DMG MORI

AKTIENGESELLSCHAFT

TURNING

MILLING

ULTRASONIC

LASERTEC

ADDITIVE MANUFACTURING

AUTOMATION

TECHNOLOGY EXCELLENCE

DIGITIZATION

CELOS

ADAMOS

SERVICES

DMG MORI QUALIFIED PRODUCTS

ANNUAL REPORT 2017

ANNUAL REPORT AND
FINANCIAL STATEMENTS 2017

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Basis of the Company

DMG MORI AKTIENGESELLSCHAFT, Bielefeld, and its controlled companies pursuant to Section 17 of the German Stock Corporation Act (AktG) form the DMG MORI group (hereinafter DMG MORI). DMG MORI AKTIENGESELLSCHAFT is the parent company. The purpose of the company is to function as a managing holding company (executive, service and holding functions). The sales revenues recognized for the parent company comprise primarily income from performing holding and service functions for the group as well as from rental income.

The ultimate parent company of DMG MORI AKTIENGESELLSCHAFT is DMG MORI COMPANY LIMITED, Nara, Japan.

The earnings position of DMG MORI AKTIENGESELLSCHAFT differs from that of the group in terms of level and structure. The earnings result essentially from control and profit and loss transfer agreements with two domestic subsidiaries and from the income and expenses resulting from the holding functions.

The present management report refers exclusively to DMG MORI AKTIENGESELLSCHAFT as the parent company. A detailed presentation of the DMG MORI group is provided in our 2017 Annual Report and in the consolidated financial statements and group management report contained therein, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The group annual report is published on the internet under → www.ag.dmgmori.com.

STRATEGY AND MANAGEMENT SYSTEM

DMG MORI AKTIENGESELLSCHAFT, which has its headquarters in Bielefeld, manages the group centrally and across all functions as a management holding company. It comprises all cross-divisional key functions of the group.

The global manufacturing industry is a highly dynamic, constantly changing market environment driven by innovation. The increasing trend towards automation and progressive digitization are redefining the future of manufacturing – machines and processes must be agile and dynamic, flexible and lean as well as digital and connected. New manufacturing processes such as ADDITIVE MANUFACTURING complement existing technologies.

Technological innovations are fundamentally changing markets and business models. The increasing importance of electromobility and the large investments in regenerative energies are also impacting on the machine tool industry. New competitors from other industries and Asia are pushing into the market. At the same time, innovation cycles are getting ever shorter while machine complexity is increasing.

Changing customer needs require comprehensive solutions for machines, processes, software, periphery and service. Industrie 4.0 – the digital networking of automated production – is to enable process transparency and cost efficiency along the entire value-added chain and throughout the entire product lifecycle.

DMG MORI sees these challenges as an opportunity and is responding to them with its "Global One 2020" strategy for the future. Our corporate strategy aims to further consolidate DMG MORI's current market position as one of the world's leading suppliers of premium solutions for the manufacturing industry. Together with our Japanese parent company, DMG MORI COMPANY LIMITED, we act as a "Global One Company" in accordance with the motto "Dynamic . Excellence". This means that we have agilely and diligently pushed forward important strategic future topics with our strong innovative power and strive to achieve excellence in our products and processes as well as in quality and service.

The Executive Board of DMG MORI AKTIENGESELLSCHAFT manages the group via a rigidly defined organizational and management structure, as well as by operative goals, the achievement of which is monitored by pre-defined key figures. With the help of our internal controlling and management system, as well as our standard reporting system, we monitor and manage the attainment of key performance indicators and the efficient use of our capital. In particular, key internal target and control variables are order intake, sales revenues, earnings before interest and taxes (EBIT), free cash flow and capital expenditure. In future, the net working capital will no longer form part of this. In terms of the key result figure, we implemented a change from earnings before taxes (EBT) to EBIT to enable comparison with DMG MORI COMPANY LIMITED as of 1 January 2018. We manage the activities of the group and individual companies sustainably and with a focus on value.

The following table provides an overview of key financial and performance indicators of DMG MORI AKTIENGESELLSCHAFT.

DMG MORI AKTIENGESELLSCHAFT has concluded the 2017 financial year with a satisfactory result. Sales revenues were slightly below the targeted figures due to adjustments made to offset cost allocations to the subsidiaries. In the 2017 financial year, the EBIT exceeded the forecast largely due to savings in personnel expenses as employees were transferred to other subsidiaries. The EBT before the transfer of profits was significantly above the previous years' value and thus also above the forecast. It was possible to significantly increase the earnings of the subsidiaries in the financial year 2017, which resulted in a greater profit transfer to DMG MORI AKTIENGESELLSCHAFT. Investments in intangible assets and particularly in fixed assets were higher than planned. This was due to necessary modernization measures with regard to our production buildings. The employee number fell compared to the previous year. This decrease mainly results from the transfer of employees to other subsidiaries.

CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289f OF THE GERMAN COMMERCIAL CODE (HGB)

Corporate Governance

The Executive Board and Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always act in accordance with good corporate governance and report in accordance with Section 3.10 of the German Corporate Governance Code on corporate governance at DMG MORI. This is reflected in responsible and transparent corporate management and corporate control. Good corporate governance is an essential element of strategic thinking and acting at all levels of the group. DMG MORI follows the recommendations of the German Corporate Governance Code.

In November 2017, the Executive Board and Supervisory Board once again issued a compliance statement that confirmed without reservation the group's compliance with all recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 5 May 2015 and its publication in the electronic Federal Gazette (Bundesanzeiger) on

KEY FINANCIAL PERFORMANCE INDICATORS OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE - HGB)

	actual 2016	plan 2017	actual 2017
Sales revenues	€ 21.6 million	around € 18.0 million	€ 16.0 million
EBIT	€ -40.5 million	around € -36.3 million	€ -32.4 million
EBT before the transfer of profits	€ 79.3 million	around € 80.0 million	€ 125.1 million
Investments in fixed assets / Intangible assets	€ 3.4 million	€ 0.5 million	€ 1.0 million
Number of employees (annual average)	105	slight decrease	84

12 June 2015, as well as in the version of 7 February 2017 and its publication in the electronic Federal Gazette (Bundesanzeiger) on 24 April 2017. The Executive Board and Supervisory Board likewise confirm that the recommendations of the "Government Commission on the German Corporate Governance Code" will also be complied with in the future.

The current compliance statement as well as the corporate governance report summarizing the declaration on corporate governance are permanently accessible on our website, as are the compliance statements of previous years. Pursuant to Section 317 (2) (6) of the German Commercial Code (HGB), the purpose of the audit of the contents of the corporate governance statements pursuant to Section 289 f (2) and (5) and Section 315 d of the HGB is limited to determining whether such statements have actually been provided.
→ corporate-governance-en.dmgmori.com

D&O insurance (directors' and officers' liability insurance) and legal protection insurance have been taken out for members of the Supervisory Board, all the Executive Board members and the managing directors at DMG MORI. The D&O insurance contains the deductible provided for in the Code and in the pertinent statutory provisions, respectively.

Description of the work of the Executive Board and Supervisory Board and their committees

Responsible Management of Opportunities and Risks

For us, part of good corporate governance is the comprehensive and systematic management of opportunities and risks within corporate management. The opportunities and risk management system of DMG MORI AKTIENGESELLSCHAFT is integrated in the opportunities and risk management system of the group.

Within the DMG MORI group's opportunity management system, our main focus is on significant individual opportunities, macroeconomic and industry-specific opportunities, as well as opportunities relating to corporate strategy and business performance.

Our group-wide risk management system includes an early risk identification system, an internal control system (ICS) in accordance with German and Japanese statutory requirements, and the central insurance management.

Our group-wide early risk identification system allows us to identify and control future development risks using a forward-looking approach. The recorded, assessed and controlled risks in question are circumstances which contain an inherent element of potential risk due to the prevailing environmental situation, and which are recorded, assessed and controlled in an adequate manner.

Our early risk identification system consists of five main elements:

- The company-specific manual on risk management;
- The central risk management officer on the level of DMG MORI AKTIENGESELLSCHAFT;
- Decentralized risk management officers in each group company;
- Division-specific risk management systems, which assess and prioritize individual risks;
- The risk reporting system on the group level and for each individual company with the accompanying ad hoc reporting system for material risks.

The structure of the early risk identification system in the DMG MORI group is designed in such a way that material risks are systematically group-wide identified, assessed, aggregated, monitored and reported.

Risks in individual company divisions will be identified according to prescribed risk areas on a quarterly basis. All potential risks thus recorded are analyzed and assessed according to quantitative variables; measures to reduce risks are also taken into account in this process. Any risks threatening the business as a going concern are reported immediately, including outside of the periodic reporting.

To be able to present the overall risk situation of the group, we determine and aggregate the individual local and central risks as well as the group effects. The expected accumulated value from the risks identified and assessed for the group is offset against current group equity, thus determining the risk-bearing capacity. This is a key risk control indicator.

The Executive Board and the Supervisory Board are regularly informed about the resulting current risk situation of the group and of the individual business units. They discuss the causes of the current risk position and the corresponding measures taken in-depth.

The early risk identification system set up by the Executive Board pursuant to Section 91(2) AktG is examined by the auditors, is continuously being further developed within the group and is adapted to suit changing circumstances on an ongoing basis.

The existing internal control system (ICS) of the DMG MORI group serves to minimize or eliminate controllable risks in day-to-day business processes. Based on an annually updated analysis and documentation of basic business processes, controllable risks are recorded and eliminated or minimized to an acceptable level by arranging the organizational structure and workflow management accordingly, and by implementing suitable control measures. This is supported by existing internal guidelines and instructions as part of the ICS. The effectiveness of the ICS is evaluated through annual management testing. The self-assessment results are reported to the Executive and Supervisory Boards. The ICS of DMG MORI AKTIENGESELLSCHAFT is designed to comply with both the legal requirements of the German Stock Corporation Act and applicable requirements of the "Japanese Financial Instruments and Exchange Act" (J-SOX / Naibutousei).

The DMG MORI group also employs a central insurance management to minimize or eliminate risks. Within the central insurance management and in close cooperation with the DMG MORI COMPANY LIMITED insurance management, we determine and operationally implement a global, harmonized insurance strategy.

Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely together in the interests of the company. The Executive Board agrees the strategic direction of the company with the Supervisory Board and informs the latter regularly, timely and comprehensively of all issues of relevance to the company relating to strategy, business development, the risk position, risk management and compliance. Any deviations in the course of business from the established plans and targets of the group are discussed and the reasons therefor given. The Executive Board forwards the half-year reports and quarterly releases to the Finance and Audit Committee and discusses these reports and releases in detail with the Finance and Audit Committee before their publication. The Articles of Association and the rules of procedure empower the Supervisory Board to consent to a wide range of business transactions proposed by the Executive Board. The remuneration of the members of the Supervisory Board and also of the Executive Board are described in detail in the remuneration report.

Objectives in the Composition of the Supervisory Board

In its meeting on 22 September 2015, the Supervisory Board passed a resolution on the voluntary obligation pursuant to Section 5.4.1 DCGK (German Corporate Governance Code):

- › The Supervisory Board should be staffed with the same number of shareholder representatives with experience in managing or governing companies with global operations;
- › Employees from key DMG MORI sectors should be considered as employee representatives;
- › Knowledge about DMG MORI and key markets for DMG MORI, as well as knowledge about technical contexts and technology management should be taken into consideration;
- › Specialist knowledge and experience in the use of accounting principles, internal monitoring procedures and compliance processes should be taken into consideration;
- › At least two male and two female Supervisory Board members should be elected for both the shareholders' and the employees' sides as soon as possible, but no later than the election of the new Supervisory Board in 2018;
- › At least 50% of all Supervisory Board members should be independent;
- › Conflicts of interest should be avoided;
- › An upper age limited of 70 years at the time of election to the Supervisory Board should be observed; limit of five terms of office;
- › Nominations for future staffing of the Supervisory Board should also be made primarily with the interests of the company in mind, while observing the objectives mentioned above.

The appointment of Prof. Dr. Annette Köhler as a member of the Supervisory Board meant that the Supervisory Board complied with its voluntary obligation of setting a gender quota for the shareholders' representatives in financial year 2017. It also complied with its voluntary obligation to ensure the independence of at least 50% of the Supervisory Board members.

Diversity

The diversity culture lived at DMG MORI empowers our employees to support international group projects. At DMG MORI, all employees and job applicants are held in high esteem irrespective of their nationality or ethnic origin, sex, age, religion, sexual orientation or physical impairments. The Executive Board emphasizes this equal opportunity through the DMG MORI Code of Conduct.

Statutory Gender Quota Requirements

Taking into account the Act on Equal Participation of Men and Women in Executive Positions in Private Business and the Public Sector, the Supervisory Board passed a resolution on 22 September 2015 specifying that a quota of 20% of the Executive Board of DMG MORI AKTIENGESELLSCHAFT was to be occupied by female members of staff by 30 June 2017. This goal was not achieved by this deadline as there was no executive department with effect on 30 June 2017. On 30 November 2017, the Supervisory Board confirmed a 20% target and also passed a resolution that this should be achieved by 30 June 2022.

As a result of flat hierarchies, there is only one management level below that of the Executive Board at DMG MORI AKTIENGESELLSCHAFT. The target quota set by the Executive Board on 9 September 2015 for this management level was 6% for women and was to be achieved by 30 June 2017. At 7%, the company slightly exceeded this target as at 30 June 2017. On 18 October 2017, the Executive Board of DMG MORI AKTIENGESELLSCHAFT decided that a 10% female quota needed to be achieved for this management level by 30 June 2022.

With regard to the Supervisory Board, the statutory 30% quota has so far not been met, as there have been no suitable vacancies. The shareholders' and employees' representatives have decided to meet these legal requirements separately from each other. During the reporting period, there were two female Supervisory Board members among the shareholders. With the resignation of Dr. Constanze Kurz on 30 November 2017, there were no longer any female Supervisory Board members among the employee representatives.

Avoiding Conflicts of Interest

Members of the Executive Board and Supervisory Board are obliged to act in the interests of the company. In making decisions and in connection with their functions, the members of the Executive Board and of the Supervisory Board may not pursue any personal interests or business opportunities that the company is entitled to, nor may they grant any unjustified benefits to any other persons. Any conflicts of interest that arise out of these or any other situations must be notified to the Supervisory Board without delay, assessed and authorised by the Supervisory Board as necessary. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and on how they are addressed.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting.The Annual General Meeting passes resolutions, inter alia, on the approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the annual auditor or any changes to the Articles of Association. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the Annual General Meeting personally are given the opportunity to exercise their voting right by proxy through an authorised person of their choice or by transfer of proxy to a representative of the group who will act as per their instruction. In addition, it is possible to obtain information about the Annual General Meeting in a timely manner via the Internet. All documents and information are made available to shareholders in good time on our website.

Transparency

We strive to ensure that our corporate communication is as transparent and as relevant as possible for all stakeholders, such as shareholders, capital lenders, business partners and employees, as well as for the general public. Our website provides further information at any time on the group's current position, and this is also where press releases and quarterly reports, annual reports and a detailed financial calendar are published.

Compliance

We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and to society. We therefore specifically undertake to uphold clear principles and values. In particular, this includes observing and upholding legal requirements and regulatory standards as well as voluntary obligations and our own internal guidelines. Our Compliance Management System is designed to safeguard our principles and values. Further information about our Compliance Management System can be found in the Sustainability Report 2017 and on our website.

Financial Accounting and Annual Audit

We have again agreed with the annual auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, for this reporting period that the Chairman of the Supervisory Board and the Chairwoman of the Finance and Audit Committee must be informed without delay of any grounds for exclusion or bias that may arise during the audit insofar as these cannot be eliminated. In addition, the auditor shall also immediately report any findings and events that arise during the audit of the Financial Statements and Consolidated Financial Statements that have a significant bearing on the work of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board or note in the audit report if, when conducting the audit, any facts are discovered that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the Corporate Governance Code.

Share Ownership of the Executive Board and Supervisory Board Members

Only one member of the Supervisory Board is an indirect shareholder in DMG MORI AKTIENGESELLSCHAFT. The Supervisory Board member Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). According to its last notification of voting rights, DMG MORI COMPANY LIMITED, indirectly held a 76.03% share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. Hence, Dr. Eng. Masahiko Mori is indirectly a shareholder of DMG MORI AKTIENGESELLSCHAFT.

Pursuant to Section 15a WpHG (German Securities Trading Act), members of the Supervisory Board or Executive Board, and other individuals subject to reporting requirements, must notify both the company and the Federal Financial Supervisory Authority (BaFin) whenever they buy or sell company shares or other company securities. The company is then legally required to publish such notification without delay. The corresponding notifications made by DMG MORI AKTIENGESELLSCHAFT can be viewed on the company website at all times.

Suggestions of the German Corporate Governance Code

DMG MORI also complies with the suggestions of the German Corporate Governance Code to a large extent. There are currently deviations in the area of the Annual General Meeting. The Code suggests that it should be possible to contact the proxy exercising the shareholder's voting rights as instructed by the shareholder during the Annual General Meeting. For organisational reasons, no provision has been made to livestream the entire Annual General Meeting.

Supervisory Board and Committees

Pursuant to the articles of association, the Supervisory Board comprises twelve members. In accordance with the German Codetermination Act (Mitbestimmungsgesetz), there are six employee representatives, one of whom represents the executive staff, in addition to the six shareholders' representatives on the Supervisory Board. The term of office of the incumbent Supervisory Board expires upon the end of the Annual General Meeting 2018.

The members of the Supervisory Board are named in the notes.

The Supervisory Board held seven meetings in financial year 2017. The Supervisory Board also reported on the scope of its work in the report of the Supervisory Board in the group annual report.

In financial year 2017, four committees of the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT held meetings: the Finance and Audit Committee, the Personnel-, Nominations and Remuneration Committee, the Nomination Committee and the Technology and Development Committee. The Supervisory Board reports on the scope of its work in the committees in its report in the group annual report.

Remuneration Report

Pursuant to Section 5.4.7 of the German Corporate Governance Code, we report on the remuneration of the Supervisory Board individually and broken down into components.

Remuneration of the Supervisory Board

The Supervisory Board's remuneration is defined by the Annual General Meeting and governed by Section 12 of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT. The Supervisory Board remuneration consists of several components, including the fixed remuneration that each member of the Supervisory Board receives, remuneration for committee work, and attendance fees for meetings.

In financial year 2017, the fixed remuneration for each individual member of the Supervisory Board was € 60,000; the Chairman received 2.5 times that amount (€ 150,000) and the Deputy Chairman 1.5 times that amount (€ 90,000). The fixed remuneration therefore totaled € 894,905 (previous year: € 893,361).

Remuneration for committee work totaled € 373,413 (previous year: € 480,884) and included the work carried out by the Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee as well as the Technology and Development Committee. The individual committee members each received € 18,000. The chairperson of a committee also received an additional fixed remuneration of a further € 18,000 and the deputy chairperson a further € 6,000.

The members of the Supervisory Board and its committees receive an attendance fee of € 1,500 for each Supervisory Board and committee meeting that they participate in as a member. In total, attendance fees for financial year 2017 amounted to € 229,500 (previous year: € 255,000).

In financial year 2017, total remuneration for the Supervisory Board amounted to € 1,497,818 (previous year: € 1,629,245).

Executive Board Remuneration

The remuneration of the Executive Board is discussed and decided by a plenary meeting of the Supervisory Board.

Members of the Executive Board receive direct and indirect remuneration. The indirect remuneration component primarily consists of pension plan expenses. The direct remuneration of members of the Executive Board of DMG MORI AKTIENGESELLSCHAFT includes fixed and variable components. The variable components comprise a short-term incentive (STI), an individual and performance-based remuneration, and a long-term incentive (LTI). The remuneration components are designed in such a way that they present a clear incentive for the Executive Board members to achieve the targets.

In this way, they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration primarily include the responsibilities of the respective Executive Board members, their personal performance, the performance of the entire Executive Board, also the business situation, the success and the future prospects of the company within its comparative environment.

The Supervisory Board meeting on 24 November 2016 and the Annual General Meeting resolution from 5 May 2017 confirmed the existing structure of Executive Board remuneration comprising a fixed component, STI, individual and performance-oriented remuneration, LTI and contributions to pension plans. The LTI was adjusted to a three-year period starting from 2017. Furthermore, the LTI 2017–2019 will no longer take the share price into account, but rather be guided by the result of DMG MORI AKTIENGESELLSCHAFT as the key indicator, including a bottom threshold for the result. The Supervisory Board has set caps on the overall direct remuneration of the Executive Board.

The total remuneration received by the Executive Board totaled € 8,659 K (previous year: € 10,498 K). Of this sum, fixed salaries accounted for € 2,100 K (previous year: € 2,134 K), and STI accounted for € 2,880 K (previous year: € 4,638 K). The individual remuneration amounted to € 1,750 K (previous year: € 371 K). The value of the LTI totaled € 1,272 K (previous year: € 2,665 K). Benefits in kind amounted to € 57 K (previous year: € 65 K). The pension plan expense amounted to € 600 K (previous year: € 625 K).

In financial year 2017, the former Executive Board member André Danks received a payment of € 118 K as direct remuneration until contract expiration on 10 March 2017.

The following table shows the remuneration of the Executive Board in accordance with the German Corporate Governance Codex (DCKG). The table "Allocated grants" shows the awarded remuneration levels for members of the Executive Board for the financial year in question, including minimum and maximum salaries. The table "Inflow for the financial year" details the salaries paid to the members of the Executive Board for the financial year in question.

REMUNERATION OF THE SUPERVISORY BOARD OF DMG MORI AKTIENGESELLSCHAFT

in €	Fixed remuneration	Committee remuneration: Finance and Audit Committee (F&A)	Committee remuneration: Personnel, Nominations and Remuneration Committee (PNR)	Committee remuneration: Technology and Development Committee (T&D)	Meeting attendance fees	Total
Prof. Dr.-Ing. Raimund Klinkner Chairman SB Chairman T&D Chairman PNR	150,000	18,000	36,000	36,000	30,000	270,000
Irene Bader	60,000	0	18,000	0	16,500	94,500
Ulrich Hocker Deputy chairman SB	90,000	0	18,000	0	16,500	124,500
Prof. Dr. Edgar Ernst Chairman F&A until 5 May 2017 (SB member until 5 May 2017)	20,548	12,329	0	0	6,000	38,877
Prof. Dr. Annette Köhler Chairman F&A since 5 May 2017 (SB member since 5 May 2017)	39,452	23,671	0	0	13,500	76,623
Dr. Eng. Masahiko Mori	60,000	18,000	0	18,000	18,000	114,000
Prof. Dr.-Ing. Berend Denkena	60,000	0	0	18,000	15,000	93,000
Dr. Constanze Kurz * (SB member until 30 November 2017)	54,905	16,471	16,471	16,471	27,000	131,318
Dietmar Jansen *	60,000	0	0	0	10,500	70,500
Mario Krainhöfner * Deputy chairman SB	90,000	0	18,000	0	15,000	123,000
Matthias Pfuhl	60,000	18,000	0	18,000	22,500	118,500
Peter Reinoss *	60,000	0	0	0	10,500	70,500
Hermann Lochbihler Deputy chairman SB	90,000	18,000	18,000	18,000	28,500	172,500
Total	**894,905**	**124,471**	**124,471**	**124,471**	**229,500**	**1,497,818**

* These employees' representatives transfer the majority of their remuneration for the Supervisory Board duties to the Hans-Böckler-Stiftung, Düsseldorf, Germany.

EXECUTIVE BOARD DIRECT REMUNERATION

	Fixum		STI		LTI		Performance remuneration		Perquisite		Pension Plan		Total	
in € K	2016	2017	2016	2017	2016 *	2017 *	2016	2017	2016	2017	2016	2017	2016	2017
Christian Thönes Chairman as of 15 April 2016	759	900	2,138	1,380	636	636	171	750	21	21	210	300	3,935	3,987
Dr. Maurice Eschweiler	547	600	1,250	750	429	636	100	500	18	18	150	150	2,494	2,654
Björn Biermann Executive Board member since 27 November 2015	503	600	1,250	750	–	–	100	500	17	18	100	150	1,970	2,018
Dr. Rüdiger Kapitza Chairman until 6 April 2016	325	–	–	–	1,600	–	–	–	9	–	165	–	2,099	–
Total	**2,134**	**2,100**	**4,638**	**2,880**	**2,665**	**1,272**	**371**	**1,750**	**65**	**57**	**625**	**600**	**10,498**	**8,659**

* Value of the LTI-Tranche 2013 – 2016 and 2014 – 2017

ALLOCATED GRANTS

in € K				2016	2017	2017 (Min)	2017 (Max)
Christian Thönes	Chairman	since	Fixum	759	900	900	900
		15 April 2016	Perquisite	21	21	21	21
	Executive Board member	since	**Sum**	**780**	**921**	**921**	**921**
		1 Jan 2012	STI	855	690	0	1,380
			Performance remuneration	171	690	0	750
			LTI 2016 – 2019	517	–	–	–
			LTI 2017 – 2019	–	300	0	360
			Sum	**1,543**	**1,680**	**0**	**2,490**
			Pension [1]	210	300	300	300
			Total	**2,533**	**2,901**	**1,221**	**3,711**
Dr. Maurice Eschweiler	Executive Board	since	Fixum	547	600	600	600
	Industrial Services	1 April 2013	Perquisite	18	18	18	18
			Sum	**565**	**618**	**618**	**618**
			STI	500	375	0	750
			Performance remuneration	100	377	0	500
			LTI 2016 – 2019	517	–	–	–
			LTI 2017 – 2019	–	200	0	240
			Sum	**1,117**	**952**	**0**	**1,490**
			Pension [1]	150	150	150	150
			Total	**1,832**	**1,720**	**768**	**2,258**
Björn Biermann	Executive Board	since	Fixum	503	600	600	600
	Finance	27 Nov 2015	Perquisite	17	18	18	18
			Sum	**520**	**618**	**618**	**618**
			STI	500	375	0	750
			Performance remuneration	100	377	0	500
			LTI 2016 – 2019	517	–	–	–
			LTI 2017 – 2019	–	200	0	240
			Sum	**1,117**	**952**	**0**	**1,490**
			Pension [1]	100	150	150	150
			Total	**1,737**	**1,720**	**768**	**2,258**
Dr. Rüdiger Kapitza	Chairman	until	Fixum	325			
		6 April 2016	Perquisite	9			
	Executive Board member	from	**Sum**	**334**			
		1 Jan 1992	STI	–			
		to	Performance remuneration	–			
		6 April 2016	LTI 2016 – 2019	–			
			LTI 2017 – 2019	–			
			Sum	–			
			Pension [2]	165			
			Total	**499**			
Total			Fixum	2,134	2,100	2,100	2,100
			Perquisite	65	57	57	57
			Sum	**2,199**	**2,157**	**2,157**	**2,157**
			STI	1,855	1,440	0	2,880
			Performance remuneration	371	1,444	0	1,750
			LTI 2016 – 2019	1,551	–	–	–
			LTI 2017 – 2019	–	700	0	840
			Sum	**3,777**	**3,584**	**0**	**5,470**
			Pension	625	600	600	600
			Total	**6,601**	**6,341**	**2,757**	**8,227**

1) Payments for pension provisions as defined contribution
2) Pro-rata amount of service costs

INFLOW FOR THE FINANCIAL YEAR

in € K				2016	2017
Christian Thönes	Chairman	since	Fixum	759	900
		15 April 2016	Perquisite	21	21
	Executive Board member	since	**Sum**	**780**	**921**
		1 Jan 2012	STI	2,138	1,380
			Performance remuneration	171	750
			LTI 2013 – 2016	636	–
			LTI 2014 – 2017	–	636
			Sum	**2,945**	**2,766**
			Pension [1]	210	300
			Total	**3,935**	**3,987**
Dr. Maurice Eschweiler	Executive Board	since	Fixum	547	600
	Industrial Services	1 April 2013	Perquisite	18	18
			Sum	**565**	**618**
			STI	1,250	750
			Performance remuneration	100	500
			LTI 2013 – 2016	429	–
			LTI 2014 – 2017	–	636
			Sum	**1,779**	**1,886**
			Pension [1]	150	150
			Total	**2,494**	**2,654**
Björn Biermann	Executive Board	since	Fixum	503	600
	Finance	27 Nov 2015	Perquisite	17	18
			Sum	**520**	**618**
			STI	1,250	750
			Performance remuneration	100	500
			LTI 2013 – 2016	–	–
			LTI 2014 – 2017	–	–
			Sum	**1,350**	**1,250**
			Pension [1]	100	150
			Total	**1,970**	**2,018**
Dr. Rüdiger Kapitza	Chairman	until	Fixum	325	–
		6 April 2016	Perquisite	9	–
	Executive Board member	from	**Sum**	**334**	**–**
		1 Jan 1992	STI	–	–
		to	Performance remuneration	–	–
		6 April 2016	LTI 2013 – 2016	1,600	–
			LTI 2014 – 2017	–	1,216
			Sum	**1,600**	**1,216**
			Pension [2]	165	–
			Total	**2,099**	**1,216**

1) Payments for pension provisions as defined contribution
2) Pro-rata amount of service costs

INFLOW FOR THE FINANCIAL YEAR

in € K				2016	2017
Dr. Thorsten Schmidt	Deputy chairman	until	Fixum	–	–
		31 Dec 2015	Perquisite	–	–
	Executive Board member	from	**Sum**	**–**	**–**
		1 Oct 2006	STI	–	–
		to	Performance remuneration	–	–
		31 Dec 2015	LTI 2013 – 2016	1,000	–
			LTI 2014 – 2017	–	903
			Sum	**1,000**	**903**
			Pension [1]	–	–
			Total	**1,000**	**903**
André Danks	Executive Board	Since	Fixum	–	–
	Finance	11 March 2014	Perquisite	–	–
		Revocation of	**Sum**	**–**	**–**
		the appointment	STI	–	–
		to the	Performance remuneration	–	–
		Executive	LTI 2013 – 2016	–	–
		Board on	LTI 2014 – 2017	–	515
		26 Nov 2015	**Sum**	**–**	**515**
			Pension [1]	–	–
			Total	–	515
Günter Bachmann	Executive Board	until	Fixum	–	–
	production and	31 Dec 2013	Perquisite	–	–
	technology		**Sum**	–	–
			STI	–	–
			Performance remuneration	–	–
			LTI 2013 – 2016	900	–
			LTI 2014 – 2017	–	–
			Sum	**900**	**–**
			Pension [1]	–	–
			Total	**900**	**–**
Total			Fixum	2,134	2,100
			Perquisite	65	57
			Sum	**2,199**	**2,157**
			STI	4,638	2,880
			Performance remuneration	371	1,750
			LTI 2013 – 2016	4,565	–
			LTI 2014 – 2017	–	3,906
			Sum	**9,574**	**8,536**
			Pension	625	600
			Total	**12,398**	**11,293**

1) Payments for pension provisions as defined contribution

The fixed remuneration is the contractually defined basic remuneration that is paid monthly in equal amounts. The STI is based on targets relating to key figures. In 2017, the reference values used were the volume of the order intake and EBIT ("Earnings Before Interest and Taxes"). The target figures are on a sliding scale and are respecified every year. As a precondition for the payment of the STI, the group's sustainability factor (total expenditures for research and development, corporate communication incl. marketing as well as for vocational and further training in relation to total sales revenues) for the respective financial year must reach or exceed a certain specified minimum value. This promotes sustainability-focused corporate governance.

As a long-term remuneration component, the LTI takes into account the results of DMG MORI AKTIENGESELLSCHAFT as the key indicator, including a bottom threshold for the results.

The individual performance remuneration considers how well the individual Executive Board members have met their individually set goals. The STI, the LTI and the individual performance remuneration are variable, which means they do not represent secure remuneration.

The delayed LTI tranches for 2014 – 2017, 2015 – 2018 and 2016 – 2019 represent a performance units plan and do not include any dividend payments or voting rights. In addition, the units may not be traded or sold to any third party. The tranches awarded at the beginning of each year have a term of four years. Each tranche is defined by an assumed amount of money that is converted into a number of performance units using the average share price. After expiration of the relevant period, the amount to be paid out is calculated from the number of units. From the LTI tranche 2014 – 2017, which was awarded on 31 December 2017 and will be paid out in 2018, the resulting payment totals € 3,906 K (previous year's tranche 2013 – 2016: € 4,565 K). The subsequent LTI tranches combine targets in relation to the EAT of the company with the performance of the company's share. A cap has been set at twice the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place.

Due to the domination and profit transfer agreement between a subsidiary of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT, the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT adopted a resolution to guarantee a stable calculation basis for the LTI in 2016. Imputed values were defined for the EAT parameters and share price for the LTI between 2014 – 2017, 2015 – 2018 and 2016 – 2019.

Benefits in kind arise mainly from the values to be assessed in accordance with applicable tax regulations for the use of company cars and individual insurance contributions. Every member of the Executive Board is contractually entitled to benefits in kind, which may vary depending on their personal situation and are subject to tax payable by each Executive Board member. Pension commitments for current members of the Executive Board are implemented through a defined contribution pension plan. The expenses for the financial year just ended amounted to € 600 K (previous year: € 625 K).

Advances in favor of members of the Executive Board – and also in favor of members of the Supervisory Board – were not granted. The DMG MORI AKTIENGESELLSCHAFT group companies did not pay any remuneration directly to members of governing bodies for services personally rendered, in particular consulting and mediation services.

Former members of the Executive Board and their surviving dependents were paid € 1,339 K in pensions (previous year: € 1,088 K). The amount of pension obligations for former Executive Board members and their surviving dependants was € 24,780,000 (previous year: € 24,488,000).

RESEARCH AND DEVELOPMENT

The DMG MORI AKTIENGESELLSCHAFT is responsible for research and development strategy. All research and development activities within the group are coordinated by the executive portfolio of product development, production and technology. The implementation is carried out at the group company level.

The purpose of DMG MORI's research and development is to increase the value of our products for our customers. As an innovation and technology leader, we offer our customers a sustainable, forward-looking offer of machinery, technology and automation solutions, software products and services.

In addition to developing innovative machines, we focus especially on:

- intelligent automation of machines and plants,
- end-to-end digital processes with DMG MORI Software Solutions (CELOS, DMG MORI Technology Cycles, DMG MORI Powertools) ADAMOS, ISTOS and WERKBLiQ,
- expansion of the portfolio with cutting-edge manufacturing technologies particularly in ADDITIVE MANUFACTURING,
- Technology Excellence through industry-specific development of future-oriented and integrated production solutions at our cross-plant Technology Excellence Centers (Aerospace, Die & Mold and Medical),
- consolidation of our product portfolio (streamlining),
- standardization of components (SCOPE) and increase in value-added depth for core components (DMG MORI COMPONENTS).

At € 50.4 million, expenses for research and development were around 7.7% above the previous year's figure (€ 46.8 million). A total of 525 employees worked on developing our products (previous year: 502 employees); this corresponds to 15% of the total workforce at the plants (previous year: 15%).

The innovation ratio in the "Machine Tools" segment was 3.9% (previous year: 3.8%). Investments in new products are listed in the segment reports as capitalized development costs.

In the reporting year, machines launched onto the market within the last three years accounted for around 30% of all orders (previous year: 31%). Together with DMG MORI COMPANY LIMITED, we as a "Global One Company" presented 15 world premieres at 42 national and international trade fairs, as well as at Open House exhibitions in the reporting year, thus demonstrating our innovative capacity. This included nine internal developments, two joint development and four developments of DMG MORI COMPANY LIMITED.

Research and development activities are decentralized and coordinated by a central product development body. This structure enables the development of the highest level of product competence, while at the same time opening up synergy effects through cross-plant cooperation. We are generating additional synergies with our worldwide annual developer conference (Global Development Summit). In September 2017, 200 international development experts met at our plant in Seebach to develop and promote new ideas.

Report on Economic Position

Overall economic development

After a slow start to 2017, world production accelerated in almost all relevant economies throughout the year. According to preliminary calculations of the Institute for World Economics (IfW) at Kiel University, the global economy grew by +3.8% in 2017 (previous year: +3.1%).

DEVELOPMENT OF THE MACHINE TOOL BUILDING INDUSTRY

International Development

According to the information of the German Machine Tool Builders' Association (VDW), the global machine tool market developed positively as a whole in 2017. World consumption increased by +4.5% to € 70.7 billion (previous year: € 67.6 billion). In Europe, demand for machine tools rose moderately by +2.6% (previous year: +3.7%). Asia recorded a significant increase of +5.7% (previous year: +2.2%). In North and South America, the development returned to positive territory at +1.4% (previous year: -6.7%).

In China, the worldwide largest market, the consumption of machine tools increased by +5.1% to € 22.7 billion (previous year: € 21.6 billion). As the second most important market for machine tools with € 8.9 billion, the USA recorded significant growth of +12.2% (previous year: € 8.0 billion). In the third largest market, Germany, consumption fell by 0.5% to € 5.8 billion (previous year: € 5.9 billion). With a decline of -4.3%, Japan also recorded a slowdown in consumption and came in fourth globally at € 4.9 billion (previous year: € 5.1 billion). Italy recorded strong growth of +14.4% to € 3.6 billion (previous year: € 3.2 billion) and came in fifth ahead of South Korea with € 3.5 billion (previous year: € 3.2 billion). The ten most important consumption markets accounted in total for 80% of the machine tool consumption worldwide.

The VDW calculated a volume of € 70.7 billion (previous year: € 67.6 billion) for global production. According to preliminary estimates, China was again the worldwide largest producer of machine tools with a volume of € 17.7 billion (previous year: € 17.1 billion) in 2017. Germany and Japan follow in second and third place with € 11.5 billion (previous year: € 11.1 billion) and

€ 11.4 billion (previous year: € 10.9 billion), respectively. Altogether, the ten key production countries account for 91% of all machine tools worldwide.

German Machine Tool Industry

The ifo business climate index for trade and industry is the leading indicator for economic development in Germany. The survey shows that the majority of index values are above the previous year's level in the manufacturing sector (mechanical engineering, manufacturing of metal products and electrical equipment) and in November 2017 reached its highest level since the German reunification.

In 2017, the German machine tool industry recorded growing order intake, increasing production and increasing sales revenues. At € 17.2 billion, the order intake of plants in Germany was significantly above the level of the previous year (previous year: € 16.0 billion). This corresponds to an increase of +8.0%. Domestic demand improved significantly by +10.1% (previous year: 0.0%). Demand from abroad rose by +7.0% (previous year: +10.0%). The VDW reports that order intake for cutting machines increased by +9.0% (previous year: +8.0%). Machining orders in the domestic market increased by +14.0%. In the forming machines area, order intake increased by +6.0% (previous year: +4.0%). Order intake at foreign plants of German manufacturers is not included in these figures.

Sales revenues of German machine tool manufacturers rose by +5% year-on-year (previous year: 0.0%).

Production once again reached a volume of € 14.3 billion and was thus +4.5% above the previous year's level.

Machines with a value of € 10.1 billion were exported (previous year: € 9.4 billion); exports thus increased by +7.6% compared to the previous year; the export ratio rose by two percentage points to 70.8%. The most important export market for German machine tools was once again China with € 2.2 billion (previous year: € 1.9 billion); this represents 22% of German machine tool exports (previous year: 20%). As in the previous year, the USA took second place with a constant export volume of € 1.2 billion (export share: 12.5%). France was the third most important export market with € 0.5 billion and an export share of 5% before Italy. The import of machine tools rose by +1.8% to € 3.5 billion (previous year: € 3.4 billion). Accounting for an import share of 29%, almost every third imported machine tool came from Switzerland. This was followed by Japan (11%) and Italy (8%) also ranking among the TOP 3 of import countries.

Domestic consumption of machines, parts and equipment remained stable at the previous year's level with € 7.7 billion. Over the course of the year, the capacity utilization of German machine tool producers increased by +3.6%. The capacity utilization of producers of cutting machines was 91.6% (previous year: 88.0%).

Averaged across the year, the number of employees in German machine tool companies rose to a total of 70,900 (previous year: 68,985).

RESULTS OF OPERATIONS, NET WORTH AND FINANCIAL POSITION

DMG MORI AKTIENGESELLSCHAFT's earnings were essentially determined by income from financial assets in the amount of € 152.9 million (previous year: € 115.0 million). They arise from the profit and loss transfers from DMG Vertriebs und Service DECKEL MAHO GILDEMEISTER of € 50.3 million (previous year: € 17.5 million) and from GILDEMEISTER Beteiligungen GmbH of € 102.6 million (previous year: € 97.5 million).

DMG MORI AKTIENGESELLSCHAFT closes the year overall with an EBT before profit transfer of € 125.1 million (previous year: € 79.3 million) and a net profit after taxes in the amount of € 89.9 million (previous year: € 41.1 million), which will be transferred to DMG MORI GmbH as a result of the domination and profit transfer agreement. The tax expense of € 35.2 million comprises the taxes incurred by DMG MORI GmbH, Bielefeld, amounting to € 30.0 million as a result of the tax compensation agreement. The net retained profit of the previous year of € 1.5 million was allocated to retained earnings. Net profit totaled € 0.0 million (previous year: € 1.5 million).

In the reporting year, sales revenues (group cost allocations and rents) were € 16.0 million (previous year: € 21.6 million). The decrease is primarily the result of lower cost allocations to the subsidiaries. Other operating income fell in the same period by € 0.4 million to € 20.6 million (previous year: € 21.0 million). Other operating income comprises exchange rate gains from the valuation of receivables and liabilities in foreign currencies and from the valuation of forward exchange contracts. The exchange rate gains are contrasted with the corresponding losses. These effects result from the hedging contracts concluded by DMG MORI AKTIENGESELLSCHAFT.

Expenses incurred for purchased services mainly cover maintenance of the grounds and premises at the Bielefeld site. These amounted to € 2.3 million, or around € 0.5 million above the previous year's figure (€ 1.8 million).

Personnel expenses fell by € 13.1 million to € 21.7 million (previous year: € 34.8 million). In 2016, this includes severance payments for a former member of the Executive Board in the amount € 7.9 million. Additional reductions were achieved due to the decreased employee numbers at DMG MORI AKTIENGESELLSCHAFT.

Other operating expenses amounted to € 41.1 million and were thus € 2.4 million below the previous year's figure (€ 43.5 million) mainly due to a decrease of consulting expenses. In 2017, exchange rate losses were incurred in the amount of € 15.1 million (previous year: € 11.4 million) from the valuation of receivables and liabilities in foreign currency and valuation losses from forward exchange contracts, which were mainly compensated by offsetting effects in other operating income. The net amount was an exchange rate loss of € 0,5 million.

Income from investments due to the profit and loss transfer agreements with the subsidies rose from € 115.0 million in the previous year to € 152.9 million in the reporting year.

The financial result fell slightly to € 4.6 million (previous year: € 4.8 million).

The reported tax expense of € 35.2 million (previous year: € 38.2 million) is primarily attributable to expenses resulting from tax allocations in the amount of € 30.0 million, expenses resulting from deferred tax allocations of € 1.9 million and taxes for previous years. Despite the significant increase in EBT, the tax burden decreased (incl. tax apportionments) as the tax burden in the previous year had been influenced by impacts on earnings from the realignment measures. These impacts on earnings were largely non-deductible.

The balance sheet total as of 31 December 2017 increased by 15.5% to € 1,769.2 million (previous year: € 1,531.2 million). Fixed assets on the balance sheet increased from € 697.8 million to € 758.7 million. Capital inflow to financial assets was mainly attributable to the contribution to capital reserves at the subsidiary DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER (€ 6.4 million) and a long-term loan granted to subsidiary DMG MORI Sales and Service Holding AG (€ 79.0 million). A counteracting effect, however, had the sale of shares in DMG MORI Manufacturing USA Inc., Davis, USA to DMG MORI COMPANY LIMITED in the amount of € 21.4 million. Investments in fixed assets primarily include further modernization of our production buildings at the Bielefeld location.

Current assets increased by € 178.7 million to € 997.1 million compared to the previous year. Receivables from affiliated companies increased by € 140.6 million to € 714.1 million. This contains the higher profit and loss transfers from the subsidiaries compared to the previous year of € 37.9 million. Moreover, this item comprises the proceeds from the sale of shares in DMG MORI Manufacturing USA Inc., Davis, USA to DMG MORI COMPANY LIMITED amount of € 21.4 million. Bank balances increased by € 41.2 million to € 273.1 million.

Equity remained unchanged at € 921.2 million on the liabilities and shareholders' equity side. The equity ratio amounted to 52.1% (previous year: 60.2%). The share capital has remained unchanged at € 204,926,784.40 and is divided into 78,817,994 no-par shares.

Provisions decreased from € 61.3 million to € 37.8 million compared to the previous year. The decrease is primarily the result of lower tax provisions of € 19.6 million. Liabilities rose to € 810.2 million (previous year: € 548.7 million). These mainly comprise liabilities to affiliated companies, which rose by € 265.3 million to € 805.0 million. The item comprises in particular liabilities from financial clearing amounting to € 791.4 million (previous year: € 524.6 million). This includes the profit transfer to DMG MORI GmbH amounting to € 89.9 million (previous year: € 41.1 million). With effect from 1 January 2017, a tax sharing agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The resulting liabilities in the amount of € 30.0 million are also included in this item. Trade debts to affiliated companies amounting to € 13.7 million (previous year: € 15.2 million) are also recognized in liabilities. As in the previous year, there were no liabilities to banks.

DMG MORI AKTIENGESELLSCHAFT covers its capital requirements from the transfer of profit agreements of group companies and from intra-group cash pooling. The amount of the agreed financing lines totaled € 849.2 million in financial year 2017. In February 2016, this mainly comprised a syndicated credit line of € 500.0 million concluded and with a term until February 2021. This consists of a € 200.0 million cash tranche, € 300.0 million aval tranche, € 138.7 million in other aval lines and € 167.5 million in factoring agreements for subsidiaries. The contract with the banks was renewed by one year until February 2022. As in the previous year the cash tranche was not used.

The syndicated credit agreement requires us to comply with a standard market covenant. The covenant had been complied with as of 31 December 2017. Off-balance sheet operating lease agreements have been added to the financing plan. This financing mix gives us adequate financing lines, which provide us with the necessary liquid funds for our business.

DMG MORI group financing is carried out centrally. Only if group financing is not advantageous due to the legal framework is local financing concluded in individual cases. Cash pooling is used to utilize the liquidity surpluses of subsidiaries cost-effectively within the group. The risks referring to derivatives are presented in the notes.

EMPLOYEES

On 31 December 2017, DMG MORI AKTIENGESELLSCHAFT had 84 employees (previous year: 99 employees).

As of 31 December 2017, DMG MORI AKTIENGESELLSCHAFT was organised in three executive units, which are as follows:

- Mr. Christian Thönes (Chairman): Product Development / Production / Sales / Purchasing / Corporate Public Communications / Internal Audit,
- Mr. Björn Biermann: Controlling / Finance / Accounting / Taxes / Risk Management / Investor Relations / Compliance,
- Mr. Dr. Maurice Eschweiler: Industrial Services / Human Resources / Legal / Information Technology

OVEREALL STATEMENT OF THE EXECUTIVE BOARD ON FINANCIAL YEAR 2017

In financial year 2017, the business performance of DMG MORI AKTIENGESELLSCHAFT was satisfactory. Sales revenue was slightly below the targeted figures due to adjustments made to offset cost allocations to the subsidiaries. EBT before the transfer of profits was significantly above the previous years' value at € 125.1 million (previous year: € 79.3 million) and thus also above the forecast. It was also possible to significantly increase the earnings of the subsidiaries in financial year 2017, which resulted in a greater profit transfer to DMG MORI AKTIENGESELLSCHAFT. DMG MORI AKTIENGESELLSCHAFT closes the year overall with € 89.9 million in earnings after taxes (previous year: € 41.1 million) which are transferred to DMG MORI GmbH.

Opportunities and Risk Management Report

In its business activities, the DMG MORI AKTIENGESELLSCHAFT is exposed to various opportunities and risks. Our opportunities and risk management assists us in identifying and assessing these early on. The Executive Board and the Supervisory Board are regularly informed about the current risk situation of the company and of the individual business divisions.

DMG MORI AKTIENGESELLSCHAFT is integrated in the opportunities and risk management of the DMG MORI group.

Opportunities Management System (CMS)

Opportunities are identified and analyzed within the opportunities and risk management system of the DMG MORI group. We use our Customer Relationship Management (CRM) to identify the main individual opportunities for Sales: We record customer data globally and evaluate market and competitor data. Moreover, we carry out detailed analyses of the measured data to identify any broader economic and industry-specific trends and developments early on. This allows us to draw up short-term and medium-term forecasts on expected customer orders per machine type and sales region. On this basis we measure, assess and check all sales and service activities and other activities for effectiveness and profitability. We continuously monitor our markets and can thereby identify any broader economic and industry-specific opportunities early on.

As the holding company, DMG MORI AKTIENGESELLSCHAFT shares in the opportunities of its subsidiaries. These are described in detail in the group management report. If the subsidiaries are able to make use of their opportunities, this has a positive effect on income from financial assets and thus on the earnings of DMG MORI AKTIENGESELLSCHAFT.

Risk Management System (RMS)

The risk management system of the DMG MORI group comprises the early risk identification system, the internal control system (ICS) and the central insurance management.

In our early risk identification system, we record and control the risks in the future development of the DMG MORI group. The recorded, assessed and controlled risks in question are circumstances which contain an inherent element of potential risk due to the prevailing environmental situation, and which are recorded, assessed and controlled in an adequate manner. Our early risk identification system consists of five elements:

1. the company-specific risk management manual, in which the system is defined;
2. central risk management officer, who develops, implements and monitors the present risk management concept and coordinates the measures for risk reduction or risk elimination;
3. local risk officers in individual group companies, who are responsible for the decentralized recording, analysis and communication of existing risks;
4. area-specific, quarterly risk recording according to predefined risk areas and an inventory of related measures for risk reduction or risk elimination with a quantitative assessment taking into account the group and individual group companies' risk-bearing ability;
5. the risk reporting system on the group level and for each individual company with the accompanying ad hoc reporting system for material risks.

The early risk identification system is based on the generally accepted COSO framework. The early risk identification system is aimed at completely and reliably capturing existing risk potential across the whole group, for the upcoming 12 months, to extensively summarize and assess risk, to query and develop efficiency risk reduction measures, continually monitor risk and enable extensive risk reporting.

The strategy of the existing early risk identification system therefore comprises a group-wide systematic identification, assessment, aggregation, monitoring and reporting of existing risks and the related measures needed to reduce or eliminate them. These risks are identified in a standardized process in the individual business units on a quarterly basis. The identified risk potentials are analyzed and assessed in a gross approach and in consideration of the maximum risks and probabilities of occurrence, in order to then coordinate or develop additional measures for risk reduction or risk elimination. Based on the existing net risks after measures were taken, reporting is carried out by the affiliates of the group to the group risk management.

Risks threatening the continuation of business are reported immediately, also outside of the periodic reporting.

The structure of the early risk identification system is designed in such a way that we determine the individual local and central risks, as well as the effect on the group, in order to present the overall risk situation of the group:

- Local risks are individual risks that the group companies are exposed to and that we can assess locally.
- Central risks are risks that can only be assessed centrally – at least in part. These include e. g. group financing risks.
- Group effects usually arise from consolidation requirements; this includes, for example, the double counting of risks, which have then to be adjusted correspondingly.

Risk-bearing ability, defined as the relation of the expected accumulated value of all risks identified after the elimination of current group effects to total group equity, is a key risk indicator.

The Executive Board and the Supervisory Board are regularly updated of the resulting current overall group risk situation and the overall risk situation of DMG MORI AKTIENGESELLSCHAFT. They discuss the causes of the current risk position and the corresponding measures taken in-depth.

The early risk identification system set up by the Executive Board pursuant to Section 91(2) AktG is examined by the auditors, is continuously being further developed within the group and is adapted to suit changing circumstances on an ongoing basis.

The internal control system (ICS) of the DMG MORI group is an integral part of the group-wide risk management system. It conforms to both the German statutory requirements of the German Corporation Act (AktG) and the Japanese statutory requirements of the "Japanese Financial Instruments and Exchange Acts" in the form of documentation which conforms to J-SOX/Naibutousei.

The aim of the ICS is to ensure a consistent implementation of the strategic and operative stipulations of the Executive Board of DMG MORI AKTIENGESELLSCHAFT and all subsidiaries, achievement of the operational efficiency targets and compliance with all legal provisions, standards and value-related requirements relating to our group.

In addition, the accounting-related ICS serves to ensure the completeness, accuracy and reliability of our consolidated financial statements according to IFRS, and of the local financial statements as well as the books on which they are based. It covers all organizational, control and monitoring structures to ensure the legally compliant recording, processing and consideration of business matters, and their subsequent adoption in the relevant financial statements.

Within our ICS, building on an annually updated analysis and the documentation of significant business processes, the controllable risks are recorded and eliminated through the definition of the structural and procedural organization, as well as suitable control activities or reduced to an appropriate level. Our ICS meanwhile includes both preventive as well as detecting control activities, which also includes authorizations and releases, plausibility checks, reviews and the four-eyes principle in different variations. In addition, an appropriate separation of functions is ensured. This is supported by existing internal guidelines and instructions as part of the ICS.

In addition, the accounting-related ICS comprises the principles, procedures and measures for ensuring the correctness of the annual financial statements and the management report of the company. For this purpose, we analyze new laws, accounting standards and other public notices with respect to their effect on the annual financial statements. We standardize relevant regulations throughout the group in accounting-related guidelines, for example, in the accounting manual. These accounting-related guidelines and the respectively valid financial statements calendar form the basis for the preparation of the financial statements. If required, the DMG MORI AKTIENGESELLSCHAFT avails itself of external service providers, for example for measuring pension obligations. Employees who are entrusted with drawing up the financial reports undergo regular training, as needed.

The effectiveness of ICS in the company is assessed based on annual management testing of the central departments of DMG MORI AKTIENGESELLSCHAFT. The management testing results are reported to the Executive and Supervisory Boards.

In addition, the effectiveness of the ICS is reviewed and analyzed in random tests by the internal audit department. The results of these effectiveness tests are regularly reported to the Executive Board and the Supervisory Board.

As a further component of the risk management, the DMG MORI group has a central insurance management in place. This was harmonized worldwide with the central insurance management of DMG MORI COMPANY LIMITED in financial year 2018. A global, harmonized insurance strategy will be determined and operationally implemented for economically appropriate insurable risks.

As a holding company, the DMG MORI AKTIENGESELLSCHAFT is also affected by the risks of its subsidiaries. These are described in detail in the group management report. Risks of the subsidiaries may have a negative effect on the revenue from financial investments or cause write off-related expenses to financial investments and thus affect the result of DMG MORI AKTIENGESELLSCHAFT.

In addition, the following risks arise directly to the company, stemming from the activities of the DMG MORI AKTIENGESELLSCHAFT as a holding company:

Corporate strategic risks stem mainly from a misjudgment of future market development and possible technological misdevelopments. We counteract these risks through intensive monitoring of the market and competition, regular strategy discussions with customers and suppliers and all group companies, a comprehensive trade fair presence in all of the important markets and through constant enhancement of our Customer Relationship Management (CRM). In this respect, the control and profit transfer agreement concluded between the two companies incurs risks, so that the company's business development could be potentially affected by any instructions from DMG MORI GmbH. These do not solely need to be in the interests of DMG MORI AKTIENGESELLSCHAFT, but are issued in the interests of the group. Possible damage from corporate strategy risks amount to around € 10.5 million, with a low probability of occurrence (0% – 20%).

Procurement and purchasing risks are those that we are particularly exposed to due to price increases for materials in the machine tools business. Further risks exist in possible supplier shortfalls and quality problems. We counteract these risks through the standardization of structural parts and components as well as through international sourcing with a minimum of two suppliers for essential materials. We quantify potential losses from the procurement and purchasing risk arising from the activities of the group-wide acting central purchasing at € 7.7 million with a low probability of occurrence.

Due to our continuous need for highly qualified employees and management staff, risks may arise due to not being able to attract and retain these employees in sufficient numbers and this may restrain the group's development. We counteract these risks through intensive programs that offer vocational training, attract new employees, increase the qualifications of existing employees and through performance-related remuneration with a profit-based incentive scheme, as well as through deputizing arrangements that cushion the loss of specialists and managers, and through early successor planning. The necessary availability of highly qualified employees and managers at any one time could also be negatively affected by a high rate of illness. We counteract this risk in particular through a preventative occupational health care scheme. On the basis of the above-mentioned measures, we consider the probability of occurrence of estimated losses of about € 3.4 million as slight.

Financial risks result inter alia from our international activities. We hedge currency-related risks through our currency strategy. At the present time, we expect currency related risks of about € 2.7 million.

The essential components of the financing of DMG MORI AKTIENGESELLSCHAFT are: a syndicated loan, which comprises a cash and aval tranche and is firmly agreed until February 2022, and factoring programs. All financing agreements include an agreement on compliance with standard covenants that are customary in the market. The liquidity of DMG MORI AKTIENGESELLSCHAFT is considered sufficient. In principle, DMG MORI AKTIENGESELLSCHAFT bears the risk of bad debt, which may result in write-downs or in individual cases may even result in the receivable defaulting.

Possible losses from financial risks, including the currency-related risks mentioned above, amount in total to € 6.3 million, with a low probability of occurrence (0% – 20%).

Risks with respect to the assets of DMG MORI AKTIENGESELLSCHAFT arise mainly through the accounting and valuation of financial assets. Financial assets are accounted for at the lower of acquisition cost or fair value. The value retention of financial assets is determined annually with the aid of the capitalized income value calculation, which is based on the budget overview of the associated companies. Due to the values determined, there was no need for write-downs at the reporting date. In the event that the planned results are not achieved, an adjustment to the lower fair value may be required. The present budget overview gives no reason for impairment in 2017. To the extent that deferred tax assets on loss carry forwards or interest carry forwards are not impaired, it is assumed in the planning period that this potential tax reduction can be used against taxable income. We assume that the tax and social insurance declarations we submitted are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. Overall, we have assessed any possible losses arising out of tax risks at € 2.0 million with a low probability of occurrence.

We consider the risks to be manageable and do not consider them to jeopardize the continued existence of DMG MORI AKTIENGESELLSCHAFT as a going concern. Compared to the previous year, the risks have slightly decreased overall.

DISCLOSURES REQUIRED BY SECTION 289a GERMAN COMMERCIAL CODE (HGB)

As to Section 289a (1) (1) German Commercial Code HGB

The share capital of DMG MORI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 and is divided into 78,817,994 no-par value bearer shares. The no-par shares respectively hold a calculatory € 2.60 in the subscribed capital.

As to Section 289a (1) (3) German Commercial Code HGB

According to its last notification of voting rights on 6 April 2016, DMG MORI COMPANY LIMITED indirectly held a 76.03% share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT.

As to Section 289a (1) (6) German Commercial Code HGB

Pursuant to Section 84 AktG (German Stock Corporation Act), the Supervisory Board is responsible for appointing and dismissing the members of the Executive Board. This authorisation is specified in Section 7 para. 2 of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT, to the effect that the Supervisory Board appoints the Executive Board members, determines their number and regulates the allocation of responsibilities.

Pursuant to Section 119 para. 1 no. 5 AktG, the Annual General Meeting passes resolutions on changes to the Articles of Association. The procedural rules accordingly specified are defined in Sections 179, 181 AktG, in conjunction with Section 15 para. 4 of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT.

As to Section 289a (1) (7) German Commercial Code HGB

Pursuant to Section 5 para. 3 of the Articles of Association, the Executive Board is authorised to increase the share capital of the company to up to nominal € 102,463,392.20 within the period until 15 May 2019 with the agreement of the Supervisory Board by way of a single or several issues of up to 39,408,997 new shares against contribution in cash and / or in kind (authorised capital). At the same time, the Executive Board is empowered to issue shares in the value of € 5,000,000 subject to the exclusion of pre-emptive rights, to employees of the company and to affiliates of the company.

The Executive Board is furthermore authorised, with the approval of the Supervisory Board, to exclude the statutory subscription right in certain specifically defined cases according to the Articles of Association (authorised capital).

As to Section 289a (1)(8) German Commercial Code HGB

The relevant financing agreements of DMG MORI AKTIENGESELLSCHAFT concluded in early 2016 are subject to the condition of a change of control (meaning the acquisition either of (i) 30% or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT, if the participation interests of DMG MORI COMPANY LIMITED in DMG MORI AKTIENGESELLSCHAFT is or falls below 50%, or (ii) 50% or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT (except by DMG MORI COMPANY LIMITED) or (iii) 50% or more of the voting rights in DMG MORI COMPANY LIMITED). Thus, a change of control is precluded for as long as DMG MORI COMPANY LIMITED holds more than 50% of the voting rights in DMG MORI AKTIENGESELLSCHAFT.

Pursuant to Section 289a (1) of the German Commercial Code (HGB), the Executive Board makes the following explanatory statements:

- As at 31 December 2017, the share capital of the company amounted to € 204,926,784.40 divided into 78,817,994 no-par value bearer shares. Each share entitles the bearer to one vote and is decisive for the share in profits. The company may not exercise voting rights vested in treasury shares and may not participate pro-rata in the profits.
- The last amendment of the Articles of Association was made in May 2017; in this process, Section 1 para. 1 and Section 12 para. 1 – 7 of the Articles of Association were rephrased.
- The Executive Board has not used the mentioned authorisations during the reporting year.
- The change of control conditions comply with the agreements common in the market. They do not entail an automatic termination of the aforementioned agreements, but merely provide our contractual partners with the possibility to cancel them in the event of a change of control.

Forecast Report

The earnings position of DMG MORI AKTIENGESELLSCHAFT differs from that of the group in terms of level and structure, but is significantly influenced by the domestic subsidiaries. In the following, we will initially take a closer look at the group forecast.

The Kieler Institut for the World Economy (IfW) forecasts global economic growth of +3.9% for 2018.

GDP growth of +2.6% is forecast for Germany for the current year. Europe will continue its course of moderate growth in 2018. Economic researchers anticipate that the GDP of the euro countries will grow by +2.3%. Asia will be the strongest growth region again in the current year with likely growth of +6.4%. Growth of +6.4% is forecast for China as well. Growth of the Japanese economy will amount to +1.5% in 2018 according to preliminary calculations. In the USA, the economy is expected to continue its stable growth at +2.5% according to IfW estimates.

The global machine tool market is expected to grow again in 2018. The VDW and Oxford Economics believe that global consumption is expected to show a slower growth at +3.6% as in the previous year (+4.5%).

While overall growth in consumption of +4.1% is expected in Europe, the forecast for the UK expects a Brexit-related decline of -3.1%. It is expected that consumption in Asia will increase by +3.5%; the Chinese market is also expected to grow by +3.5%. The development of the Japanese machine tool consumption is expected to grow by +3.4%. VDW and Oxford Economics expect solid growth of +3.1% in the USA. The German machine tool industry started 2018 with optimistic expectations of the sector's economic activity. VDW and Oxford Economics are anticipating a rise in consumption of +5.1% in Germany.

Risk factors that might adversely impact this positive global trend are price developments of raw materials and energy, exchange rate changes, a possible trend reversal of low-interest policies, an increasingly tight job market, global political uncertainties and the difficult to gauge Brexit consequences. However, due to the persisting global uncertainties, it remains difficult to make a reliable forecast.

The following table provides an overview of the budgeted values of the financial 2018 and key performance indicators of the DMG MORI AKTIENGESELLSCHAFT:

FINANCIAL AND KEY PERFORMANCE INDICATORS OF DMG MORI AKTIENGESELLSCHAFT (HGB)

	actual 2016	actual 2017	plan 2018
Sales revenues	€ 21.6 million	€ 16.0 million	around € 16.0 million
EBIT	€ -40.5 million	€ -32.4 million	around € -32.0 million
Investments in fixed assets / Intangible assets	€ 3.4 million	€ 1.0 million	around € 2.4 million
Number of employees (annual average)	105	84	nearly unchanged

Key internal target and performance indicators are sales revenues, EBIT and investments. A change was made in the key earnings figures as of 1 January 2018. To ensure comparability with DMG MORI COMPANY LIMITED, EBIT replaces EBT as key internal target and performance indicator as of 1 January 2018. The EBIT is defined as the result before profit and loss transfers from the subsidiaries.

For financial year 2018, sales revenues of approximately € 16.0 million have been budgeted. Planned investments in the amount around € 2.4 million for financial year 2018 primarily refer to the modernization of production buildings at the Bielefeld location. Due to further cost savings we expect the EBIT around € -32.0 million.

OVERALL STATEMENT OF THE EXECUTIVE BOARD ON FUTURE BUSINESS DEVELOPMENT 2018

The world economy continues to be marked by global uncertainties. According to forecasts of the German Machine Tool Builders' Association (VDW) and the British economic research institute, Oxford Economics, world machine tool consumption should see less growth of +3.6% in 2018 (previous year: +4.5%). Given the continuing global uncertainties, it remains difficult to make reliable forecasts.

For the 2018 financial year, we are planning around € 2.5 billion in order intake and around € 2.45 billion in sales revenues. EBIT is expected to amount to around € 180 million and free cash flow to around € 100 million. Investments in property, plant and equipment and in intangible assets should amount to around € 65 million and are to be largely financed from our own funds.

We intend to sustainably strengthen our strong innovation power as a "Global One Company". Dynamics and excellence in technology, services and quality will shape the current financial year. We intend to dynamically promote our strategic future-oriented focus areas and sustainably optimize our existing achievements. Therefore, our motto for 2018 is "Dynamic . Excellence".

At DMG MORI AKTIENGESELLSCHAFT, we are expecting income from investments to be on a par with the previous year based on the economic environment in 2018. Overall, we expect EBIT before profit transfer of about € -32.0 million. In 2018, we are not anticipating any significant changes in net worth and financial position.

Notes for the Financial Year 2017 of DMG MORI AKTIENGESELLSCHAFT

Notes

A – GENERAL DECLARATION

The annual financial statements of DMG MORI for the year ending 31 December 2017 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The registered office of DMG MORI AKTIENGESELLSCHAFT is in Bielefeld and the company is registered at the Bielefeld District Court, department B, under the registration number HRB 7144. The income statement is drawn up according to the total cost method of accounting. DMG MORI COMPANY LIMITED, Nara, is the ultimate parent company within the DMG MORI group. During the financial year, DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH concluded a domination and profit and loss transfer agreement, which entered into force on 24 August 2016. With effect from 1 January 2017, a tax compensation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. Explanations to the conclusion of the tax compensation agreement with DMG MORI GmbH can be found in the Notes.

B – ACCOUNTING AND VALUATION PRINCIPLES

The intangible assets acquired against payment and tangible fixed assets were recognised at their acquisition costs and, if applicable, reduced by amortisation and depreciation. In the case of a possible impairment, special write-downs are made to the lower fair value. For depreciation the straight-line method was applied in accordance with the useful life expectancy.

USEFUL LIFE OF ASSETS	
Intangible assets	3 up to 4 years
Office and factory buildings	10 up to 50 years
Factory and office equipment	5 up to 13 years

Amortisation and depreciation of additions to intangible assets and fixed assets was carried out in the year of acquisition pro rata temporis according to the straight-line method. Additions with procurement costs of € 150 to € 1,000 were combined in a compound item and were amortised and depreciated over five years. The depreciation / amortisation method has not changed from the previous year. The rates of depreciation/amortisation also remained unchanged with respect to intangible assets, office and factory building, and factory and office equipment. Financial assets are recognised on the balance sheet at their acquisition costs or the lower fair value.

Receivables and other assets with a term of up to one year were shown at face value, receivables and other assets with a term of more than one year were recognised in the year or less were translated at the average spot exchange rate pursuant to Section 256 a HGB. Insofar as there are indications for impairment, receivables and other assets are measured at lower fair market value.

The valuation of bank balances was based on the nominal value. The valuation of bank balances in foreign currency is based on the average spot exchange rate. Measurement of internal and external derivatives is made at market value. Assets that are not accessible to other creditors and may only be used to cover pension commitments or comparable long-term obligations (so-called plan assets) are recognised in the income state ment at fair market value and are offset against these liabilities. Moreover, existing assets are shown on the DMG MORI AKTIENGESELLSCHAFT balance sheet. Reinsurance policies for pension obligations or claims from life assurance policies under plan assets are measured at the lower of cost or market and thus at fair value within the meaning of Section 255 (4) (4) HGB corresponding to the so-called actuarial reserves of the insurance policy specified in the business plan plus any existing credit from contribution refunds (so-called irrevocable distributed profit participation). This value is also consistent with the taxable asset value.

Pursuant to Section 250 (1) HGB, prepaid expenses include expenses before the reporting date that represents expense to be incurred during a specific period after this date.

Equity items are shown at their nominal value.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) based on an accounting interest rate of 3.68% (previous year: 4.01%) over an average 10-year period. For this purpose, the reference tables of Prof. Klaus Heubeck published in July 2005 were taken as a basis. Externally funded pension benefits are measured at the fair value of the plan assets. Provisions for obligations arising from partial retirement agreements include expenses for wage and salary payments to employees during the pre-retirement passive phase and for top-up payments. Furthermore, the provisions include top-up payments, which the employer cannot avoid due to a collective pay agreement or a works agreement. These provisions are accumulated proportionally from the start of the active phase of the partial retirement and measured at present value, based on an actuarial interest rate of 1.44% (previous year: 1.80%). Partial retirement claims are safeguarded against possible insolvency within the framework of a two-way trust relationship. To safeguard these claims, liquid funds are transferred to a contractual trust arrangement and set off against provisions for partial retirement. The remaining provisions were calculated so that they allow for all identifiable risks and contingent obligations. The measurements were made on the basis of prudent business judgement. In each case the expected probable settlement amount was taken into account. Provisions for payments on the occasion of employee jubilees are discounted at an interest rate of 2.80% p. a. (previous year: 4.01%).

Other Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years, corresponding to their remaining term. Pension provisions are discounted over 10 financial years at the average market interest rate. As a result of an amendment to the HGB by the Law on the Implementation of the Residential Property Loans Directive and on the Modification of Commercial Law Regulations of 11 March 2016, the average period used for the valuation of pension obligations was adjusted from 7 to 10 years. For comparable long-term obligations a flat discounting rate is applied at an average market interest rate resultant under the assumption of a remaining term of 15 years.

Provisions with a remaining term of exactly one year or less are not liable to discount. They are not discounted.

Liabilities are recognised at their settlement amounts. Liabilities in foreign currency are measured at the average spot exchange rate.

Pursuant to Section 250 (2) HGB, deferred income includes income before the reporting date that represents income to be generated during a specific period after this date.

DMG MORI GmbH, a wholly owned subsidiary of DMG MORI COMPANY LIMITED, has concluded a domination and profit transfer agreement with DMG MORI AKTIENGESELLSCHAFT, pursuant to Sections 291 et seq. AktG (Stock Corporation Act). This agreement entered into force following entry into the commercial register on 24 August 2016.

Through the resulting entry of DMG MORI AKTIENGESELLSCHAFT and that of the domestic companies previously belonging to the DMG MORI AKTIENGESELLSCHAFT tax group into the income tax group of DMG MORI GmbH, the income tax liability of DMG MORI AKTIENGESELLSCHAFT expired as of 31 December 2016. Any earnings from the domestic tax group are now legally subject to taxation at DMG MORI GmbH, which is not included in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT. With effect from 1 January 2017, a tax allocation agreement was entered into with DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT with the objective of fair and reasonable tax allocation and to allow the full transfer of tax or tax relief.

The tax or tax relief from the tax allocation agreement is recognised in the income statement as 'Expenses or income from tax allocations' under 'Taxes before income and earnings'. The obligation to transfer or refund tax allocations is recognised on the balance sheet in Amounts owed to or amounts owed by affiliated companies. Previously, current tax expenses were recognised in the income statement under 'Taxes from income and earnings' and obligations were recognised on the balance sheet as tax provisions. When accounting for deferred tax allocations, the tax option is exercised as laid down in Section 274 HGB (Commercial Code). This allows future allocation tax or tax relief arising from the tax entity's existing, temporary differences to be reflected at tax entity level in accordance with the economic cause of such tax or tax relief. At DMG MORI AKTIENGESELLSCHAFT, this not only includes the differences from the company's own balance sheet items, but also those existing for previous taxable entities. Deferred taxes are calculated for temporary differences between the fiscal and commercial valuation of assets, liabilities, prepaid expenses and deferred income. Deferred tax allocations are calculated on the basis of the combined income tax rate for the previous consolidated tax group of DMG MORI AKTIENGESELLSCHAFT, which is currently 29.8% (previous year: 29.8%). The combined income tax rate includes corporation, trade and solidarity taxes. Any resulting overall tax charge would be reflected on the balance sheet as deferred tax allocation liabilities and any tax relief as deferred tax allocation assets.

In recognising hedges for foreign currency, the gross hedge presentation method is used.

C – NOTES ON THE INDIVIDUAL BALANCE SHEET ITEMS

Assets

1. INTANGIBLE ASSETS AND FIXED ASSETS

The movements of the individual fixed assets are set out in the fixed-asset movement schedule. The value disclosed for industrial property rights and similar rights includes mainly data processing software.

2. FINANCIAL ASSETS

The changes in financial assets of DMG MORI AKTIENGESELLSCHAFT are set out in the balance sheet supplement to the notes. The companies included in the "Shares in affiliated companies" item, and the corresponding information on registered office, equity, capital shares and results as of 31 December 2017 are set out in a separate summary at the end of the notes.

In financial year 2017, the subsidiary, DMG MORI Sales and Service Holding AG was granted a long-term loan of € 79.0 million. The loan is accounted for in financial assets under loans to affiliated companies. Another change resulted from the disposal of shares in DMG MORI Manufacturing USA, Inc., Davis, USA, which were sold for € 21.4 million to DMG MORI COMPANY LIMITED.

No value adjustments were made for financial assets in the financial year, as the impairment tests conducted did not identify any impairment requirement. Therefor the fair value is determined using the discounted cash flow method.

DMG MORI AKTIENGESELLSCHAFT has concluded domination and profit and loss transfer agreements with the following companies:

- GILDEMEISTER Beteiligungen GmbH, Bielefeld
- DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld

3. RECEIVABLES AND OTHER ASSETS

Receivables owed by affiliated companies of € 714,053 K (previous year: € 573,442 K) primarily arose from receivables from profit and loss transfer agreements and financial clearing in the amount of € 689,365 K (previous year: € 546,206 K) and trade account receivables of € 24,688 K (previous year: € 27,237 K). Receivables owed by affiliated companies includes the loan agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH amounting to € 120,000 K. The loan bears interest at the market rate. Other assets amounted to € 9,967 K (previous year: € 13,030 K). In addition, they include receivables from derivatives of € 1,094 K (previous year: € 5,562 K) and tax refund claims of € 8,235 K (previous year: € 4,344 K) amongst others.

Receivables and other assets to the value of € 13 K (previous year: € 15 K) include receivables with a remaining term of more than one year.

4. CASH ASSETS, BANKS BALANCES

The disclosure refers to credit balances with banks and the cash in hand value and fell to € 273,050 K (previous year: € 231,877 K).

5. PREPAID EXPENSES

The prepaid expenses under assets relates to payments amounting to € 1,070 K (previous year: € 336 K) before the reporting date which are expenses for the following years.

6. DEFERRED TAX ASSETS ALLOCATION FROM THE PARENT COMPANY

Deferred tax assets totalling € 9,154 K (previous year "Deffered Tax Assets": € 11,083 K) arise as of 31 December 2017 from temporary differences in the carrying amount between the financial statements and the tax accounts. Temporary differences in the carrying amount exist at the reporting date in provisions for receivables from subsidiaries and for tax consolidated companies essentially through differences in carrying amounts in provisions. In determining deferred tax assets, an average tax rate of 29.8% has been taken as a basis (previous year: 29.8%).The DMG MORI AKTIENGESELLSCHAFT does not have anytax loss carry-forwards.

7. EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

DMG MORI AKTIENGESELLSCHAFT has taken out appropriate reinsurance policies for certain pension obligations. As these are plan assets, the fair value of the assets were netted against the pension obligation. The costs of acquisition of the offset assets are € 16,370 K (previous year: € 16,429 K). The settlement amount of the provision is € 13,669 K (previous year: € 13,422 K) of which € 559 K (previous year: € 638 K) pursuant to Section 67 (1) Introductory Act to the Commercial Code (EGHGB – Einführungsgesetz zum Handelsgesetzbuch) have not yet been recognised as a provision as of 31 December 2017. In conformity with the offsetting of assets and debts, income of € 507 K and expenses of € 882 K are shown balanced in interest expenses.

Equity and Liabilities

8. EQUITY

Subscribed capital

The share capital of DMG MORI AKTIENGESELLSCHAFT amounts as in the previous year to € 204,926,784.40 and is fully paid up.

It is divided into 78,817,994 no par value bearer shares with a theoretical par value of € 2.60 per share.

The following statements have essentially been taken from the articles of association of DMG MORI AKTIENGESELLSCHAFT (version May 2017).

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 102,463,392.20 until 15 May 2019 through the issue of up to 39,408,997 new no par value bearer shares for contributions in cash and / or in kind (authorised capital). This authority can be exercised once or several times in partial amounts.

The new shares may be taken over by one or more banks or companies, designated by the Executive Board, with the obligation to offer them to the shareholders (indirect pre-emptive right) in the sense of Section 186 (5) (1) of the German Corporation Act (AktG).

The Executive Board is authorised, with the consent of the Supervisory Board, to disapply shareholders' statutory pre-emptive rights in the following cases:

a) with respect to a partial amount of € 5,000,000 for the issue of share of company employees and companies affiliated with the company,
b) capital increases through contribution in kind so as to acquire in suitable cases companies, parts of companies or interests in companies, or other assets in return for shares,
c) for capital increases against cash contributions, if the issuing price of the new shares is not significantly lower, in accordance with Section 203 (1) (2), and Section 186 (3) (4) of the German Stock Corporation Act, than the stock market price on the final effective date of the issuing price determined by the executive board and if the total pro rata amount of the share capital attributable to the new shares, for which the shareholders' pre-emptive rights are excluded, neither on the effective date nor on the date of exercise of this authorisation exceeds 10% of the share capital. Shares that are issued or sold during the validity of the authorized capital with the exclusion of shareholders' pre-emptive rights, in direct or analogous application of Section 186 (3) (4) of the German Stock Corporation Act, are included in the maximum limit of 10% of the share capital,
d) to exclude any fractional amounts from the pre-emptive right.

All the shares issued on the basis of the aforementioned authorisation disapplying pre-emptive rights of shareholders pursuant to point b) and c) above may not exceed 20% of the share capital either at the time of the authorisation taking effect or at the time of its utilisation. Included in this 20 per cent limit are those shares that are issued during the term of the aforementioned authorisation from any other authorised capital disapplying the pre-emptive rights of share-holders, excluded from the aforementioned figure is the disapplication of pre-emptive rights to compensate for fractional amounts or the issue of shares to company employees and to affiliated companies.

The Executive Board is authorised, with the approval of the Supervisory Board, to stipulate additional details of the capital increase and its implementation. The Supervisory Board is authorised to amend the articles of association according to the respective utilisation of authorised capital or, if the authorised capital is not utilised or not utilized in full by 15 May 2019, shall cancel this upon the expiry of the term.

Capital Reserves

The capital reserves of DMG MORI AKTIENGESELLSCHAFT also include the premiums from the issue of shares from past capital increases. As of the reporting date, the capital reserves were unchanged at € 516,197,471 K compared with the previous year.

Retained earnings

Statutory reserves

The statutory reserves of € 680,530 have not changed since the previous year.

Other retained earnings

Other retained earnings are € 199,376,726 (previous year: € 197,898,830). An amount of € 1.5 million was allocated to retained earnings from the net profit of € 1.5 million earned in the previous year.

Control and profit transfer agreement

DMG MORI AKTIENGESELLSCHAFT closes the year with € 89.9 million (previous year: € 41.1 million) in earnings after taxes. The earnings after taxes will be transfered to DMG MORI GmbH due to the control and profit transfer agreement.

A transfer ban of € 9,154 K (previous year: € 11,083 K) exists for € 9,154 K (previous year: € 11,083 K) in deferred tax allocation assets for the parent company as applied in accordance with Section 268 (8) HGB (Commercial Code), unless adequate, readily available reserves exist to cover the transfer ban amount. As the current, readily available other retained earnings amount of € 199,377 K (previous year: € 197,899 K) exceeds the amount of deferred tax allocation assets, a transfer ban pursuant to Section 301 AktG (Companies Act) in conjunction with Section 268 (8) HGB does not exist in this case.

9. PENSION PROVISIONS

The measurement of pension obligations was carried out by the projected unit credit method (PUC method). The provisions amount has been determined by taking account of trend assumptions with respect to future development of entitlements or pensions as well as of fluctuation probabilities. An actuarial interest rate of 3.68% p.a. (previous year: 4.01% p.a.) and a pension increase of 2.0% p.a. (previous year: 2.0% p.a.) have been assumed. The provisions for widows'/widowers' entitlements are carried out in accordance with the collective method, in which the probability of marriage that arose from the calculation basis employed was taken as a basis. In principle the contractually agreed pension age was used as the age for ending the financing. Within the framework of implementing the German Accounting Law Modernisation Act (BilMoG) as of 1 January 2010, DMG MORI AKTIENGESELLSCHAFT exercised the option under Sec. 67 (1) (1) of the Introductory Act on the German Commercial Code (EGHGB). Sec. 67 (1) (1) EGHGB contains the option to accumulate at least a fifteenth of the allocations to provisions determined on the basis of the revised measurement of current pensions and vested pensions rights at the latest by 31 December 2024 in each financial year. The total allocation determined as of 1 January 2010 was € 3,178 K. Of this, as in the previous year, one-fifteenth (€ 212 K) (previous year: € 212 K). An amount of € 1,483 K remains from this obligation for non-established provisions for subsequent years. As of the reporting date, provisions were € 8,122 K (previous year: € 8,418 K).

Through the modification of the German Commercial Code by the Law on the Implementation of the Residential Property Loans Directive and on the Modification of Commercial Law Regulations of 11 March 2016, the average period used for the valuation of pension obligations was adjusted from 7 years to 10 years. This resulted in a difference of € 2,288 K.

10. PROVISIONS FOR TAXES

Tax provisions of € 5,165 K (previous year: € 24,758 K) include liabilities for trade tax of € 3,002 K (previous year: € 9,294 K) and for corporation tax of € 2,163 K (previous year: € 15,464 K) for financial year 2017 and – due to tax audits – for previous year.

Through the resulting entry of DMG MORI AKTIENGESELLSCHAFT and that of the domestic companies previously belonging to the DMG MORI AKTIENGESELLSCHAFT tax group into the income tax group of DMG MORI GmbH, the income tax liability of DMG MORI AKTIENGESELLSCHAFT expired as of 31 December 2016, which led to a reduction in tax provisions.

11. OTHER PROVISIONS

Other provisions include anticipated bonus payments of € 13,712 K (previous year: € 16,428 K) and expenses for other personnel expenses in an amount of € 4,258 K (previous year: € 3,766 K), of these severance payments accounted for € 3,515 K (previous year: € 2,877 K). The increase is due to any future payments to a former Executive Board member.

Additionally, a provision for anticipated losses due to a negative surplus of derivatives was formed in the amount of € 305 K (previous year: € 804 K).

in € K	Statement of financial position as of 31 Dec 2017	Of which residual term up to 1 year	Of which residual term 1 to 5 years	Of which residual term more than 5 years	Statement of financial position as of 31 Dec 2016
1. Trade payables	735	735	0	0	1,646
Residual terms 31 Dec 2016		1,646	0	0	1,646
2. Liabilities to affiliated companies	805,042	805,042	0	0	539,756
Residual terms 31 Dec 2016		539,756	0	0	539,756
3. Other liabilities [1]	4,442	4,442	0	0	7,343
Residual terms 31 Dec 2016		7,343	0	0	7,343
Residual terms 31 Dec 2017	810,219	810,219	0	0	548,745
Residual terms 31 Dec 2016		548,745	0	0	548,745

1) of which from taxes: € 2,330 K (previous year: € 1,455 K)

The provisions accrued in 2017 for outstanding invoices amounts to € 1,514 K (previous year: € 1,750 K). Additionally, other provisions include amounts for legal, advisory and annual financial statement costs of € 546 K (previous year: € 1,344 K), provisions for Supervisory Board members' remuneration of € 1,553 K (previous year: € 1,629 K) and other provisions of € 1,036 K (previous year: € 1,025 K).

12. LIABILITIES

The short and medium-term working capital needs of DMG MORI AKTIENGESELLSCHAFT and, as part of the intragroup cash management system, of the majority of domestic subsidiaries, are covered by cash flow from operations as well as by a syndicated loan agreement.

DMG MORI AKTIENGESELLSCHAFT has a syndicated credit line amounting to € 500.0 million in total. It consists of a cash tranche in the amount of € 200.0 million and a guarantee tranche of € 300.0 million. The syndicated credit line was obtained in February 2016 and has a term of five years (until February 2021). The agreement was extended by one year until February 2022.

The financing agreements for the syndicated loan require DMG MORI AKTIENGESELLSCHAFT to comply with customary covenants. All covenants had been complied with as of 31 December 2017.

For the financing of the syndicated credit line, the creditor banks have fully waived their right to collateralisation. Various group companies are guarantors for the credit agreements.

The liabilities to affiliated companies in the amount of € 805,042 K (previous year: € 539,756 K) primarily resulted from liabilities from financial clearing € 791,377 K (previous year: € 524,586 K). This includes the transfer of profits to DMG MORI GmbH in the amount of € 89,865 K as well as the amount of € 30,017 K tax as a result of the tax compensation agreement which will be paid within financial year 2018. Furthermore, the liabilities include trade creditors owed to affiliated companies in the amount of € 13,658 K (previous year: € 15,170 K).

13. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

At the balance sheet date, the following contingencies and other financial obligations existed, shown at their nominal amount:

CONTINGENCIES in € K	31 Dec 2017	31 Dec 2016
Guarantees	568,703	377,442
Warranties	48,525	60,304
Other off-balance sheet obligations	9,500	14,000
	626,728	**451,746**
OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE		
within 1 year	414	370
within 1 to 5 year	265	200
after 5 years	0	0
	679	**570**

The guarantees of DMG MORI AKTIENGESELLSCHAFT include maximum amount guarantees for affiliated companies of € 25,642 K (previous year: € 16,524 K) and payment sureties of € 80,329 K (previous year: € 75,167 K). The corresponding bank liabilities are value dated as of 31 December 2017 at € 5,491 K (previous year: € 9,462 K). DMG MORI AKTIENGESELLSCHAFT was jointly and severally liable for liabilities of € 160,000 K (previous year: € 160,000 K) as of the balance sheet date.

An amount of € 8,183 K (previous year: € 6,312 K) was given as prepayment guarantees to customers of several group companies. DMG MORI AKTIENGESELLSCHAFT also has a guarantee line, which can be used to guarantee advance payment and warranties of domestic and foreign subsidiaries with secondary liability of DMG MORI AKTIENGESELLSCHAFT. As of 31 December 2017, the amount availed of was € 170,985 K (previous year: € 102,500 K). In financial year 2017, an increase in down payments received by the subsidiaries of DMG MORI AKTIENGESELLSCHAFT led to a rise in down payment guarantees. This also includes two down payment guarantees for project companies belonging to GILDEMEISTER energy solutions GmbH.

Performance bonds rose by € 110,743 K to € 138,926 K. This increase was mainly attributable to the project business of GILDEMEISTER energy solutions GmbH.

Moreover, DMG MORI AKTIENGESELLSCHAFT has issued comfort letters for DMG MORI Malaysia SDN BHD., DMG MORI BeLux B.V.B.A.SPRL totalling € 14,079 K. The liabilities in this respect were valued at € 224 K as at 31 December 2017 (previous year: € 229 K). The probability of any imminent claim by the beneficiaries based on previous experience is considered to be very slight in our estimation.

DMG MORI AKTIENGESELLSCHAFT and Haimer GmbH entered into a cooperation agreement on 7 December 2016. Its objective is the development of future joint projects. The cooperation agreement gives rise to an obligation to accept delivery for both companies, the financial liabilities of DMG MORI AKTIENGESELLSCHAFT in the amount of € 9,500 K (previous year: € 14,000 K) are met by the equivalent value of the products of Haimer GmbH.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The nominal and market values of the derivative financial instruments existing on the reporting date present as follows.

The notional amount corresponds to the total of all absolute sale and purchase amounts of derivative financial transactions. The fair market values disclosed correspond with the price at which third parties would assume the rights or obligations arising from the financial instruments. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions. The fair market values of the derivative financial instruments used are determined on the basis of quoted market prices or through accrual methods based on customary models.

The fair market values of the forward foreign exchange contracts are balanced at € -915 K (previous year: € -252 K) and comprise positive market values of € 1,197 K (previous year: € 6,114 K) and negative market values of € 2,112 K (previous year: € 6,366 K).

The DMG MORI AKTIENGESELLSCHAFT concludes intra-group forward exchange contracts in the amount of the expected cash flows from order intake, as well as trade payables for group subsidiaries. The term of these transactions is normally less than a year. The expected cash flows from these intra-group forward exchange contracts and from loan receivables from group companies in foreign currencies are hedged externally with banks.

The conclusion and settlement of derivative financial instruments is based on binding internal regulations defining scope, responsibilities, reporting and monitoring.

The forward foreign exchange contracts concluded show a residual term of up to one year as of the balance sheet date and serve to hedge foreign currency receivables from group companies is mainly in USD, JPY and GBP.

DERIVATIVE FINANCIAL INSTRUMENTS OF THE DMG MORI AKTIENGESELLSCHAFT	Nominal volume		Fair market value	
in € K	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Forward foreign exchange contracts	247,162	359,811	-915	-252

In cases where the requirements were met, the forward exchange contracts were summarized to evaluation units per currency. In doing so, the direct posting method was applied, so that € 1,094 K were recorded in other assets from derivatives and € 1,808 K in other liabilities. Additionally, a provision for anticipated losses due to a negative surplus of derivatives was formed in the amount of € 305 K (previous year: € 804 K).

The hedge is in place for the entire duration of the underlying transaction. The dollar offset method is used to determine the effectiveness.

In the previous financial year, DMG MORI AKTIENGESELLSCHAFT had two types of valuation units.

TYPES OF HEDGES OF THE DMG MORI AKTIENGESELLSCHAFT

No.	Underlying transaction	Nominal amount of underlying transaction	Hedged risks
1	Internal forward exchange programs (not offset): Cash flow hedges from order intake and subsidiaries' debts to suppliers	€ 48,745 K	€ 24 K
2	Internal group foreign currency loans (not offset)	€ 151,914 K	€ -714 K

On the one hand, valuation units from external forward exchange transactions and the intragroup external forward exchange transactions with a nominal volume of € 48,745 K are formed in order to secure order intakes and payments to suppliers. The secured risk as of 31 December 2017 amounted to € 24 K (previous year: € -4,204 K). On the other hand, valuation units from external forward exchange transactions and intragroup foreign currency loans with a nominal volume of € 151,914 K are formed the secured currency risk as of 31 December 2017 amounted to € -714 K (previous year: € 0 K).

15. TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

In financial year 2017, DMG MORI AKTIENGESELLSCHAFT only concluded transactions at customary market conditions with related companies and persons. During the previous year, the Institute for Manufacturing Excellence GmbH, where Prof. Klinkner is a managing partner, was paid consultancy fees of € 1,726 K. As of 31 December 2017, there were no outstanding liabilities as in the previous year.

D – NOTES TO INDIVIDUAL ITEMS IN THE INCOME STATEMENT

16. SALES REVENUES

Sales revenues of € 16,034 K (previous year: € 21,569 K) essentially involve sales arising from the groupwide holding and services functions. Of this, Germany had € 14,996 K (previous year: € 18,295 K), the rest of Europe € 1,038 K (previous year: € 1,468 K), and the rest of world € 0 K (previous year: € 1,806 K).

17. OTHER OPERATING INCOME

Other operating income of € 20,642 K (previous year: € 21,006 K) includes exchange rate gains from the valuation of receivables and liabilities in foreign currencies and from the valuation of forward exchange contracts amounting to € 14,549 K (previous year: € 14,580 K) which break down into realised foreign exchange and currency gains of € 5,599 K (previous year: € 8,827 K) and foreign exchange and currency gains from valuation amounting to € 8,950 K (previous year: € 5,752 K). This also includes income from cost refunds of € 2,647 K (previous year: € 3,178 K). Income unrelated to the accounting period amounts to € 2,692 K (previous year: € 2,398 K). This includes € 1,954 K (previous year: € 1,988 K) from the reversal of provisions.

18. PERSONNEL EXPENSES

Direct remuneration of the members of the Executive Board, was € 8,659 K (previous year: € 10,498 K). Of this, € 2,100 K was allocated to the fixed remuneration (previous year: € 2,134 K), € 2,880 K (previous year € 4,638 K) to the STI. The individual remuneration for services rendered amounted to € 1,750 K (previous year: € 371 K) and included a payment for the extraordinary and successful work of the Executive Board Chairman for an important group project. The STI takes account of the target achievement of the Executive Board. The fair value of LTI on the granting date was € 1,272 K (previous year: € 2,655 K). Benefits in kind accounted for € 57 K (previous year: € 65 K). For financial year 2017, the employee pension plan expense totaled € 535 K (previous year: € 2,780 K).

Former members of the Executive Board and their surviving dependents received € 1,339 K (previous year: € 1,088 K) in pensions. The amount of pension obligations (entitlement cash value of future pension commitments or defined benefit obligation) for former executive board members and their surviving dependants were € 24,780 K (previous year: € 24,488 K).

Advances and loans to members of governing bodies were not granted. No liability arrangements were entered into in favour of any members of governing bodies (Section 285(9c) HGB). Further details on executive board remuneration can be found in the remuneration report in the management report.

In comparison with the previous year, the average number of employees has changed as follows:

EMPLOYEE DEVELOPMENT

	2017	2016
Salary earners (annual average)	84	105

19. DEPRECIATION OF FIXED ASSETS AND PLANT, PROPERTY AND EQUIPMENT

The depreciation of fixed assets and plant increased by € 1,116 K up to € 4,053 K (previous year: € 2.937 K). The increase includes an extraordinary depreciation of € 1,504 K (previous year: € 0 K).

20. OTHER OPERATING EXPENSES

Other operating expenses resulted among other things from other external services amounting to € 7,294 K (previous year: € 8,956 K), expenses for legal and consultancy fees and costs for the preparation of the annual accounts of € 6,919 K (previous year: € 8,641 K), travel and entertaining expenses of € 1,685 K (previous year: € 1,845 K), Insurance contributions of € 2,373 K (previous year: € 2,395 K) and rental and lease expenses of € 865 K (previous year: € 844 K).

Exchange and currency losses in the amount of € 15,071 K (previous year: € 11,427 K) break down in exchange and currency losses in the amount of € 9,147 K (previous year: € 6,910 K) and exchange and currency losses from valuation in the amount of € 5,924 K (previous year: € 4,517 K). These were offset against € 14,549 K (previous year: € 14,580 K) exchange and currency gains, which are reported in other operating income.

The other operating expenses contain expenses pursuant to Sec. 67(1, 2) EGHGB amount € 212 K (Explanatory note – see number 9: pension provisions). The net amount was an exchange rate loss of € 0,5 million.

Auditor's fees and services

The annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, was appointed to audit the annual accounts of DMG MORI AKTIENGESELLSCHAFT.

The fees and charges for the services provided by the annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, recognised as expenses in financial year 2017, relate to € 703 K (previous year: € 598 K) for annual audit services and € 94 K (previous year: € 641 K) for other assurance services. This also includes € 152 K (previous year: € 412 K) for tax advisory services and € 747 K (previous year: € 874 K) for other services. Only services that are consistent with the engagement as auditor of the annual accounts of DMG MORI AKTIENGESELLSCHAFT were provided.

Annual audit services mainly relate to the audit of the annual accounts of DMG MORI AKTIENGESELLSCHAFT, including statutory extensions to the auditor's scope of service and audit focus areas agreed with the Supervisory Board. The audit also included audit reviews of quarterly and half-year reports and project-related, accounting ICS audits.

Other assurance services relate to the audit of the Compliance Management System and statutory or contractual audits and agreed audit procedures, such as e.g. confirmation of compliance with covenants or EMIR audits in accordance with Section 20 WpHG (Securities Trade Act).

Tax advisory services included support services relating to transfer pricing system issues and VAT advice on individual tax matters.

Other services relate to training on current accounting developments, advisory services regarding the initial application of new accounting standards and quality assurance support services. Project-related quality assurance services mainly relate to internal control system documentation prepared by DMG MORI AKTIENGESELLSCHAFT in accordance with J-SOX and to the Tax Compliance System.

Remuneration of the Supervisory Board

In the financial year 2017, € 1,498 K (previous year: € 1,629 K) were allocated to provisions for Supervisory Board members' remuneration. Further details of the remuneration of the Supervisory Board are given in the Management Report.

21. INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

DMG MORI AKTIENGESELLSCHAFT achieved income from profit and loss transfer agreements of € 152,912 K (previous year: € 115,041 K) from GILDEMEISTER Beteiligungen GmbH and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

22. OTHER INTEREST AND SIMILAR INCOME

In the reporting period, interest and guarantee commissions were invoiced to related companies in the amount of € 8,092 K (previous year: € 13,492 K).

23. INTEREST AND SIMILAR EXPENSES

The interest expense of € 3,567 K (previous year: € 8,712 K) includes interest of € 1,901 K (previous year: € 2,832 K), which has been charged by affiliated companies as well as an interest expense from addition of accrued interest from provisions of € 382 K (previous year: € 116 K). The remaining part was primarily commitment fees and similar expenses for liabilities to banks.

The reduction of interest and similar expenses is a result of internal interest rate adjustments.

24.TAX ON INCOME AND EARNINGS

Taxes on income and earnings include expenses unrelated to the accounting period in an amount of € 1,372 K (previous year: € 7,910 K) as well as tax expenses of € 34,631 K (previous year: € 31,551 K). Current tax expense includes € 30,017 K in taxes debited by DMG MORI GmbH, Bielefeld, due to fiscal unity and a tax amount of € 3,623 K to be paid on the compensation payment of DMG MORI GmbH in accordance with Section 16 (2) of the German Corporation Tax Act (KStG). In addition, an amount of € 1,929 K deferred tax revenue is included (previous year: € 1,242 K deferred tax expenses).

25. EXPENSES FROM PROFIT TRANSFER AGREEMENTS

The domination and profit and loss transfer agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH resulted in the recognition of expenses of € 89,865 K (previous year: € 41,097 K).

E – OTHER DISCLOSURES

26. STATUTORY NOTIFICATION PURSUANT TO SECTION 26 WpHG

According to voting right notifications received by 31 December 2017, DMG MORI COMPANY LIMITED with registered office in Nagoya (Japan) held a voting share of 76.03% in the share capital of DMG MORI AKTIENGESELLSCHAFT. Furthermore, Elliott International Limited and affiliated companies held 5.07% of the share capital as at the date of their last notification of voting rights on 30 September 2016. According to the notification of voting rights as of 31 December 2017, the Bank of America Corporation and affiliated companies communicated a voting right share of less than 3% of voting rights and pursuant to Section 25 (1) no. 2 WpHG held 0.04%.

27. DECLARATION OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE OF PRACTICE

The latest declaration of conformity in accordance with Section 161 of the German Stock Corporate Act (AktG) was issued in November 2017 – just as the declarations of conformity of the previous years – and has been made permanently accessible on our website at → corporate-governance-en.dmgmori.com

28. SUPPLEMENTARY REPORT

To our knowledge no extraordinary circumstances occurred.

29. GROUP AFFILIATION

DMG MORI COMPANY LIMITED, Nara (Japan), is the ultimate parent company of DMG MORI AKTIENGESELLSCHAFT. DMG MORI AKTIENGESELLSCHAFT is included in the consolidated financial statements of DMG MORI COMPANY LIMITED, Nara (Japan). These can be found on the company website → www.dmgmori.co.jp.

F – CORPORATE DIRECTORY

SUPERVISORY BOARD

Prof. Dr.-Ing. Raimund Klinkner
Gräfeling, born in 1965
Chairman,
Managing Partner of
INSTITUTE FOR MANUFACTURING EXCELLENCE GmbH
- Terex Corporation, Westport, Connecticut, USA, Member of the Board of Directors
- ebm pabst Mulfingen GmbH & Co. KG, Mulfingen, Member of the Advisory Board

Hermann Lochbihler
(Employee representative)
Vils, born in 1956
1st Deputy Chairman,
Director of Purchasing Special Projects of
DECKEL MAHO Pfronten GmbH,
Senior Executives' representative

Ulrich Hocker
Düsseldorf, born in 1950
Deputy Chairman,
President and Attorney of the Deutsche
Schutzvereinigung für Wertpapierbesitz e. V.,
› FERI AG, Bad Homburg, Deputy Chairman of the Supervisory Board,
- Phoenix Mecano AG, Stein am Rhein, Switzerland, Member of the Board of Directors, Independent Lead Director

Mario Krainhöfner
(Employee representative)
Pfronten, born in 1964
Deputy Chairman,
Chairman of the Group Works Council of
DMG MORI AKTIENGESELLSCHAFT,
Head of Ideas Management of
DECKEL MAHO Pfronten GmbH

Irene Bader
Feldafing, born in 1979
Director Global Marketing of
DMG MORI Global Marketing GmbH, Wernau
Operating Officer of DMG MORI COMPANY LIMITED, Nara

Prof. Dr.-Ing. Berend Denkena
Wedemark, born in 1959
Managing Director of the Institute of Production Engineering
and Machine Tools (IFW) at
Leibniz University Hannover

Prof. Dr. Edgar Ernst
(Member until 5 May 2017)
Bonn, born in 1952
President of Deutsche Prüfstelle für Rechnungslegung DPR e. V.,
- Deutsche Postbank AG, Bonn, Member of the Supervisory Board,
- Vonovia SE, Bochum, Member of the Supervisory Board,
- TUI AG, Hannover, Member of the Supervisory Board,
- Metro AG Düsseldorf, Member of the Supervisory Board

Tanja Fondel
(Employee representative)
Frankfurt am Main, born in 1976
(Member since 23 January 2018)
Union Secretary, IG Metall Management Board,
Frankfurt on the Main
› GRAMMER AG, Amberg, Member of the Supervisory Board

Dietmar Jansen
(Employee representative)
Memmingen, born in 1965
1st Director (Managing Director)
and Treasurer of the IG Metall office Allgäu,
- AGCO GmbH, Marktoberdorf, Deputy Chairman of the Supervisory Board
- ENGIE Deutschland AG, Berlin, Member of the Supervisory Board

Prof. Dr. Annette G. Köhler, M.A.
Düsseldorf, born in 1967
(Member since 5 May 2017)
Professor & Chair of the Accounting,
Auditing & Controlling Department at the
University of Duisburg-Essen
- UniCredit Bank AG Munich, Member of the Supervisory Board

Dr. Constanze Kurz
(Employee representative; Member until 30 November 2017)
Gerlingen, born in 1961
Consultant for the General and Group Works Council,
Robert Bosch GmbH, Stuttgart

Dr. Eng. Masahiko Mori
Nara, born in 1961
President of DMG MORI COMPANY LIMITED

Matthias Pfuhl
(Employee representative)
Schmerbach, born in 1960
Supply technician,
Member of the Works Council of
DECKEL MAHO Seebach GmbH

Peter Reinoss
(Employee representative)
Bergisch Gladbach, born in 1958
Electronic service technician,
Chairman of the Works Council of
DMG Vertrieb und Service GmbH
DECKEL MAHO GILDEMEISTER,
Chairman of the General Works Council
of DMG MORI Academy GmbH

EXECUTIVE BOARD

Dipl.-Kfm. Christian Thönes
Bielefeld
Chairman

Dipl.-Kfm. Björn Biermann
Bielefeld

Dipl.-Kfm. Dr. Maurice Eschweiler
Bielefeld

› Supervisory Board mandate pursuant to Section 100 AktG (German Stock Corporation Act)
• Membership in comparable domestic and foreign control bodies of business enterprises

LIST OF SHAREHOLDINGS OF THE COOPERATIONS

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES

	National currency	Equity [1]	€ K	Participation quota in %	Earning of financial year 2017 [1] € K
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,866	100.0	0
DECKEL MAHO Pfronten GmbH, Pfronten [3/4/5/6]			83,427	100.0	0
SAUER GmbH, Stipshausen / Idar-Oberstein [3/7/8]			12,455	100.0	0
Alpenhotel Krone GmbH & Co., KG, Pfronten [3/7]			2,629	100.0	133
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			28	100.0	0
GILDEMEISTER DREHMASCHINEN GMBH, Bielefeld [3/5/6]			24,000	100.0	0
GILDEMEISTER Partecipazioni S.r.l., Brembate die Sopra (Bergamo), Italy [5]			92,452	100.0	-2,147
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			33,102	100.0	-721
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			33,196	100.0	3,470
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			1,828	100.0	308
CARLINO FTV 3.2 S.R.L., Bozen, Italy [9]			10,644	100.0	-1,659
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			43,000	100.0	0
DMG MORI Software Solutions GmbH, Pfronten [3/4/5/6]			1,100	100.0	0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0	0
ISTOS GmbH, Bielefeld [3/5/6]			1,000	85.0	0
Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5]	RUB K	7,179,661	103,465	100.0	5,564
ReaLizer GmbH, Borchen [3/5]			2,492	50.1	1,071
WERKBLiQ GmbH, Bielefeld [5]			-1,180	100.0	-447
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			149	100.0	76
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			159	100.0	16
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [2/3]			282,858	100.0	0
DMG MORI Management GmbH, Bielefeld [3/4/10/11]			24	100.0	0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0	0
DMG MORI München GmbH, Munich [3/4/12/13]			5,000	100.0	0
DMG MORI Hilden GmbH, Hilden [3/4/12/13]			4,200	100.0	0
DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13]			2,800	100.0	0
DMG MORI Berlin GmbH, Berlin [3/4/12/13]			3,400	100.0	0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13]			2,700	100.0	0
DMG MORI Hamburg GmbH, Hamburg [3/4/12/13]			2,100	100.0	0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13]			7,000	100.0	0
DMG MORI Services GmbH, Bielefeld [3/4/10/11]			29,635	100.0	0
DMG MORI Global Service Turning GmbH, Bielefeld [3/4/14/15]			1,700	100.0	0
DMG MORI Global Service Milling GmbH, Pfronten [3/4/14/15]			3,500	100.0	0
DMG MORI Academy GmbH, Bielefeld [3/4/14/15]			4,000	100.0	0
DMG MORI Used Machines GmbH, Geretsried [3/4/14/15]			17,517	100.0	0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10]			451,518	100.0	-4,825
antiquitas Verwaltungsgesellschaft mbH Klaus, Austria [16]			9,189	100.0	3,068

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES

	National currency	Equity [1]	€ K	Participation quota in %	Earning of financial year 2017 [1] € K
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [16]	CHF K	405,155	346,227	100.0	-18,452
DMG MORI Europe AG, Winterthur, Switzerland [17]			111,960	100.0	-4,289
DMG MORI Schweiz AG Winterthur, Switzerland [18]	CHF K	31,119	26,593	100.0	2,197
DMG MORI Balkan GmbH, Klaus, Austria [17]			1,705	100.0	199
DMG MORI Austria GmbH, Klaus, Austria [19]			14,732	100.0	2,030
DMG MORI Netherlands B.V., Veenendaal, Netherlands [17]			6,097	100.0	417
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [17]			3,615	100.0	474
DMG MORI Czech s.r.o., Brno, Czech Republic [17]	CZK K	259,205	10,151	100.0	1,564
DMG MORI DENMARK ApS, Kopenhagen, Denmark [17]	DKK K	21,198	2,847	100.0	74
DMG MORI FRANCE SAS, Paris, France [17]			16,217	100.0	1,305
DMG MORI Hungary Kft., Budapest, Hungary [17]			6,427	100.0	607
DMG MORI IBERICA S.L., Ripollet, Spain [17]			12,929	100.0	1,170
DMG MORI Italia S.r.l., Milan, Italy [17]			43,693	100.0	2,836
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [17]	AED K	8,824	2,003	100.0	346
DMG MORI Israel Ltd., Tel Aviv, Israel [17]	ILS K	0	0	100.0	0
DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [17]	PLN K	47,162	11,291	100.0	1,819
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [17]			602	100.0	101
DMG MORI Sweden AB, Göteborg, Sweden [17]	SEK K	85,968	8,733	100.0	883
DMG MORI NORWAY AS, Langhus, Norway [17]	NOK K	10,049	1,021	100.0	78
DMG MORI Finland Oy AB, Tampere, Finland [17]			2,418	100.0	137
DMG MORI UK Limited, Luton, Great Britain [17]	GBP K	22,801	25,699	100.0	1,519
DMG MORI ROMANIA S.R.L., Bukarest, Romania [17]	RON K	18,492	3,969	100.0	632
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [17]	BGN K	1,165	596	100.0	70
DMG MORI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey [17]	TRY K	29,059	6,392	100.0	1,957
DMG MORI Rus ooo, Moscow, Russia [17]	RUB K	3,244,430	46,755	100,0	990
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	9	100.0	0
MORI SEIKI Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	9	100.0	0
DMG MORI Africa for Trading in Machines & Service (S.A.E), Cairo, Egypt [20]	EGP K	5,954	279	100.0	-7

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES

	National currency	Equity [1]	€ K	Participation quota in %	Earning of financial year 2017 [1] € K
DMG America Inc., Itasca, USA [17]	USD K	41,858	34,902	100.0	1,345
DMG Asia Pte. Ltd., Singapore [17]			23,575	100.0	-435
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [17]	CNY K	37,078	4,751	100.0	543
DMG MORI India Pvt. Ltd., Bangalore, India [17]	INR K	472,303	6,165	51.00	2,118
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co. Ltd., Shanghai, China [17]	CNY K	82,389	10,557	100.0	-1,993
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [17]	PLN K	380,397	91,069	100.0	20,676
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	63,525	8,140	100.0	-1,643
GILDEMEISTER energy solutions GmbH, Würzburg [3/4/10/11]			52,100	100.0	0
GILDEMEISTER energy efficiency GmbH, Stuttgart [21]			-277	60.0	-326
GILDEMEISTER ENERGY SERVICES IBERICA, S.L.U., Madrid, Spain [21]			356	100.0	324
GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [21]	TKRY K	727	160	100.0	175
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [21]			105	51.0	99
GILDEMESTER LSG Solar Australia Pty Ltd., Brisbane, Australia [22]	AUD K	1,089	710	100.0	-75
GILDEMEISTER LSG SOLAR RUS, Moscow, Russia [22]	RUB K	22,020	317	100.0	246
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [21]			1,682	100.0	180

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES

	National currency	Equity [1]	€ K	Participation quota in %	Earning of financial year 2017 [1] € K
Associates					
DMG MORI Finance GmbH, Wernau			22,798	42.6	2,004
Magnescale Co. Ltd., Kanagawa., Japan	JPY K	7,048,000	52,204	44.1	2,662
Magnescale Europe GmbH, Wernau [23]			2,184	44.1	805
Magnescale Americas, Inc., Davis, USA [23]	USD K	1,128	941	44.1	67
DMG MORI HEITEC GmbH, Erlangen [5]			89,000	50.0	-11

1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated on reporting date.
2) with domination and profit and loss transfer agreement with DMG MORI AKTIENGESELLSCHAFT
3) The domestic subsidiary has complied with the conditions required by Section 264(3) of the German Commercial Code (HGB) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents
4) The domestic subsidiary has complied with the conditions required by Section 264(3) of the German Commercial Code (HGB) regarding the application of the exemption regulations and therefore waives the preparation o a management report.
5) equity investment of GILDEMEISTER Beteiligungen GmbH
6) with domination and profit and loss transfer agreement with GILDEMEISTER Beteiligungen GmbH
7) equity investment of DECKEL MAHO Pfronten GmbH
8) with domination and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH
9) equity investment of GILDEMEISTER Partecipazioni S.r.l.
10) equity investment of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
11) with domination and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
12) equity investment of DMG MORI Deutschland GmbH
13) with domination and profit and loss transfer agreement with DMG MORI Deutschland GmbH
14) equity investment of DMG MORI Services GmbH
15) with domination and profit and loss transfer agreement with DMG MORI Services GmbH
16) equity investment of DMG MORI Netherlands Holding B.V.
17) equity investment of DMG MORI Sales and Service Holding AG
18) equity investment of DMG MORI Europe AG
19) equity investment of DMG MORI Balkan GmbH
20) equity investment of DMG Egypt for Trading in Machines Manufactured LLC (51%) and of Mori Seiki Egypt for Trading in Machines & Equipments LLC (1,3%)
21) equity investment of GILDEMEISTER energy solutions GmbH
22) equity investment of GILDEMEISTER ISG Beteiligungs GmbH
23) subsidiary of Magnescale Co. Ltd.

INCOME STATEMENT FOR THE PERIOD 1 JANUARY TO 31 DECEMBER 2017 OF DMG MORI AKTIENGESELLSCHAFT

			2017	2016
		Notes	€	€
1.	Sales revenues	16	16,033,835	21,569,441
2.	Other operating income	17	20,641,984	21,005,523
			36,675,819	**42,574,964**
3.	Cost of materials			
	Cost of purchased services		-2,251,397	-1,849,481
			-2,251,397	**-1,849,481**
4.	Personnel expenses	18		
	a) Wages and salaries		-19,516,230	-30,661,781
	b) Social contributions, pensions and other benefits thereof pension plan expenses: € -1,101 K (previous year: € -2,780 K)		-2,197,788	-4,094,151
			-21,714,018	**-34,755,932**
5.	Depreciation and amortization of intangible assets and property, plant and equipment and property, plant and equipment	19	-4,053,312	-2,936,945
6.	Other operating expenses thereof expenses according to Sec. 67 (1, 2) EGHB: € -211,8 K (previous year: -211,8 € K)	20	-41,081,207	-43,536,907
7.	Income from profit transfer agreements	21	152,912,393	115,040,505
8.	Other interest receivable and similar income	22	8,131,251	13,491,508
9.	Interest payable and similar expenses	23	-3,566,592	-8,712,300
10.	Tax on income Thereof tax compensation agreement: € -30,017 K (previous year: € 0,0 K) Thereof deferred tax allocation: € -1,929 K (previous year: € 0.0 K)	24	-35,187,649	-38,218,621
11.	**Earnings after tax**		**89,865,288**	**41,096,791**
12.	Expenses from profit transfer agreements	25	-89,865,288	-41,096,791
13.	Net income		0	0
14.	Profit carryforward from previous year		0	1,477,895
15.	**Net profit for the year**		**0**	**1,477,895**

BALANCE SHEET AS AT 31 DECEMBER 2017 OF DMG MORI AKTIENGESELLSCHAFT

ASSETS	Notes	31 Dec 2017 €	31 Dec 2017 €	31 Dec 2016 €
A. Fixed assets				
I. Intangible assets	1			
Industrial and similar rights and values and licences to such rights and values acquired against payment			56,836	101,616
II. Tangible assets	1			
1. Land and buildings		23,061,604		23,526,650
2. Other equipment, factory and office equipment		11,530,302		12,605,783
3. Payments on account and construction in progress		171,539		1,715,500
			34,763,445	**37,847,933**
III. Financial assets	2			
1. Share in affiliated companies		638,208,818		653,187,290
2. Loans to affiliated companies		79,000,000		0
3. Investments		6,657,493		6,657,493
			758,686,592	**697,794,332**
B. Current Assets				
I. Receivables and other assets	3			
1. Receivables from affiliated companies		714,052,646		573,441,774
2. Receivables from companies in which participations are held		0		17,145
3. Other assets		9,966,585		13,030,215
			724,019,231	**586,489,134**
II. Cash assets and bank balances	4		273,050,452	231,877,394
C. Prepaid expenses	5		**1,070,160**	**336,088**
D. Deferred tax asset allocation from the parent company	6		**9,154,167**	**11,082,823**
E. Excess of plan assets over pension liability	7		**3,255,063**	**3,639,738**
			1,769,235,665	**1,531,219,509**

EQUITY AND LIABILITY	Notes	31 Dec 2017 €	31 Dec 2017 €	31 Dec 2016 €
A. EQUITY				
I. Subscribed capital	8		204,926,785	204,926,785
II. Capital reserves			516,197,471	516,197,471
III. Revenue reserves				
1. Statutory reserves			680,530	680,530
2. Other revenue reserves			199,376,726	197,898,831
IV. Net profit			0	1,477,895
			921,181,512	**921,181,512**
B. Provisions				
1. Pension provisions	9	8,122,276		8,417,614
2. Tax provisions	10	5,165,385		24,758,293
3. Other provisions	11	24,524,309		28,095,222
			37,811,970	**61,271,129**
C. Liabilities	12			
1. Trade payables		735,406		1,645,526
2. Amounts owed to affiliated companies		805,042,323		539,756,419
3. Liabilities to companies in which participations are held		205		0
4. Other liabilities		4,441,744		7,342,697
			810,219,678	**548,744,642**
D. Prepaid income			**22,505**	**22,226**
			1,769,235,665	**1,531,219,509**

FIXED ASSET MOVEMENT SCHEDULE AS AT 31 DECEMBER 2017 OF DMG MORI AKTIENGESELLSCHAFT

ACQUISITION AND PRODUCTION COSTS

in €
I. Intangible assets
Industrial and similar rights and values and licences to Such rights and values acquired against payment
II. Tangible assets
1. Land and buildings
2. Other equipment, factory and office equipment
3. Payments on account and construction in progress
III. Financial assets
1. Shares in affiliated companies
2. Loans to affiliated companies
3. Investments
Total fixed assets

DEPRECIATION

in €
I. Intangible assets
Industrial and similar rights and values and licences to Such rights and values acquired against payment
II. Tangible assets
1. Land and buildings
2. Other equipment, factory and office equipment
3. Payments on account and construction in progress
III. Financial assets
1. Share in affiliated companies
2. Loans to affiliated companies
3. Investments
Total fixed assets

	As at 01 Jan 2017	Additions	Disposals	Book Transfer	As at 31 Dec 2017
	18,022,971	3,110	1,025	0	18,025,056
	18,022,971	**3,110**	**1,025**	**0**	**18,025,056**
	50,360,562	555,649	0	470,601	51,386,812
	29,536,220	226,702	31,354	1,236,026	30,967,594
	1,715,500	171,539	8,873	-1,706,627	171,539
	81,612,282	**953,890**	**40,227**	**0**	**82,525,945**
	653,187,290	6,436,552	21,415,024	0	638,208,818
	0	79,000,000	0	0	79,000,000
	6,657,493	0	0	0	6,657,493
	659,844,783	**85,436,552**	**21,415,024**	**0**	**723,866,311**
	759,480,036	**86,393,552**	**21,456,276**	**0**	**824,417,312**

						Carrying amount	
	Stand zum 01.01.2017	Zugänge	Disposals	Book Transfer	As at 31 Dec 2017	As at 31 Dec 2017	As at 31 Dec 2016
	17,921,355	46,865	0	0	17,968,220	56,836	101,616
	17,921,355	**46,865**	**0**	**0**	**17,968,220**	**56,836**	**101,616**
	26,833,912	1,491,296	0	0	28,325,208	23,061,604	23,526,650
	16,930,437	2,515,151	8.296	0	19,437,292	11,530,302	12,605,783
	0	0	0	0	0	171,539	1,715,500
	43,764,349	**4,006,447**	**8.296**	**0**	**47,762,500**	**34,763,445**	**37,847,933**
	0	0	0	0	0	638,208,818	653,187,290
	0	0	0	0	0	79,000,000	0
	0	0	0	0	0	6,657,493	6,657,493
	0	**0**	**0**	**0**	**0**	**723,866,311**	**659,844,783**
	61,685,704	**4,053,312**	**8.296**	**0**	**65,730,720**	**758,686,592**	**697,794,332**

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting and reporting principles, the financial statement gives a true and fair view of the assets, liabilities, financial position and profit or loss of the DMG MORI AKTIENGESELLSCHAFT, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Bielefeld, 12 March 2018
DMG MORI AKTIENGESELLSCHAFT
Executive Board

Dipl.-Kfm. Christian Thönes

Dipl.-Kfm. Björn Biermann

Dipl.-Kfm. Dr. Maurice Eschweiler

Independent Auditor's Report

To DMG MORI AKTIENGESELLSCHAFT, Bielefeld

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Opinions

We have audited the annual financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, which comprise the balance sheet as of December 31, 2017, and the income statement for the financial year from January 1 to December 31, 2017, and notes to the financial statements, including the recognition and accounting policies presented therein. In addition, we have audited the management report of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, for the financial year from January 1 to December 31, 2017. In accordance with German legal requirements, we have not audited the content of the Group's corporate governance statement, which is included in the "Corporate governance statement pursuant to Section 289f HGB" section of the management report and marked as unaudited.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion regarding the management report does not cover the content of the corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

› Impairment of shares in and loans granted to affiliated companies

Please refer to the disclosures in the notes to the financial statements, Section B, "Accounting and valuation principles", and the notes on the financial assets in Section C 2 "Financial assets", for more information on the accounting policies applied.

The Financial Statement Risk

In the financial statements of DMG MORI AKTIENGESELLSCHAFT as of December 31, 2017, representing notable items, shares in affiliated companies of 638.2 million and loans to affiliated companies of EUR 79.0 million are recognized under financial assets. Their share of total assets is 41% and thus has a material effect on the Company's net assets.

Shares in and loans to affiliated companies are recognized at cost or, if they are expected to be permanently impaired, at their lower fair value. The Company determines the fair value of the shares in affiliated companies using the discounted cash flow method. The discounted cash flow method is also used for loans.

The cash flows used for the discounted cash flow method are based on individual projections for each investment for the next four years which are extrapolated based on assumptions of long-term growth rates. Expected payments to the shareholder, DMG MORI AKTIENGESELLSCHAFT, are also taken into account. The respective capitalization rate is derived from the return on a risk-appropriate alternative investment. If the fair value is lower than the carrying amount, qualitative and quantitative criteria are used to assess whether or not the impairment is expected to be permanent.

Calculation of the fair value according to the discounted cash flow method is complex and, as regards the assumptions made, based largely on estimates and assessments of the Company. This applies particularly to estimates of future cash flows and long-term growth rates, determination of the capitalization rate and the assessment of whether impairment is permanent.

Impairment testing of shares in affiliated companies and loans to affiliated companies is influenced by the risks of the affiliated companies concerned. The Company did not recognize impairment losses on shares in or loans to affiliated companies in financial year 2017.

There is a risk for the financial statements that shares in and loans to affiliated companies are impaired.

Our Audit Approach

We use a risk-based audit approach. First, we used the information obtained during our audit to assess which shares in and loans to affiliated companies showed indications of impairment. With the involvement of our valuation specialists, we then assessed the appropriateness of the significant assumptions and the valuation model of the Company. For this purpose we discussed the expected cash flows and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts, e.g. for tax purposes and with the planning prepared by the executive board and approved by the supervisory board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and analyzed deviations.

We compared the assumptions and parameters underlying the capitalization rate, in particular the risk-free rate, the market risk premium and the beta factor, with our own assumptions and publicly available data. In order to take account of forecast uncertainty, we also investigated the impact of potential changes to the capitalization rate and the expected cash inflows on the fair value (sensitivity analysis), by calculating alternative scenarios and comparing these with the Company's measurement figures. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

Our Observations

The approach used for impairment testing of shares in and loans to affiliated companies is appropriate and in line with the accounting policies. The assumptions and parameters used by the Company are appropriate.

› Recognition of liabilities to affiliated companies resulting from tax allocation as well as recognition and impairment testing of deferred tax allocation assets (changes to the tax pooling arrangement)

Please refer to the disclosures in the notes to the financial statements, Section B, Accounting and valuation principles, for more information on the accounting policies applied. Information of deferred tax allocation assets can be found under Section C-6, and information on liabilities to affiliated companies can be found in Section C-12.

The Financial Statement Risk

In the annual financial statements of DMG MORI AKTIENGESELLSCHAFT as of December 31, 2017, liabilities to affiliated companies arising from tax allocation of EUR 30.0 million were recognized along with deferred tax allocation assets of the tax group parent of EUR 9.2 million. With DMG MORI AKTIENGESELLSCHAFT entering into the income tax pooling arrangement of DMG MORI GmbH, the income tax liability of DMG MORI AKTIENGESELLSCHAFT was cancelled as of December 31, 2016.

A tax allocation agreement with DMG MORI GmbH was concluded with effect from January 1, 2017, which is to allocate taxes according to source. Since conclusion of this agreement, the obligation to transfer tax allocations under this agreement has been recognized under liabilities to affiliated companies and not under tax provisions, as this does not represent taxes within the meaning of Section 3 of the German Tax Code [AO]. Deferred tax allocations are recognized through analogous application of Section 274 HGB.

Application of local tax regulations and tax relief considering the tax allocation agreement is complex and subject to risks. Initial determination of liabilities to affiliated companies arising from the tax allocation requires DMG MORI AKTIENGESELLSCHAFT to exercise judgment to assess tax matters taking into account actual implementation and the economic impact of the tax allocation agreement. DMG MORI AKTIENGESELLSCHAFT routinely engages external experts to support its own risk assessment with expert opinions from tax specialists.

There is a risk for the financial statements that liabilities to affiliated companies arising from the tax allocation and tax allocation assets will be over or understated.

For the recognition of deferred tax allocation assets from the tax group parent, DMG MORI AKTIENGESELLSCHAFT assesses to what extent the existing deferred tax allocation assets can be utilized in subsequent reporting periods. Utilizing these assets requires particularly that sufficient tax allocations in terms of taxable profit are generated in future periods. If there is reasonable doubt about the future usability of the deferred tax allocations determined, deferred tax allocation assets are not recognized, or deferred tax allocation assets that have already been recognized are written down.

The recognition of deferred tax allocation assets depends heavily on the estimates and assumptions of the legal representatives about the operating performance of DMG MORI AKTIENGESELLSCHAFT and on the subsidiaries included for the calculation of tax allocation and thus is subject to significant uncertainties.

There is the risk for the consolidated financial statements that DMG MORI AKTIENGESELLSCHAFT's estimates are not appropriate and that the recognized and deferred tax allocation assets are not recoverable.

Our Audit Approach

We incorporated our tax specialists into the audit team to appraise both the implementation of the tax allocation agreement as well as the calculation of liabilities to affiliated companies arising from the tax allocation and the tax allocation assets including the risk assessment of DMG MORI AKTIENGESELLSCHAFT and the assessment of the external expert engaged by the Company.

First, we reconciled the calculation of the tax allocation for the current financial year. Furthermore, we critically examined the temporary differences between the carrying amounts for HGB financial statement and tax purposes.

We evaluated the tax allocation agreement and the corresponding accounting and tax regulations in this context and assessed the assumptions made to determine the tax allocation and the tax allocation assets.

We obtained knowledge of the existing tax risks in the course of conversations with employees of the tax department if such risks had been considered in the calculation of the tax allocation. We assessed the competence, professional skills and impartiality of the external expert and the opinions that the expert prepared.

We also tested the deferred tax allocation assets for impairment on the basis of internal forecasts prepared by the Company on the future tax income situation, and critically reviewed the underlying assumptions. In this regard, we especially compared the projected future taxable income (which forms the basis for future tax allocations) to the planning prepared by the executive board and adopted by the supervisory board and checked this information for consistency. The appropriateness of the planning referred to was assessed on the basis of external market analyses. We also confirmed the accuracy of the Company's forecasts to date by comparing the budgets of previous financial years with actual profits generated at a later point in time and analyzing deviations.

Our Observations

The approach to determining the tax allocation and the liabilities to affiliated companies arising from the tax allocation and the tax allocation assets, as well as DMG MORI AKTIENGESELLSCHAFT's related assumptions, is appropriate.

The assumptions for the impairment testing of deferred tax allocation assets are reasonable overall.

Other Information

Management is responsible for the other information. The other information comprises:

- Management is responsible for the other information. The other information comprises the corporate governance statement.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 5, 2017. We were engaged by the supervisory board on November 24, 2017. Taking into account the transitional provision of Article 41 (1) of the EU Audit Regulation, we have been the auditor of DMG MORI AKTIENGESELLSCHAFT without interruption for more than 24 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Hendrik Koch.

Bielefeld, March 12, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

Koch Wirtschaftsprüfer	Bröker Wirtschaftsprüfer

FINANCIAL CALENDAR

13 March 2018	Balance Sheet Press Conference
	Publication of the Annual Report 2017
	Analysts' Conference
26 April 2018	Release for the 1st Quarter 2018 (1 January to 31 March)
04 May 2018	116th Annual General Meeting
26 July 2018	Report for the 2nd Quarter 2018 (1 January to 30 June)
25 Oct. 2018	Release for the 3rd Quarter 2018 (1 January to 30 September)
10 May 2019	117th Annual General Meeting

Subject to alteration

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, which are based on current estimates of the management of future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors, which could lead to the actual future circumstances including the assets, liabilities, financial position and profit or loss of DMG MORI AKTIENGESELLSCHAFT differing materially from or being more negative than that those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may result in forward-looking statements estimates or forecasts becoming inaccurate.

DMG MORI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in the most important business areas as well as the consequences of a recession) as these have a direct effect on processes, suppliers and customers. Due to their differences, not all business areas are affected to the same extent by changes in the economic environment; significant differences exist with respect to the timing and extent of the effects of any such changes. This effect is further intensified by the fact that, as a global entity, DMG MORI AKTIENGESELLSCHAFT operates in various markets with very different economic rates of growth. Uncertainties arise inter alia from the risk that customers may delay or cancel orders or they may become insolvent or that prices become further depressed by a persistently, unfavourable market environment than that which we are expecting at the current time; developments on the financial markets, including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as in financial assets in general; growing volatility in the capital markets and a deterioration in the conditions for the credit business as well as a deterioration in the future economic success of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other essential portfolio measures; the introduction of competing products or technology by other companies or the entry onto the market of new competitors; a change in the dynamics of competition (primarily on developing markets); a lack of acceptance of new products and services in customer target groups of DMG MORI; changes in corporate strategy; interruptions in the supply chain, including the inability of a third party, for example due to natural catastrophes, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other measures of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI AKTIENGESELLSCHAFT and various other factors.

Should one of these factors of uncertainty or other unforeseeable events occur, or should the assumptions on which these statements are based prove incorrect, the actual results may diff er materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any change in events or developments occurring after the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein.

There are two companies using the name "DMG MORI": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporation Act (Aktiengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

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