Check against delivery

Speech given at the 108th Annual General Meeting of GILDEMEISTER Aktiengesellschaft on 14 May 2010

Ladies and Gentlemen, Dear Shareholders,

on behalf of the Executive Board, I would also like to welcome you to our 108th Ordinary Annual General Meeting in Bielefeld.

The financial year 2009 was – due to the economic crisis – also one of the most difficult years in the company's history for GILDEMEISTER. This dramatic situation demanded a lot of us. Nevertheless, compared to the industry, we have done well! The key figures are as follows: Order intake reached € 1,145.9 million (-39%). Sales revenues fell by 38% to € 1,181.2 million. We have reached our target of achieving a positive result (EBT). The annual net profit in the group amounted to € 4.7 million. EBITDA amounted to € 60.9 million and the EBT was positive at € 7.1 million. Earnings per share amounted to € 0.10. In the last year the GILDEMEISTER share outperformed the MDAX (+34%) with a share price gain of 44% (year-on-year). Under **agenda item 2**, the Executive Board and the Supervisory Board are proposing to today's Annual General Meeting of Shareholders to distribute the net profit for the financial year 2009 by way of a dividend payment of € 0.10 per share.

International Development of the Machine Tool Industry in 2009

The worldwide machine tool market suffered its worst crisis in history. **Global machine tool consumption** decreased 2009 by 31% to € 36.1 billion. Again, China was the largest sales market by far at € 10.5 billion (29%). Far behind in second place was Germany at € 3.9 billion (11%). Third place was taken by the USA at € 2.4 billion (7%), followed by Japan and Italy. These five industrial nations account for 60% of the global consumption of machine tools.

Production worldwide likewise decreased by 31% to € 36.1 billion. Germany still topped the world league at € 7.5 billion (21%). For the first time, China advanced to become the second largest producer of machine tools worldwide at € 7.0 billion (19%). Japan occupied third place with € 5.1 billion (14%) – in front of Italy and South Korea.

German Machine Tool Industry 2009

Order intake of the German machine tool industry slumped by 55% to € 6.2 billion (previous year: € 13.7 billion). Domestic demand fell by 61% (previous year: -17%). International demand decreased by 50% (previous year: -12%). **Production** fell by 30% to € 9.9 billion and was thus clearly below the previous year's figure (€ 14.2 billion).

Report on the financial year 2009 of the GILDEMEISTER Group

GILDEMEISTER followed its strategic goals in **financial year 2009** even in difficult economic times. With our many years' experience, our wide-ranging technological know-how and our power of innovation, we will continue to take a top position of the leading manufacturers worldwide of cutting machine tools. In addition to turning, milling and laser technology, our range also includes automation and software solutions for machine tools. These are complemented by a customer-focused service business. The solar technology with the SunCarrier has developed satisfactorily. We have strengthened our position in the Italian market. We have been able to gain a foothold in the USA and in India through the realisation of our first orders.

The challenge to master and overcome the international economic crisis requires strong alliances. In March 2009, we finalised a cooperation with the leading Japanese builder of machine tools, Mori Seiki (Nagoya), which has allowed us to combine resources and to achieve joint efficiency advantages. Our strategic cooperation covers the areas of production, purchasing, research and development, sales and service as well as customer financing.

Order intake

In the financial year 2009, **order intake** reached **€ 1,145.9 million**.
It therefore declined by 39% (previous year: € 1,882.0 million). In the first three quarters of the year, order intake developed analogously to the difficult market environment in that it was sharply in decline. In the fourth quarter, order intake reached the turning point at € 327.7 million (previous year: € 289.2 million). The machine tool business shrank over the entire year by 51% to € 568.0 million. The service business amounted to € 577.7 million (-21%); of which the solar business developed positively in proportion with € 299.8 million (+85%).

In **Germany**, orders declined considerably by 59% to € 343.9 million. In **Europe**, order intake slowed down noticeably, too. In **America**, business was in line with the declining market development. In **Asia**, orders increased significantly. Particular growth stimulus came from **China**.

Sales revenues

Sales revenues fell by € 722.8 million (-38%) to **€ 1,181.2 million** (previous year: € 1,904.0 million); it was possible to avoid an even greater decline through the good order backlog at the start of the year. Domestic sales revenues fell to € 496.5 million (-40%); international sales revenues decreased to € 684.7 million (-36%). The export ratio amounted to 58% (previous year: 56%).

Segmental reporting

The GILDEMEISTER business activities in the reporting year included the **Machine Tools** segment with a sales revenue share of 64% (previous year: 63%) and the **Service business** with about 36% (previous year: 38%), as well as Corporate Services with less than 1%.
The **Machine Tools** segment includes the new machines business. Sales revenues declined by 36% to € 757.7 million. The milling technology of DECKEL MAHO contributed 42%; ultrasonic and lasertec accounted for 3%. The turning technology of GILDEMEISTER amounted to 19%.
The **Services** segment was also affected by the economic downturn. Sales revenues decreased by 41% to € 423.3 million. The Solar Technology division contributed € 88.5 million of this. The original service business recorded a decline of 36% in comparison with the previous year.

Order backlog

At year-end, the **order backlog** amounted to **€ 586.7 million**; it was thus clearly below (19%) the previous year's figure (€ 727.4 million).

Profitability 2009

We reached our target of achieving a positive result (EBT). Despite the massive losses, through consistent operational and structural measures, we have achieved positive earnings. **Annual net profit** in the group amounted to € 4.7 million (previous year: € 81.1 million). **EBITDA** amounted to € 60.9 million (previous year: € 188.9 million); **EBIT** totalled € 31.8 million (previous year: € 158.2 million). **EBT** was positive at € 7.1 million (previous year: € 126.7 million).The tax ratio could be improved to 33.8% (previous year: 36.0 %). **Earnings per share** amounted to € 0.10 (previous year: € 1.87).

GILDEMEISTER Aktiengesellschaft

GILDEMEISTER Aktiengesellschaft has management and holding functions. Its **result** in the financial year 2009 was determined primarily by income from financial assets (€ 16.9 million), comprising transfers from profit and loss transfer agreements with domestic subsidiaries balanced against loss assumptions (€ 16.4 million) and investment income from Mori Seiki (€ 0.5 million) (previous year: € 117.2 million). GILDEMEISTER Aktiengesellschaft closed the reporting year with an annual loss of € -1.7 million (previous year: € 44.0 million). Taking into consideration the retained earnings from the previous year 2008 (€ 8.2 million), this results in a **net profit** of **€ 6.5** million (previous year: € 25.5 million).

The Executive Board and the Supervisory Board propose to today's 108th Annual General Meeting of Shareholders, according to **agenda item 2**, to appropriate the net profit as follows:

- A distribution to the shareholders of € 4,558,200.30 through the payment of a **dividend in the amount of € 0.10** per share for the financial year 2009.
- Furthermore, to carry the remaining net profit of € 1,905,532.82 forward to new account.

Some explanations of the financial statements 2009 of the GILDEMEISTER group are given as follows:

- **Total assets** decreased to € 1,152.7 million (previous year: € 1,390.4 million. The change arose through a decline in liquid funds (€ -173.5 million) as well as from fewer funds tied up in inventories (€ -34.6 million). On the **assets side**, **fixed assets** increased to € 326.0 million (€ +24.7 million). Trade receivables decreased by € 46.5 million to € 239.5 million; recognised under this is revenue recognition of sales in the Solar Technology division of € 55.4 million.

- On the **equity and liabilities side**, equity rose by € 1.2 million to € 380.9 million (previous year: € 379.7 million). The reduction in total assets and the annual profit led to an improvement in the **equity ratio** to 33.0% (previous year: 27.3%).

- Cash flow from operating activities (cash received) was negative at € -75.2 million (previous year: € 108.6 million); the **free cash flow** amounted to € -100.5 million (previous year: € 60.1 million). The reasons for this were revenue shifts in the Solar Technology division, which will lead to receipt of payment only in this financial year and missing revenue realisations due to the noticeably increased export share of the machines business. Due to the necessary export licences delays in delivery and thus in payment are caused.

- As a consequence **financial liabilities** increased to € 244.9 million (previous year: € 120.4 million). **Gearing** (proportion of net indebted-ness to equity) rose to 64.3% (previous year: 31.7%).

- Due to the considerable changes in the key figures as a result of the economic crisis, timely negotiations were conducted with our banks, in order to adjust existing **financing agreements**. In addition, we have increased the credit margin, in order to make use of oppor-tunities in the project business sector, as well as to secure corporate financing throughout the economic crisis. As a result, we had to accept considerably higher interest margins. It was possible to secure the financing for GILDEMEISTER until the end of 2012. The corresponding contracts were signed at the beginning of 2010.

- **Investments** in property, plant and equipment and in intangible assets amounted to € 26.5 million (previous year: € 50.2 million). Additions to financial assets amounted to € 31.3 million due to the investment in Mori Seiki. Investments thus amounted in total to € 57.8 million. Depreciation, taking into account capitalised development costs and finance leases, amounted to € 29.1 million (previous year: € 30.7 million).

- Today's innovations are tomorrow's sales! In the reporting year GILDEMEISTER presented **15 new developments** at 89 national and international trade fairs and exhibitions. Despite the global economic crisis we have kept **research and development** expenses of € 47.9 million (previous year: € 57.3 million) at a high level. At the industry highlight – the EMO 2009 in Milan – we presented 41 exhibits, including 7 world premieres. Through innovative **software**, DMG machines are set apart from their competitors. Our control technology relises a reduction in re-tooling times of up to 30%. In the field of **energy efficiency** in machine tools, GILDEMEISTER is setting new benchmarks for resource-conserving production processes. Under the label **DMG ENERGY SAVING** we are bundling all the energy efficiency improvement measures. Overall, 435 employees work on the development of our products (15% of the workforce at the plants).

- Especially our employees were affected severely by the economic crisis. As at 31 December 2009, GILDEMEISTER had 5,450 **employees**, of whom 253 were trainees (previous year: 6,451). At the end of the first six months, initially all employment agreements with temporary workers had been terminated (552 workers). We adjusted capacity requirements primarily through short-time working as far as possible. Nevertheless, over the course of the year, the number of employees had to be reduced by 1,001 employees (-16%). By these measures that were timely introduced, we were able to make savings of € 18.7 million in other operational expenses and of € 59.4 million in employee expenses. These savings result primarily from a reduction in variable salary components (€ -25.7 million), the cutting back on overtime (€ -15.9 million) and the use of short-time working (€ -12.1 million). On average, 30% of employees at the group were affected by short-time working in the reporting year. The personnel ratio was 30.3% (previous year: 20.7%). Employee expenses decreased by € 59.4 million to € 346.1 million (previous year: € 405.5 million).

At this point the Executive Board would like to thank all employees for their commitment. In times of difficult decisions, they have shown solidarity, resilience and commitment. On good days and on bad days, we could always rely unreservedly on the dedicated commitment of our workforce. Through their personal efforts, we have managed to exist in a difficult market environment.

GILDEMEISTER Share

The GILDEMEISTER **share** gained considerably in value in 2009. The share price gain of 44% (year-on-year) outperformed the MDAX (+34%). Market capitalisation rose by 52% or € 176.5 million to € 516.4 million (previous year: € 339.9 million). The share started the stock market year 2009 at a price of € 7.49 (2 Jan. 2009) and reached its highest value of the year at € 11.69 on 16 November 2009. The lowest value of the year was € 4.25 (5 Mar. 2009). The share closed the year on 30 December 2009 at € 11.33. The good performance was driven by the positive development in the Solar Technology division and the cooperation with Mori Seiki. At the **start of the year 2010**, the GILDEMEISTER share first of all recorded an inconsistent performance: Starting from a price of € 11.62 on the first day of trading (2 Jan. 2010), the share closed the first quarter at € 9.96 (31 Mar. 2010). In the current volatile environment the share is quoted at € 9.48 (10 May 2010).

Dear Shareholders, we kindly ask you to pass **the resolution on the authority to purchase own shares** in **agenda item 6** of this annual general meeting. This serves primarily to place GILDEMEISTER in a position to grant its own shares as consideration for the acquisition of companies or investments in companies or to dispose of shares in the most economic manner possible for the company at an optimum price. More detailed information on agenda item 6 can be found in the Executive Board's report, which is available at today's annual general meeting. As in previous years, this authorisation concerns a **precautionary resolution**; definite plans for exercising this authority do not exist.

We kindly also ask you to pass **the resolution on amending the nature and purpose of the business** in **agenda item 9**. In addition to the field of machine tool building, in the future GILDEMEISTER's business activities will focus more strongly on energy production and storage through renewable energy sources. This should also be reflected in the nature and purpose of the business. Renewable energies are becoming an increasingly important element of future energy supply concepts. Due to its growing importance for GILDEMEISTER and the requirements of IFRS 8, **Energy Solutions** is being managed as a separate segment as of the start of the year 2010.

Dear Shareholders, we kindly also ask you to agree to **agenda item 10 – establishment of authorised capital** and a corresponding amendment to the articles of association. The proposed new authorised capital is essentially identical to the previous authorised capital. Through the authorisation to establish new authorised capital, GILDEMEISTER receives a flexible instrument for the next five years to shape corporate policy for example to cement existing cooperations. Detailed explanations of agenda item 10 are likewise given in the Executive Board's report, which has been made available for you to view at today's Annual General Meeting of Shareholders. Moreover, the Executive Board has drawn up further explanatory reports. We have published these reports together with the invitation to the 108th Ordinary Annual General Meeting and also in the Internet; in addition, they are set out during this annual general meeting at the notification desk. This authorisation also concerns a precautionary measure. In the event that this authorisation is exercised, GILDEMEISTER will only use the authorised capital at issue only insofar as, taking into account standard market conditions, any exclusion of subscription rights remains limited to a maximum 20%.

1st Quarter and Forecast for the Financial Year 2010

Dear Sharholders,
I would now like to turn to the **financial year 2010** and inform you of the **current development**. The **worldwide market for machine tools** is expected to stagnate overall during 2010. The German Machine Tool Builders Association (VDW) is expecting a slight decline in consumption of 0.4% to € 36.0 billion in its April forecast. However, it is worth taking a closer look at the world markets: Demand has recovered especially quickly in **Asia** (+5.5%). Above all, the markets in China (+7.2%), India (+10.1%) and Taiwan (+11.0%) are showing a clear growth trend. The machine tool business shall also develop positively in **America** (+6.8%); growing consumption is anticipated in Brazil (+14.2%) in particular. A declining development trend is expected in **Europe** (-15.6%).

The **German machine tool market** shall also develop more weakly than the world market. The VDW is expecting another decline in consumption – caused by the long throughput times in the project business and a high proportion of specialist machines in Germany – and a decline of 12% in production. Nevertheless, order intake at German machine tool producers grew once again at the start of the year. A strong boost to German machine tool building came especially from abroad; orders increased by 54%. Domestic orders recorded a growth of 25%.

Conclusion

The consequences of the economic crisis are still having a noticeable effect at the start of the year. However, the crisis appears to have bottomed out. Demand for machine tools is still continuing at a low level, however, there are signs of a recovery trend.

GILDEMEISTER still continues to start the financial year 2010 with cautious optimism. We record growing interest in our machine tools business. At our **traditional in-house exhibition** in Pfronten, DMG presented 55 exhibits over a surface area of 3,243 square metres. 3,913 national and international customers gathered information on innovations and trends. We achieved order intake of € 58.5 million and 292 machines sold.

In February, at the **METAV** in Dusseldorf, we presented 21 innovative machines. The positive balance was an order intake of € 29.3 million and 160 machines sold. We are planning further stimulus from the coming industry highlights worldwide.

At the Bielefeld site, from 10 to 12 March 2010, GILDEMEISTER presented for the first time the new business field of large machines – **DMG XXL machines**. With a turning-milling centre from our cooperation partner, Mori Seiki, the first step was taken in complementing our product portfolios in the area of large machines.

1st Quarter 2010

Note: Due to its growing importance for GILDEMEISTER and the regulations of IFRS 8 the **Energy Solutions** are being managed as a separate segment as of the start of the year.

Now to the **figures for the first quarter 2010** and the **2010 forecast**:
In the first quarter **order intake** rose by 28% to € **302.3 million**. The machine tool business grew by 44% to € 188.7 million (previous year: € 131.4 million). Services rose by 19% to € 88.9 million (previous year: € 74.6 million). Energy Solutions booked order intake of € 24.6 million (-20%); due to well-filled order books and limited sales capacity, order intake was below the previous year’s figure (€ 30.7 million). Order intake rose both domestically and abroad.

We are expecting the worldwide industry highlights to provide particular stimuli. The AMB in Stuttgart, the BIMU in Milan, the IMTS in Chicago as well as the JIMTOF in Tokyo, will be trend-setting. In the current financial year we are still planning to achieve order intake of **about € 1.2 billion**. In the machine tool business, we are planning a double-digit percentage increase in order intake. The service business should likewise increase in double figures. Due to the well-filled order books and the limited sales capacity, order intake for the solar business will be below the previous year's level.

Sales revenues in the **1st quarter** reached **€ 244.4 million** and were thus € 83.3 million below the previous year's figure (€ 327.7 million); they fell by 25% due to the lower lead times. In the Machine Tools segment, sales revenues decreased by € 81.4 million (-39%) to € 128.8 million. In Services, sales revenues went down by € 10.4 million (-12%) to € 76.8 million. The Energy Solutions segment achieved a plus of 28% and rose to € 38.7 million (previous year: € 30.2 million). The export ratio amounted to 63% (previous year: 54%).

For the whole year, we plan to achieve sales revenues of **more than € 1.2 billion**. A recovery in order intake will have a delayed positive effect on sales revenues. Due to the lower order backlog, sales revenues in Machine Tools will be lower than in the previous year. In Services, we expect a rise in sales revenues. On the basis of the good order backlog, we expect to be able to double sales revenues in the solar business.

On 31 March 2010 the **order backlog** within the group amounted to **€ 644.5 million** and was thus again above the previous year's level for the first time; for machine tools this represents average production capacity utilisation of about three to four months.

The low sales revenues had a negative impact on profitability. It developed in the first quarter as follows: **EBIT** at € -11.1 million was negative (previous year: € 15.5 million) and the **EBT** amounted to € -19.8 million (previous year: € 10.2 million). As at 31 March 2010, the group reported **earnings after taxes** of € -14.7 million (previous year: € 6.5 million).

We are working on maintaining the company's **profitability** even under continuing unfavourable global economic conditions. Significant factors influencing profitability over the year are the development of order intake and its price quality, as well as the volume of sales. More detailed statements for the current financial year are not possible at present. With respect to the current, difficult financial year 2010, we are not planning to distribute a dividend.

Forecast 2010

Ladies and gentlemen,

Our motto for the year is: **“Mastering challenges. Securing the future!“** A demanding year lies ahead of us, in which we will use our strengths to continue to generate success. We will consistently pursue our strategic goals.

We consider the future consumer markets with growth potential to be primarily those of the **BRIC countries**. In Brazil, Russia, India and China, we will further strengthen us and cement our competitive position. We will combine our strengths and also focus on growing sales sectors such as aerospace, medical technology, automotive technology and renewable energy sources.

We will extend the **cooperation** with Mori Seiki in sales and services to additional markets. In the **traditional market of the USA** and in the **growth market of India**, we have been cooperating since 1 April 2010. Customers benefit from a considerably stronger sales team and service structure and can select the best solution for them from the product portfolios of both manufacturers. The increase in efficiency by the cooperation is completely advantageous for our customers. In India we are investing jointly in a new technology centre with a large showroom.

With the goal of offering our customers optimum financing solutions, together with Mori Seiki and the Japanese trading enterprise, Mitsui & Co. Ltd., through **MG Finance GmbH** we have been offering customised financing solutions, specific for each country, as of 2nd quarter 2010. As a first step, customers in Germany and Great Britain can benefit from the offer of financing; in the future the offer will be extended to cover the whole of Europe. Through this, we are responding to the wishes of the customers for machines and financing to come from one source.

The opening of the **HSC – Centre of Excellence** for our HSC machines at our Geretsried site in November will be a further highlight of the year 2010. There our customers - including those from the future-oriented industry of medical technology – can expect comprehensive advice on the use of high-speed cutting precision machines (HSC).

Latest news

a+f GmbH is expanding **Energy Solutions** through a majority share-holding in the Austrian company Cellstrom GmbH, which specialises in innovative **storage solutions**. Thus a+f is opening up its entry into the promising future market of energy storage; the Cellstrom large battery is based on vanadium redox flow technology and achieves uninterrupted electricity supply from solar and wind power installations even in the dark and with no wind. The battery system makes it possible to have clean, emission-free and fast power supply at any time. Following years of research, the energy storage solutions from Cellstrom have achieved series readiness. The storage technology business will achieve sales revenues in euros in double-figures as of 2011. The vanadium redox flow battery from Cellstrom will be exhibited from 9 to 11 June 2010 at the most important solar trade fair in the world – the **Intersolar** in Munich.

Dear Shareholders,

GILDEMEISTER is setting the trends worldwide with its innovative products and user-oriented technology. Our ability through our combined forces to recognise necessary measures and to implement them effectively has proven successful.

The financial year 2010 will be a further test for GILDEMEISTER; we are facing another difficult year. We have reacted quickly and the adjustment measures introduced create a good starting position for the future.

Even in the **financial year 2011** conditions will remain challenging; nevertheless, the machine tool industry and GILDEMEISTER, too, are expecting a clear improvement trend. We see a clear rise in order intake and sales revenues in the financial year 2011. We are likewise expecting a clear improvement and recovery in the results. We are prepared for the coming upturn!

Dear Shareholders,

Please continue to put your faith in us. We kindly ask you to continue your support and confidence in us! Give both us and the company your loyalty and support into the future. We will do everything that your company will be a winner of the difficult years and is and will remain an attractive investment. I would like to thank you for your attention.

Dr Rüdiger Kapitza
Chairman of the Executive Board
14 May 2010