in each individual case is taken by the relevant governing bodies of the Company. These governing bodies shall be guided solely by the interests of the shareholders and the Company and shall report on their decisions at the next Annual General Meeting pursuant to § 71 (3) sentence 1 AktG. There are currently no specific plans to utilise this authority.”

Bielefeld, March 2010

GILDEMEISTER Aktiengesellschaft
sig. The Executive Board

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