DMG MORI

AKTIENGESELLSCHAFT

114th Annual General Meeting of Shareholders

15 JULY 2016 – TOWN HALL BIELEFELD

Speech of the Chairman of the Executive Board Christian Thönes

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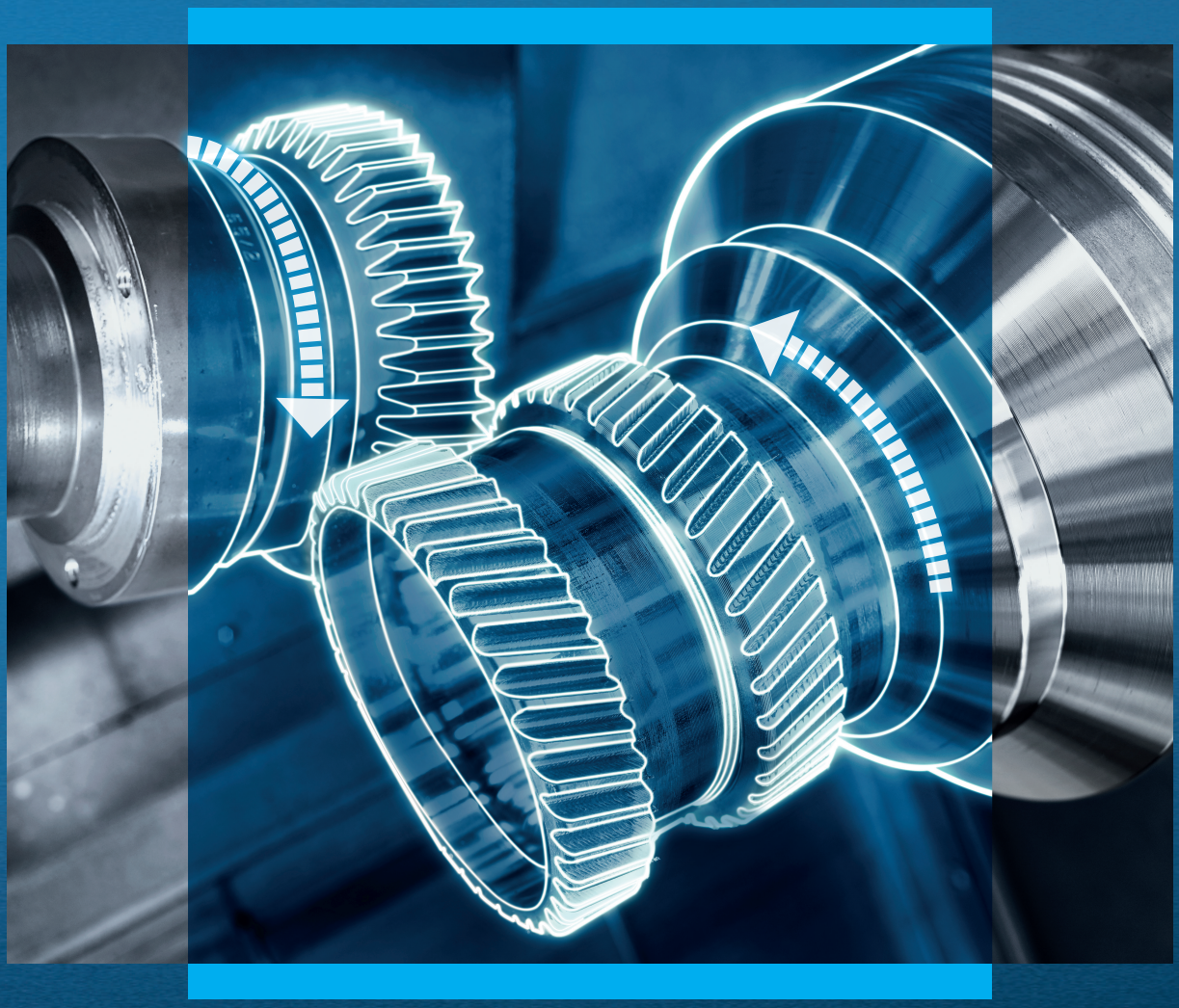

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Speech at the 114th Annual General Meeting
of DMG MORI AKTIENGESELLSCHAFT on 15 July 2016

Dear Shareholders,
Ladies and gentlemen,

on behalf of the Executive Board, I would now also like to warmly welcome you to our 114th Annual General Meeting in Bielefeld.

Today is an exceptional day for me. After 18 years‘ working for your company – more than four years of which were spent as a member of the Executive Board – this is the first time that I stand before you as the chairman of the executive board of DMG MORI AKTIENGESELLSCHAFT to answer your questions. I took on this responsibility on 15 April 2016 with pleasure and respect.

I would now like to commence with the report on financial year 2015.

The DMG MORI group can look back on a successful financial year 2015. In a volatile market environment we were able to achieve the best results and the highest sales revenues in the company’s history.

These are the essential **key figures:** Order intake reached € 2,282.8 million. Sales revenues rose to € 2,304.7 million. We also improved the key earnings figures once again. EBITDA rose by 5% to € 243.1 million. EBIT totalled € 185.9 million. EBT rose by 24% to € 217.3 million. EBT enjoyed a one-off positive effect caused by a profit of € 37.8 million from the sale of shares in DMG MORI COMPANY LIMITED in the fourth

quarter. Although even without this special one-off effect, EBT rose by € 4.2 million to € 179.5 million. The annual net income in the group reached € 159.6 million (previous year: € 121.1 million) – an increase of 32%. **This means that in all our key earnings figures we have achieved the highest figures in the company's history.**

To allow you, dear shareholders, to share appropriately in the company's success, the Executive Board and the Supervisory Board propose under **agenda item 2** of today's Annual General Meeting **to distribute a higher dividend for financial year 2015 of € 0.60 per share.** This represents a dividend yield of 1.6%.

International Development of the Machine Tool Industry in 2015

The **world market for machine tools** was heavily influenced by exchange rate fluctuations in 2015. **Global consumption** rose by 7.2% to € 67.4 billion (previous year: € 62.9 billion).
When calculated in renminbi, machine tool consumption in **China**, the biggest market worldwide, fell by -11.3%. The **USA**, the second most important market for machine tools, recorded a decline in US dollars of 15.6%. In the third largest market, **Germany**, consumption rose by 5.8%. Japan was once again the biggest growth market with a rise calculated in yen of 29.0%. The Japanese government promoted growth in the country again last year with a stimulus package. South Korea, when calculated in won, recorded a decline of 3.9%.

Global production likewise amounted to € 67.4 billion (previous year: € 62.9 billion).

The German machine tool industry

In 2015, the German machine tool industry recorded steady order intake, increasing production and a growth in sales revenues. At € 14.9 billion, **order intake** in Germany was slightly above the previous year's figure (€ 14.8 billion; +1.0%). **Production** at € 13.8 billion was above the previous year's figure (€ 13.3 billion). Of the machine tools produced in Germany, 68% were exported.

Report on financial year 2015 of the DMG MORI group

The DMG MORI group can look back on a successful financial year. Despite a volatile market environment, we have still managed to achieve the **best results and the highest sales revenues in the company's history.**

One significant event was the voluntary takeover bid made by our Japanese partner. Through the **majority holding** of 52.54% held by DMG MORI COMPANY LIMITED in May 2015 the long-term future of the cooperation that has successfully operated since 2009 is ensured.

We were quick to adapt early on to the market for machine tools becoming increasingly global. By constantly expanding our **presence on international markets** in recent years, we are directly accessible to our customers at **164 sales and service locations worldwide** on all the main markets. In total, we have a presence in **76 countries**.

Ladies and gentlemen, in the financial year just ended, we once again drew up a report on relations with affiliated companies. In the dependency report pursuant to section 312 of the German Stock Corporation Act (AktG) (1 January 2015 to 31 December 2015) all transactions between us and our cooperation partner were analysed. This report was examined each time in depth by KPMG as the auditor of the annual financial statements, by the Committee for Transactions with Shareholders (AfGA) and by the Supervisory Board. The outcome was that all transactions were unanimously approved.

Order intake

Order intake totalled € 2,282.8 million (previous year: € 2,331.4 million).

In **Germany** orders were some € 785.0 million (previous year: € 814.5 million). In the rest of **Europe** business grew to € 901.4 million (previous year: € 879.6 million). In **America** orders totalled € 165.5 million (previous year: € 180.8 million). In **Asia** we recorded order intake of € 426.7 million (previous year: € 453.5 million), of which China accounted for € 227.2 million (previous year: € 227.8 million).

Sales revenues

The **sales revenues** were the **highest in the company's history a**t € 2,304.7 million**.** They were € 75.7 million or 3% above the record figure of the previous year (€ 2,229.0 million). International sales revenues rose by 6% to € 1,542.6 million; domestic sales revenues reached € 762.1 million. The export ratio was 67%.

Segment Reporting 2015

Our business activities comprise the “Machine Tools” and “Industrial Services” segments. The segments performed as follows:

The “**Machine Tools**“ segment is our core segment and includes the group’s new machines business. Sales revenues grew to € 1,264.5 million (previous year: € 1,258.4 million) and achieved a share of **55%** (previous year: 56%).

The "**Industrial Services**" segment had a share of 45% (previous year: 44%). In total sales revenues reached € 1,040.0 million (previous year: € 970.4 million).

“Corporate Services“ contributed a share of less than 1% to sales revenues.

Order backlog

As at 31 December 2015 the **order backlog** in the group totalled € 884.2 million. This results in a calculated production capacity of an average of some four months in “Machine Tools“.

Results of Operations 2015

The DMG MORI group was once again able to improve its key earnings figures from the previous year and achieved the best result in the company’s history. EBITDA rose by 5% to € 243.1 million (previous year: € 232.5 million); **EBIT** totalled € 185.9 million (previous year: € 182.6 million). **EBT** rose by 24% to € 217.3 million (previous year: € 175.3 million). There was a one-off positive effect on EBT in the fourth quarter through the profit of € 37.8 million from the sale of shares in DMG MORI COMPANY LIMITED.

Although without this special one-off effect, EBT still rose by € 4.2 million to € 179.5 million. The **net income** for the year in the group reached € 159.6 million (+32%; previous year: € 121.1 million).

The **earnings per share** were € 1.90 (previous year: € 1.41).

Now to **DMG MORI AKTIENGESELLSCHAFT**

DMG MORI AKTIENGESELLSCHAFT has management and holding functions. **Earnings** depend essentially on income from domestic subsidiaries and net investment income. DMG MORI AKTIENGESELLSCHAFT closes financial year 2015 with net income for the year of € 47.1 million (previous year: € 55.0 million). Taking into account the profit carryforward of the previous year, the **net retained profits** total
€ 48.8 million (previous year: € 45.1 million).
The Executive Board and the Supervisory Board propose to today's 114th Annual General Meeting, pursuant to **item two on the agenda**, to allocate the net retained profits as follows:

- to distribute € 47,290,796.40 to the shareholders by payment of a dividend of € 0.60 per share and
- to carry the remaining net retained profits for financial year 2015 of € 1,477,894.99 forward to new account.

The following contains some detailed explanations of the annual financial statements 2015:

- The **balance sheet total** rose to € 2,283.9 million (previous year: € 2,229.8 million).

- Under **assets** the **fixed assets** decreased by € 68.2 million to € 742.7 million (previous year: € 810.9 million). **Long-term trade debtors and other long-term assets** rose to € 103.7 million (previous year: € 69.1 million). Compared to the previous year, **short-term receivables and other assets** decreased by 13.9% to € 363.1 million.

  At the end of the reporting period, **liquid funds** increased to € 552.1 million (previous year: € 433.0 million). This corresponds to a share of 24.2% of the balance sheet total (previous year: 19.4%).

- Under **equity and liabilities**, **equity** rose by € 91.4 million or 7.2% to € 1,357.5 million (previous year: € 1,266.1 million). The net income for the year of € 159.6 million increased equity whereas the distribution of the dividend in May 2015 of € 43.4 million led to a decrease. The **equity ratio** was 59.4% compared to 56.8% in the previous year. **Long-term outside capital** decreased slightly by € 1.0 million to € 131.4 million (previous year: € 132.4 million).

- The surplus funds amounted to € 500.3 million (previous year: € 380.8 million).

- The **free cash flow** was positive at € 32.0 million (previous year: € 86.1 million).

- **Investment** in plant, property and equipment and in intangible assets at € 130.6 million was below the previous year's figure (€ 136.9 million). **Depreciation** of fixed assets at € 57.2 million was above the previous year's level (€ 49.9 million).

  - The main investment focus in 2015 was placed on the following **major projects in Russia**. Our most **state-of-the-art production plant worldwide in Ulyanovsk** was completed on schedule and inaugurated on 29 September 2015. As regards the investment we were able to stay under the originally planned budget. The construction of our new technology and solutions centre in Moscow likewise went to plan.

  - We are also further expanding our market presence in **Asia**. In **South Korea**, the fifth largest market worldwide for machine tools, the construction of our **new technology and solutions centre in Seoul** progressed according to schedule.

- Together with our Japanese partner we presented **18 world premieres** at 75 international trade fairs and open house exhibitions in the reporting period and thus once again were able to demonstrate our power of innovation.

  Expenditure on research and development totalled € 45.9 million (previous year: € 44.1 million).

- To start off the year, DMG MORI presented 76 high-tech machines at the **Open House in Pfronten;** at the **CIMT** in Beijing it was 33. At the **EMO in Milan** as well our 40 machines – including 10 world premieres – met with great interest.

In the era of **Industrie 4.0** we are placing our focus most especially on integrated technology and software solutions. With CELOS we are already offering our customers the key element for networked, intelligent production. CELOS is compatible with other systems, such as PPS and ERP, and makes it possible to link the system to CAD/CAM applications. Similar to a smartphone, the user has direct access to 16 apps at present via a multi touch display. Order, process and machining data can be managed, documented and visualised both at the controls and by using a CELOS PC version. CELOS is thus as essential element in intelligent production of the future.

Another concrete application for Industrie 4.0 is a sensor equipped machine tool. This allows us to monitor the status of the machine constantly. Process parameters are visualised using the CELOS app “Condition Analyzer“. The data recorded are collated, stored and finally analysed in high level cloud architecture.

Another unique feature is provided by the 24 exclusive **DMG MORI technology cycles.** Through these software solutions for simplifying complex machining we are setting new milestones for the production of the future. Interactive and user-friendly applications shorten the programming time for our customers by up to 60%.

In Advanced Technologies our focus in on **Additive Manufacturing**. With this unique hybrid-process we are opening up new possibilities to our customers: laser build-up welding and 5-axis milling in one machine - intelligently combined.

We have continued to enhance our **“Industrial Services“** segment portfolio in all areas. DMG Life Cycle Services helps our customers to maximise the productivity of their machine tools over their entire life cycle – from first putting them into service until their part exchange as a used machine.

The number of **employees** has increased compared to the previous year by 296. Hence as at 31 December 2015 some 7,462 people were employed at the group (previous year: 7,166). 320 of these were trainees (previous year: 248). In the “Machine Tools“ segment we have mainly hired new employees at our Ulyanovsk location. The up-and-coming area of Advanced Technologies at SAUER GmbH was also strengthened with new employees.

An increase in personnel in the “Industrial Services“ segment took place predominantly at our local sales and service companies in Germany, Italy, France, Africa and India, and also at DMG MORI Spare Parts.

Employee expenses rose by € 39.4 million to € 545.5 million (previous year: € 506.1 million). The **personnel expenses ratio** was 23.2% (previous year: 22.4%).

At this point the Executive Board would like to thank all our employees for the commitment and expertise they bring to the company. Together with our Japanese partner we are strategically well-positioned. The cultural diversity at the DMG MORI group ensures we have additional stimulus and know-how. I am firmly convinced that with our joint enthusiasm for the world of tomorrow’s machine tools, we will overcome the challenges that lie before us!

DMG MORI share

The DMG MORI AKTIENGESELLSCHAFT **share** recorded a **gain of 61.2%.** Thus your security performed decidedly better than the capital market. In the same period the MDAX rose by 22.5%.

Market capitalisation rose in the year under report by € 1,149.2 million or 62% to € 3,001.4 million (reporting date: 30 December 2015).
The stock market year 2015 opened with the share at € 23.63 (2 January 2015). The annual closing price was € 38.08 (30 December 2015). Upon the announcement of the voluntary public takeover bid by DMG MORI COMPANY LIMITED on 21 January 2015 the share recorded a price jump of 12.6% to € 28.82. Following the expiration of the voluntary public takeover bid on 13 April 2015, DMG MORI COMPANY LIMITED initially held a majority shareholding of 52.54%. In the course of publishing the 2015 annual financial statements, DMG MORI COMPANY LIMITED gave notification on 10 February 2016 that as at 31 December its investment was 60.67%.

On 6 April 2016 DMG MORI COMPANY LIMITED announced that it had increased its directly and indirectly held investment in DMG MORI AKTIENGESELLSCHAFT to 76.03%. Furthermore, during a Supervisory Board meeting it informed the meeting that it planned to conclude a domination and profit transfer agreement. In light of this, the Executive Board of DMG MORI AKTIENGESELLSCHAFT in agreement with the Supervisory Board decided to postpone the Annual General Meeting called for 6 May 2016 to a later date. Moreover, on 6 April 2016, Dr Rüdiger Kapitza resigned his position as chairman of the Executive Board, which he had held for more than 20 years. He left the company by mutual agreement with the Supervisory Board. He put enormous

commitment into driving the success story of your company, into strengthening it, giving it a global perspective and characterising the cooperation with our partner substantially.

On 2 June 2016 DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH concluded a domination and profit transfer agreement. Under **item 7 of today's Annual General Meeting agenda** the Executive Board and the Supervisory Board propose that you give your consent to this domination and profit transfer agreement. It will only become effective following the consent of today's Annual General Meeting and registration in the Commercial Register. DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED will be under joint management once the domination and profit transfer agreement enters into force.

The domination and profit transfer agreement gives the planned integration overall a secure legal foundation. Through the domination and profit transfer agreement that is awaiting your consent today, DMG MORI AKTIENGESELLSCHAFT is placing itself under the management of DMG MORI GmbH. DMG MORI GmbH is a 100% subsidiary of DMG MORI COMPANY LIMITED and according to the voting rights notification of 16 June 2016 now holds 76.03% of the shares in DMG MORI AKTIENGESELLSCHAFT. DMG MORI COMPANY LIMITED has issued a letter of comfort in which it is bound to ensure irrevocably and without any restrictions that DMG MORI GmbH is financially in a position to meet its obligations under this domination and profit transfer agreement without any restrictions.

The present agreement provides for the entire profits of DMG MORI AKTIENGESELLSCHAFT to be transferred to DMG MORI GmbH – subject to the creation or dissolution of reserves in accordance with the agreement. In return, DMG MORI GmbH agrees to compensate any losses of our company in full.

Shareholders will be entitled in future to a so-called “guaranteed dividend“, that is, an annual compensation of € 1.17 gross or € 1.03 net after corporate income tax and before personal income tax. Those shareholders who decide against remaining in DMG MORI AKTIEN-GESELLSCHAFT will receive a settlement amount for the transfer of their shares of € 37.35. As one of our shareholders, you can claim any such transfer in principle within two months of the publication of the registration of the domination and profit transfer agreement in the commercial register. Specific details – also details of any possible extension of the deadline – can be found in the domination and profit transfer agreement printed with the invitation to today’s annual general meeting.

The domination and profit transfer agreement is explained in detail in legal and economic terms in the report submitted in writing jointly by the Executive Board of DMG MORI AKTIENGESELLSCHAFT and the management of DMG MORI GmbH in accordance with section 293a of the German Stock Corporation Act (AktG).

Dear Owners,

In the opinion of the Executive Board and of the Supervisory Board the domination and profit transfer agreement is advantageous for many reasons. I would now like to give you some additional information – especially on the evaluation. I kindly ask for your understanding that the necessary explanations are in part technical.

Since the start of the strategic partnership between DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED we have constantly extended the scope of our cooperation. The domination and profit transfer agreement sets out the legal framework on further intensifying the cooperation and on creating an integrated DMG MORI group. Once the control and profit transfer agreement has entered into force, it will be possible to achieve further optimisation – such as in the area of our product lines or worldwide production capacity. In purchasing we can achieve economies of scale and optimise the Spare Parts area. Standardising the IT systems and processes will initially incur one-off costs. Yet the time and resource intensive audit and documentation of each individual integration step will be dispensed with in the future.

I would now like to explain to you the cash settlement amount determined by DMG MORI GmbH. As the company evaluation which preceded the determination consists of an extremely complex procedure, I would like to confine myself to the essential key points. For the remainder, I would like to refer you to the expert opinion prepared by the audit firm PKF and the audit report of the court-appointed contract auditor Ebner Stolz.

On the **cash settlement amount:** The **volume-weighted average share price** determined by BaFin, the German financial regulatory authority, of € 37.35 per share of DMG MORI AKTIENGESELLSCHAFT forms the lower limit in the relevant three-month period prior to our ad hoc notification of 6 April 2016.

Additionally, in accordance with the jurisprudence, PKF carried out a company evaluation following the **income capitalisation approach** to determine the **cash settlement**. This took place according to the principles for conducting company evaluations of the German Institute of Public Auditors (IDW) revised as of 2 April 2008, the IDW S1. The income capitalisation approach resulted in a company value per share of € 25.14. Ebner Stolz confirmed the appropriateness of this amount. It is clearly below that of the volume-weighted average price determined by BaFin. The settlement amount follows the practice as specified by the courts, therefore it is based on the average share price determined by BaFin and amounts to € 37.35.

The income capitalisation approach is based on a company's value essentially being aligned with the surpluses that the company will be able to distribute to the shareholders in the future.

The basis for this company evaluation by PKF is the forecast of future operational profit contributions, which will be supplemented by the interest income. Furthermore, when deriving the financial surpluses the company's income tax is deducted. From the surpluses that are then remaining the appropriate and necessary accumulated amounts are retained. The standardised personal income tax of shareholders will be taken into account in the dividend payments.

The expected future surpluses have been determined on the basis of the **consolidated planning** of DMG MORI AKTIENGESELLSCHAFT; this was last revised in May 2016 and adjusted upwards. In doing so, the planning was divided into **two phases**: the details planning phase I includes financial years 2016 to 2018. Following the transition year 2019, in planning phase II we have estimated a result for perpetual annuities that is considered achievable on a long-term average.

Alongside the earnings forecast estimates, the **capitalisation interest rate** is of material significance to the company evaluation. This is the interest rate at which the expected future earnings will be discounted on the evaluation effective date, which is the date of today's decision-making annual general meeting.

The capitalisation interest rate is based on the expected returns of an equivalent, alternative use of capital compared to the evaluation object. Simply put: This involves the returns that an investor in DMG MORI AKTIENGESELLSCHAFT share would expect taking into account the general interest rate level for secure fixed-interest investments and the risks involved in this investment.

The starting point for the capitalisation interest rate is first the basic interest rate, which is derived from the yield curve of government bonds. Taking the German Bundesbank data as a guide, at the close of the evaluation carried out by PKF this basic interest rate was **1.0% before personal income tax**. Taking the flat-rate tax on gains and income from capital investments including the solidarity tax into consideration, this gave rise to a basic interest rate of **0.74% after taxes**.

To take account of the different risks between an investment in risk-related shares and an investment in risk-free securities, the **basic rate of interest is increased by a risk surcharge**. The risk premium is determined on the basis of the so-called **tax capital asset pricing model**. It comprises a so-called beta factor weighted **market risk premium** taking personal income tax into consideration.

This market risk premium was fixed at **5.5% after personal income taxes.** This follows current recommendations of the specialist committee for company evaluation and business administration at the IDW.

The **beta factor** additionally takes account of the specific risks for the company and the sector. A beta of >1.0 suggests an above average risk; a beta of <1.0 thus suggests a below average risk. In the present case the beta factor has been fixed at 1.0. This means: When set against the beta factor of other comparable companies – the so-called peer group – our share does not reflect any increased risk and even falls at the lower end of the range.

To verify **the plausibility** of the company value determined according to the income capitalisation approach, PKF has also carried out a comparable market evaluation using the **multiples approach**. This is based on comparing the determination of prices in the sense that suitable multiples from the capital market data of listed comparable companies can be derived and applied to the company to be evaluated. The same comparison companies are used as for the peer group when deducing the beta factor, namely Makino Milling Machine Company, Okuma Corporation and Tornos S.A. amongst others. For this purpose the sales revenues and EBITDA multiples have been applied. PKF

determined in the outcome of the comparable market evaluation that the fundamental company value according to the income capitalisation approach lay above the average in each case that arose out of the valuation using multiples. In comparison, even the capitalised earnings value of € 25.14 is relatively high.

In the **overall result**, however, the settlement remains at the higher volume-weighted average share price determined by BaFin of € 37.35.

The company value determined in the income capitalisation approach of € 25.14 per share of DMG MORI AKTIENGESELLSCHAFT was also taken as a basis in fixing the annual compensation. This company value has been annuitized. The interest rate amount arises from the risk for the recipient in connection with the payment of the compensation. An interest rate of 4.202% has been applied that is the **average of a risk-free basic rate of interest and a risk-related capitalisation interest rate.**

Ladies and gentlemen,

I hope I have been able to make some of the key evaluation issues for the compensation and settlement payments more transparent.

To conclude financial year 2015:

The Executive Board has provided you with additional disclosures in the Management Report and the Group Management Report in accordance with section 289(4) and (5) and section 315(4) of the German Commercial Code (HGB), which we have also made available on the internet. Further details can be found in the written report which you can obtain from the information booth directly in front of the entrance to the hall.

Now let's turn to our **figures for the first quarter 2016, the outlook for the first six months of 2016** and **the current financial year:**

The start of the year went according to plan for DMG MORI: We started positively with our **traditional open house exhibition in Pfronten.** Taking stock, we had order intake of € 190.8 million and sold 681 products. More than 9,000 international trade visitors made up the record number of visitors. At the METAV in Düsseldorf (23 to 27 February 2016) we sold 177 machines and service products to a value of € 39.7 million.

Order intake in the first quarter reached € 591.6 million and was thus more or less at the same level as in the previous year (€ 587.2 million). In the "Machine Tools" segment orders amounted to € 328.5 million (previous year: € 321.9 million). The "Industrial Services" segment booked order intake of € 263.0 million (previous year: € 265.2 million).

Sales revenues in the first quarter reached € 541.4 million and were thus above the previous year's figure of € 538.4 million. In the "Machine Tools" segment sales revenues rose by € 25.0 million to € 297.9 million (previous year: € 272.9 million). Sales revenues in the "Industrial Services" segment were € 243.4 million (previous year: € 265.4 million).

On 31 March 2016 the **order backlog** within the group amounted to € 927.9 million (31 December 2015: € 884.2 million). International orders account for 62% of existing orders. The order backlog in "Machine Tools" results in a calculated production capacity of an average of about four months.

The results of operations were as follows as at 31 March 2016: **EBITDA** totalled € 42.4 million as in the previous year; **EBIT** amounted to € 28.0 million (previous year: € 30.0 million) and **EBT** reached € 25.8 million (previous year: € 27.9 million). As at 31 March 2016, the group reports **earnings after tax** of € 18.1 million (previous year: € 19.5 million).

Now to the provisional figures for the **first six months of 2016**. The interim report with the final figures for the first six months will be published on 28 July 2016.

In the second quarter the **order intake** of approximately € 560 million is below the previous year's figure of € 616.1 million. This decline is a result of the cancellations we made due to non-receipt of prepayments. If we had not taken these measures, the order intake would be above the level of the previous year. In the **first six months** the order intake is about € 1,150 million (previous year: € 1,203.3 million).

Sales revenues in both the second quarter and the first six months are approximately at the previous year's level (previous year: € 551.8 million and € 1,090.2 million, respectively).

EBT in the second quarter provisionally amounts to about € 35 million (previous year: € 37.8 million) and at the end of the **first half year** is approx. € 60 million (previous year: € 65.7 million).

On the outlook for the current financial year 2016:

Only muted growth is expected for the **worldwide market for machine tools** in 2016. In its latest forecast of April 2016, the British economic research institute, Oxford Economics, is only expecting growth in **global consumption** of 1.9% to € 68.7 billion. As in previous years, the forecast from October 2015 of growth of +4.1% has been adjusted significantly downwards; most recently this year by 2.2 percentage points.

We anticipate that the trends in the individual markets will continue to differ considerably. The pressure on competition and on the margins will also increase. We intend to further reinforce and expand our market position as a worldwide leading manufacturer of cutting machine tools.

From 23 to 27 May 2016 the **Metalloobrabotka** took place **in Moscow**. With order intake of € 17.9 million and 82 machines sold, DMG MORI takes positive stock of the important leading trade fair for the Russian market. On 23 May – the first day of the Metalloobrabotka – we also opened our new, innovative technology and solutions centre in Moscow.

DMG MORI presented future-oriented technologies and the latest development trends at the **Open House Bielefeld** from 14 to 17 June 2016. In the spirit of Industrie 4.0, trade visitors could experience the digitalised production worlds of tomorrow in practice.

In the promising business field of **Advanced Technologies** we have extended our ULTRASONIC technology site in Idar-Oberstein. Upon the inauguration on 29 June 2016, the work on extending the capacity for up-to-date production and logistics was concluded.

In the important Asian market for our business of **South Korea** we are setting the trend with the opening of our new technology and solutions centre on 9 November 2016.

We are expecting a boost to come from the autumn trade fairs for machine tools: the **IMTS** in Chicago, the **AMB** in Stuttgart and the **JIMTOF** in Tokyo.

Our **10 new developments for 2016** will demonstrate the combined power of innovation of DMG MORI at a total of 63 international trade fairs and open house exhibitions.

We will intensify our **international market presence** and further extend our technological lead. Together we intend to streamline our product portfolio and optimise our production capacity worldwide. In the area of quality, too, we will set new benchmarks with our **"First Quality Strategy"**.

We will place the focus of our research and development on enhancing CELOS and on up-to-date Industrie 4.0 applications. **Digitisation is one of the key issues for us for the future.** We have the technology and products for Industrie 4.0 and the necessary process know-how. We are driving innovations forward in their entirety with our technology and software solutions and are setting milestones in the machine tools sector. We will further strengthen our global Industrie 4.0 team and build

upon our leading position in the technologies of the future. The future will not only depend on developing high-tech machines. In the future DMG MORI will stand even stronger than before for software expertise and comprehensive technology solutions.

Dear Shareholders,

For financial year 2016 we are once again confirming our forecast as follows: We expect a slightly improved **order intake** from the previous year and once again intend to achieve **sales revenues** of about € 2.3 billion. The **EBT** will most likely be significantly below the previous year's high level which was marked by the special impact of the sale of shares to DMG MORI COMPANY LIMITED. In addition, we are expecting a slightly improved positive free cash flow.

My dear ladies and gentlemen,

By further growing together with our Japanese partner as a **"Global One" company** we will also further strengthen our competitive position in future and benefit from the cultural diversity in the individual countries and markets. We are convinced that you, our owners, as well as our customers, suppliers, business partners and, of course, our employees, will benefit from the greater integration. Innovations are only possible if one is brave enough to forge new paths and if one is sufficiently open to new opportunities. For this it is essential to have the right employees that with the right mentality focus on the right things. More than ever before I am convinced that we have such employees on board. DMG MORI is a fantastic company. With our enthusiasm for our joint group we will overcome any challenges in the future. For we are all going to benefit from this long-term!

However, your confidence in us, my dear owners, and in our work continues to be both our obligation and motivation. My Executive Board colleagues and I would like to assure you that we will do everything we can to make the DMG MORI group even more innovative and even more customer aware. As a “Global One“ company a new chapter is starting for DMG MORI in the history of our long-standing company – all the necessary requirements are now in place!

I would like to thank you for your attention and would like to hand back now to the chair of the meeting.

Christian Thönes
Chairman of the Executive Board
15 July 2016