DMG MORI SEIKI

AKTIENGESELLSCHAFT

Annual Report and Financial Statements 2013

ONE BRAND FOR THE WORLD

ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

TABLE OF CONTENTS

Basis of the Company

DMG MORI SEIKI AKTIENGESELLSCHAFT has no operative business but functions as the management holding company for the DMG MORI SEIKI group. The sales revenues recognised for the parent company comprise almost exclusively income from performing holding and service functions for the group as well as from rental income. The earnings position of DMG MORI SEIKI 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 income and expenses resulting from the holding functions. The present management report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT as the parent company. A detailed presentation of the DMG MORI SEIKI group is given in our Annual Report 2013 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.

Strategy and Management System

DMG MORI SEIKI AKTIENGESELLSCHAFT as the management holding company is a part of the entire corporate strategy of the DMG MORI SEIKI group.

The corporate strategy is directed towards constantly expanding its current market position as a leading manufacturer worldwide of cutting machine tools in the global market for machine tools (volume 2013: € 61.6 billion). On the basis of an innovative and diverse product portfolio, we are specifically working on growth markets and industries. At the same time, we are aiming to increase our profitability and to use our capital to increase corporate value long-term.

The cooperation with DMG MORI SEIKI COMPANY LIMITED is fundamental to our strategy. Together we are working on ensuring that our customers, employees and shareholders benefit from the synergies that arise most notably from the sales, service, product development, production and purchasing areas. Through the reciprocal use of production sites, we are able to produce “in the market for the market” and thus reduce import and logistics costs.

We intend to expand our market presence further in all the relevant markets. For this purpose we align the DMG MORI SEIKI group with the market, product and customer. The efficient and sustainable use of our capital, as well as an increase in profitability, are important goals in raising the corporate value. By constantly building upon the cooperation with our Japanese partner, we are also improving our profitability. We achieve this primarily by further standardisation of components and processes, as well as by streamlining our product portfolio.

The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT manages the group by way of a firmly defined organisational structure according to management criteria and operational targets, whose attainment is monitored by set key performance indicators.

The attainment of the key performance indicators and the efficient use of our capital are monitored and managed with the aid of our internal controlling and management system as well as our regular reporting system. In doing so, most especially order intake, sales revenues, earnings before taxes (EBT) and capital expenditure are key internal target and control variables. We manage the activities of the group and the individual companies sustainably and with a focus on value.

Corporate Governance Statement pursuant to Section 289a of the German Commercial Code (HGB)

Corporate Governance

The Executive Board and Supervisory Board report in accordance with Section 3.10 of the German Corporate Governance Code on corporate governance at the DMG MORI SEIKI group.

The Executive Board and Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT act in accordance with good corporate governance. This is reflected in a responsible and transparent corporate management and corporate control. Good corporate governance is an essential element of strategic thinking and behaviour at all levels of the group. The DMG MORI SEIKI group has been following the recommendations of the German Corporate Governance Code for many years.

In November 2013, the Executive Board and the Supervisory Board once again issued a declaration of conformity, which confirmed unrestrictedly compliance with all recommendations of the "Government Commission's German Corporate Governance Code" in the Code version of 13 May 2013 and its publication in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) on 10 June 2013 since the increase in the shareholding of DMG MORI SEIKI COMPANY LIMITED in the company on 20 August 2013. The Executive Board and Supervisory Board likewise confirm that these will also be complied with in the future. The recommendations of the "Government Commission on the German Corporate Governance Code" as amended from time to time were already complied with prior to 20 August 2013, however with the following exception:

- The Supervisory Board member Dr. Masahiko Mori is the president of a foreign producer of machines for metal cutting processes and thus a competitor. The high level of expertise of Dr. Mori represents additional expertise for the company and through this a significant gain for the work of the Supervisory Board. The company takes appropriate measures to counteract any conflicts of interest.

The current declaration of conformity and the corporate governance report are permanently accessible at our website www.dmgmoriseiki.com, as are the declarations of conformity of previous years.

The DMG MORI SEIKI group has D&O insurance (manager liability insurance) and legal costs insurance for all members of the Supervisory and Executive Boards, as well as for managing directors. The D&O insurance provides for the corresponding excess provided for in the Code and in the pertinent statutory provisions, respectively.

Description of the work of the Executive Board and Supervisory Board and of 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. This serves to identify and evaluate such opportunities and risks at an early stage. Our opportunities and risk management system comprises five essential elements: the company specific manual on risk management, central and local risk management officers, specific business unit risk tables to evaluate and prioritise individual risks, the group's reporting structure and the risk reporting at the level of the group and of the individual companies.

Within the opportunities management system of the DMG MORI SEIKI group, positive variances from plan assumptions are simulated to identify and analyse unplanned opportunities. In this respect, we focus our attention in particular on material individual opportunities, overall economic and industry-specific opportunities as well as on corporate strategic and performance-related opportunities. The risk management system at the DMG MORI SEIKI group is structured in such a way that significant risks are systematically identified, assessed, aggregated, monitored and notified.

At the same time, the risks of the individual company areas are identified every quarter and the risk potential determined is analysed and evaluated using quantitative measures; in this respect, measures to reduce risks are also taken into account. Any risks that jeopardize the company as a going concern are reported without delay irrespective of the regular reporting schedule.

To be able to present the overall risk situation of the group, we determine the individual local and central risks as well as the group effects. The Executive Board and the Supervisory Board are informed at regular intervals of the resulting current overall risk situation of the group and that of the individual business areas. They discuss in detail the causes of the current risk position and the corresponding measures taken.

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

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 grounds therefor are stated. The Executive Board forwards the half-yearly and quarterly reports to the Finance and Audit Committee and discusses them with the Finance and Audit Committee before their publication.

The articles of association and the rules of procedure provide for the right of consent of the Supervisory Board to a wide range of business transactions proposed by the Executive Board.

Goals for the Composition of the Supervisory Board

Pursuant to Article 5.4.1 of the Corporate Governance Code, the Supervisory Board has decided to the effect of a self-imposed obligation that nominations for the future composition of the Supervisory Board should continue to be aligned with the interests of the company and that the following goals should be adhered to in doing so:

- The composition of the Supervisory Board with members on the owners‘ side having experience of management or of monitoring internationally-operating companies should be maintained at the level as at present.
- Employees from significant areas within the DMG MORI SEIKI group should be taken into consideration for the employees‘ side.
- Knowledge of the group and of the markets especially important for the group as well as of technical relations and of the management of technologies should be taken into account. The same applies to specialist knowledge and experience in the use of accounting principles as well as of internal monitoring procedures and compliance processes.

- The current female ratio should be increased from one female member at present to four female members by the date of the re-elections to the Supervisory Board in 2018, whereby every effort should be made to achieve equal female distribution on the owners‘ and employees‘ sides.
- The independence of more than 50% of the Supervisory Board members should be retained; conflicts of interest should be avoided and an upper age limit of 70 years at the time of election to the Supervisory Board should be observed.

The Supervisory Board reiterates its commitment to the afore-mentioned objectives and views the new composition of the Supervisory Board following the 111th Annual General Meeting as a significant step in their implementation.

Avoidance of 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 person. Any conflicts of interest that arise out of these or any other situations must be notified to the Supervisory Board without delay and must be assessed and, as necessary, approved by the Supervisory Board. The Supervisory Board reports to the Annual General Meeting of Shareholders on any conflicts of interest and how they are dealt with.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the general meeting of shareholders that takes place annually. The Annual General Meeting passes resolutions on the appropriation of profits, the discharge of the Supervisory Board and of the Executive Board, as well as on the nomination of the annual auditor or possible changes to the articles of association, amongst others. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the annual general meeting personally are given the opportunity of either exercising 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 instructions.

In addition, it is possible to obtain information about the annual general meeting timely via the Internet. All documents and information are made available in good time to shareholders at our website.

Transparency

We strive to ensure that our corporate communication offers the best possible transparency and relevance for all stakeholders, such as shareholders, capital lenders, business partners and employees, as well as for the general public.

Shareholders and potential investors can obtain information at any time on the current situation of the company from the Internet. Any interested party may subscribe to an electronic newsletter on our website, which reports the latest news from the group. Press releases, business and quarterly reports, as well as a detailed financial calendar in both German and English are published on our website.

Compliance

The DMG MORI SEIKI group has drawn up a code of conduct that is applicable worldwide in all group companies and for all employees and governs their behaviour towards third parties. This code of conduct is set out more specifically in the compliance guidelines in the areas of anti-corruption, competition law behaviour, export controls and dealing with insider information.

Our compliance management system, which we introduced in 2008, has been expanded considerably in the reporting period. Alongside the Chief Compliance Officer, who reports directly to the chairman of the Executive Board, local compliance officers have been appointed at the plants or for the regions, respectively. The compliance officers ensure that the measures are implemented and thus support the Chief Compliance Officer in his duties. Beyond this, our compliance work is supported by the Compliance Committee. The Committee is composed of experts from the audit, legal, risk management, internal control system, personnel, IT, purchasing and sales departments; the Committee acts as an advisor to the Chief Compliance Officer. All employees have the possibility to address questions relating to compliance to their local compliance officer or to the Chief Compliance Officer or central compliance management, respectively. In addition, we have set up a compliance helpdesk, which employees may contact by email.

A further key aspect of our compliance activities in the reporting period was an extensive training initiative, which our managers worldwide attended personally to receive intensive training from the Chief Compliance Officer. In the role of disseminators, our management staff are required to pass this knowledge on to their staff. In addition, in the reporting period we drew up an online training concept, which we intend to roll out in 2014.

In order to establish our compliance programme for 2014, we have carried out a dedicated analysis of all compliance risks, both centrally and locally, at the group units. We will align our compliance measures with the risks identified. In this respect the emphasis in 2014 will be placed on the topics of anti-corruption, antitrust law and export controls.

The cooperation with DMG MORI SEIKI COMPANY LIMITED has been closely monitored with respect to antitrust law by the compliance department. In addition to this, we obtained extensive legal advice on the individual cooperation projects. Since the registration of the capital increase through contribution in kind on 20 August 2013, we have been obliged to draw up a dependency report and have it audited.

Reporting and auditing of annual accounts

We have again agreed with the annual auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for this reporting year that the chairman of the Supervisory Board and the chairman of the Finance and Audit Committee are informed without delay during the audit of any reasons that might give rise to exclusion or reservation insofar as these cannot be resolved. In addition, the auditors shall also report immediately any findings and issues that arise during the audit of the financial statements and the consolidated financial statements and which have a significant bearing on the tasks 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

The following members of the Supervisory Board and Executive Board are direct or indirect shareholders in DMG MORI SEIKI AKTIENGESELLSCHAFT:

- The Supervisory Board member Dr. Masahiko Mori, as the majority shareholder in DMG MORI SEIKI COMPANY LIMITED (Nagoya, Japan), which holds 24.3 per cent of the share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT, is indirectly a shareholder of DMG MORI SEIKI AKTIENGESELLSCHAFT.
- The Supervisory Board member Hans-Henning Offen as at 31 December 2013 holds 2,000 no-par shares in DMG MORI SEIKI AKTIENGESELLSCHAFT
- The Executive Board member Christian Thönes as at 31 December 2013 holds 1,080 no-par shares in DMG MORI SEIKI AKTIENGESELLSCHAFT.

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Supervisory Board and the Executive Board and any other persons subject to reporting requirements must disclose any purchase or disposal of shares, as well as any related rights of purchase or disposal, such as options or rights that are directly dependent upon the quoted share price of the company.

Suggestions included in the German Corporate Governance Code

The DMG MORI SEIKI group also complies with the suggestions of the Code to a large extent. Deviations arise at present 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. As before, for organisational reasons, we have not provided for the complete transmission of the annual general meeting over the internet.

Supervisory Board and Committees

Pursuant to the articles of association, the Supervisory Board comprises twelve members. In accordance with the German Codetermination Act (Mitbestimmungsgesetz), in addition to the six owners' representatives there are six employee representatives, one of whom represents the executive staff, 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 four meetings in the financial year. The Supervisory Board also reported on the scope of its work in the Report of the Supervisory Board in the group annual report on pages 9 et seq.

In financial year 2013, the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT had six committees: The Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee, the Nominations Committee, the Technology and Development Committee, the Mediation Committee and the Capital Market Committee. The Supervisory Board also reported on the scope of its work in the Report of the Supervisory Board in the group annual report on pages 9 et seq.

The group annual report is published in the Internet under www.dmgmoriseiki.com

Remuneration report

Pursuant to clause 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 of DMG MORI SEIKI AKTIENGESELLSCHAFT

The remuneration of the Supervisory Board is determined by the Annual General Meeting of Shareholders and is regulated under Article 12 of the articles of association of DMG MORI SEIKI AKTIENGESELLSCHAFT. It includes non-performance related remuneration elements as well as a performance-based remuneration component. The remuneration components not dependent upon performance include the fixed remuneration that each member of the Supervisory Board receives, remuneration for committee work and meeting attendance fees. The performance-related component comprises a long-term performance incentive (LTI), which has the aim of promoting sustainable, value-based corporate management.

In financial year 2013, the fixed remuneration for each individual member of the Supervisory Board was € 24,000; the chairman received 2.5-times that amount (€ 60,000) and the deputy chairman 1.5-times that amount (€ 36,000). The fixed remuneration therefore totalled € 337,512 (previous year: € 333,836).

Remuneration for committee work amounted to € 209,672 (previous year: € 217,869) and took account of the work carried out by the Finance and Audit Committee, the

Personnel, Nominations and Remuneration Committee, the Technology and Development Committee, the Nominations Committee and the Capital Market Committee. The individual committee members each received € 12,000. The chairperson of a committee also received an additional fixed remuneration of a further € 12,000 and the deputy chairperson a further € 6,000.

The members of the Supervisory Board and its committees receive an attendance fee of € 800 for each Supervisory Board and committee meeting that they participate in as a member. In total, attendance fees for financial year 2013 were € 91,200 (previous year: € 84,800).

The LTI performance-related remuneration component is based on target values related to key figures. The earnings per share (EPS) are used as the performance-related key figure. The EPS is an established key figure by which specific performance is fulfilled and which takes into consideration the respective share capital. It is calculated by dividing the annual profit less the profit share of minority interests by the weighted average number of shares. The LTI is variable, which means that it is not a secure remuneration. Again the Supervisory Board chairman receives 2.5-times and the deputy chairman 1.5-times the remuneration of the other members. The LTI is capped at the level of the respective fixed remuneration.

The LTI takes account not only of the reporting year but also of the two preceding years. The key figure is the mean average of the EPS figures in the corresponding financial years. The LTI is only paid if the average EPS for the relevant three years amounts to at least € 0.15. For financial year 2013 and the two preceding years the corresponding EPS average was € 1.16 (previous year: € 0.75). The performance-related remuneration for the Supervisory Board calculated from the LTI totalled € 337,512 (previous year: € 260,809).

The Supervisory Board remuneration in 2013 was made up as follows:

REMUNERATION OF THE SUPERVISORY BOARD OF DMG MORI SEIKI AKTIENGESELLSCHAFT

	Fixed remuneration in €	Committee remuneration Finance and Auditing (F&A) in €	Committee remuneration Personnel Nominations and Remuneration committee (PNR) in €	Committee remuneration Technology and Development committee (T&D) in €	Nominations Committee in €	Capital market Committee in €	Meeting attendance fees in €	LTI in €	**Total in €**
Prof. Dr.-Ing. Raimund Klinkner Chairman SB as of 17 May 2013 Chairman T&D	46,586	7,529	7,529	24,000	1,118	6,345	12,000	46,586	151,693
Hans Henning Offen Chairman SB until 17 May 2013, as of 18 May 2013 full member	37,512	4,504	9,008	0	0	2,203	8,000	37,512	98,739
Ulrich Hocker	24,000	0	12,000	0	1,118	0	7,200	24,000	68,318
Prof. Dr. Edgar Ernst Chairman F&A	24,000	24,000	0	0	0	6,345	11,200	24,000	89,545
Dr. Masahiko Mori	24,000	12,000	0	7,529	0	0	5,600	24,000	73,129
Prof. Dr.-Ing. Walter Kunerth Member SB until 17 May 2013	9,008	0	0	9,008	0	0	2,400	9,008	29,424
Prof. Dr.-Ing. Berend Denkena Member SB as of 17 May 2013	15,058	0	0	7,529	0	0	2,400	15,058	40,045
Dr. Constanze Kurz *	24,000	3,386	1,545	1,118	0	0	7,200	24,000	61,249
Günther-Johann Schachner * Deputy chairman SB and member SB until 17 May 2013	13,512	4,504	0	0	0	2,203	4,000	13,512	37,731
Dietmar Jansen * Member SB as of 17 May 2013	15,058	0	0	0	0	0	2,400	15,058	32,516
Mario Krainhöfner * 2nd deputy chairman SB as of 28 Nov. 2013	25,118	4,504	4,504	0	0	5,589	10,400	25,118	75,233
Matthias Pfuhl *	24,000	7,529	0	12,000	0	0	5,600	24,000	73,129
Oliver Grabe * Member SB until 17 May 2013	9,008	0	0	4,504	0	0	2,400	9,008	24,920
Peter Reinoß * Member SB as of 17 May 2013	15,058	0	0	0	0	0	2,400	15,058	32,516
Norbert Zweng Member SB until 17 May 2013	9,008	6,756	0	0	0	0	3,200	9,008	27,972
Hermann Lochbihler Deputy chairman SB as of 17 May 2013	22,586	7,529	1,118	1,118	0	0	4,800	22,586	59,737
Total	**337,512**	**82,241**	**35,704**	**66,806**	**2,236**	**22,685**	**91,200**	**337,512**	**975,896**

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

For financial year 2013, the total remuneration of the Supervisory Board was € 975,896 (previous year: € 897,314).

Remuneration of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT
The remuneration of the Executive Board is discussed and decided by the plenary meeting of the Supervisory Board.

Members of the Executive Board receive direct and indirect remuneration components, whereby the indirect components primarily consist of pension plan expenses.

The direct remuneration of members of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT contains 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). All variable components are designed in such a way that they represent 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 include, in particular, the tasks rendered by each Executive Board member, his or her personal performance, the performance of the Executive Board, the business situation, and the success and future prospects of the company within the framework of its comparative environment.

Direct remuneration of the members of the Executive Board amounted to € 12.595 K (previous year: € 9,005 K). Of this, € 2,673 K was allocated to the fixed remuneration (previous year: € 2,410 K), € 5,400 K to the STI (previous year: € 4,500 K) and € 1.200 K to the individual performance remuneration (previous year: € 1,000 K). The amount paid out as LTI totalled € 3,166 K (previous year: € 955 K). Benefits in kind accounted for € 156 K (previous year: € 140 K). In 2013 the direct remuneration of the Executive Board broke down as follows:

EXECUTIVE BOARD DIRECT REMUNERATION

	Fixum € K	STI € K	LTI € K	Performdance remuneration € K	Project remuneration € K	**Total € K**
Dr. Rüdiger Kapitza, chairman	800	1,350	1,420	300	44	3,914
Dr. Thorsten Schmidt, deputy chairman	500	900	712	200	30	2,342
Günter Bachmann member of the Executive Board until 31 Dec. 2013	450	900	712	200	34	2,296
Kathrin Dahnke	390	900	322	200	21	1,833
Christian Thönes	318	900	–	200	16	1,434
Dr. Maurice Eschweiler deputy member 01 April – 30 Sept. 2013 full member as of 01 Oct. 2013	215	450	–	100	11	776
Total	**2,673**	**5,400**	**3,166**	**1,200**	**156**	**12,595**

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 the reporting year the earnings after taxes (EAT) provided the reference value used. The target figures are on a sliding scale and are re-defined annually. In addition, the STI includes a ceiling limit (cap) in an amount of € 900 K for 2013 for a full member of the Supervisory Board. The cap is likewise fixed anew every year. As a pre-condition for the payment of the STI, the sustainability factor of the group (total of expenses for R&D and corporate communication, as well as for vocational and further training in relation to total sales revenues) for the respective financial year must fall within a fixed range. This promotes a corporate management focused on sustainability.

A remuneration component with a long-term incentive, the LTI combines the achievement of fixed targets in relation to the EAT of the company with the performance of the company's share. A cap has been set at 2-times the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. Should the EAT in four-year average be less than the EAT minimum figure, the LTI will not be paid.

The LTI involves a performance units plan, which does not include any dividend payments or voting rights. In addition, the units may not be traded or sold to third parties. The tranches awarded at the beginning of each year have a term of three years, respectively four years since 2009. Each tranche is defined by an assumed amount of money that is converted into a number of performance units on the basis of the average share price. Following expiry of the relevant period, the amount to be paid out is calculated from the number of units. From the LTI tranche 2010 – 2013, which was awarded on 31 December 2013 and will be paid out in 2014, the resulting payment totals € 3,166 K (previous year's tranche 2009 – 2012: € 955 K).

With respect to the provisions of the German Act on the Appropriateness of Management Board Remuneration (VorstAG – Gesetz zur Angemessenheit der Vorstandsvergütung) in 2009, the Supervisory Board passed a resolution extending the term of a tranche from three to four years and specifying the EAT (earnings after taxes) as the success factor.

The tranches awarded for financial year 2013 will be allocated on 31 December 2016 and will be paid out in 2017, taking into account the average EAT (earnings after taxes) achieved of the last four years and the respective share price. The following table presents the number of the performance units awarded in the years 2010, 2011, 2012 and 2013, as well as the fair value of the LTI at the date it was granted to each Executive Board member.

TRANCHES OF THE LONG-TERM INCENTIVE	Tranche 2010 4-year term			Tranche 2011 4-year term		Tranche 2012 4-year term		Tranche 2013 4-year term	
	Number of performance units	Fair value when awarded € K	Allocation amount for 2013 € K	Number of performance units	Fair value when awarded € K	Number of performance units	Fair value when awarded € K	Number of performance units	Fair value when awarded € K
Dr. Rüdiger Kapitza, chairman	37,879	559	1,420	26,858	262	22,422	248	22,848	277
Dr. Thorsten Schmidt, deputy chairman	25,253	372	712	17,905	175	14,948	165	15,232	185
Günter Bachmann	25,253	372	712	17,905	175	14,948	165	15,232	185
Kathrin Dahnke	13,889	205	322	17,905	175	14,948	165	15,232	185
Christian Thönes	–	–	–	–	–	7,474	83	15,232	185
Dr. Maurice Eschweiler	–	–	–	–	–	–	–	7,616	92
Total	**102,274**	**1,508**	**3,166**	**80,573**	**787**	**74,740**	**826**	**91,392**	**1,109**

The individual performance remuneration takes account of the level of success of the individual members of the Executive Board in reaching their individually set goals. The STI and the LTI, as well as the individual performance remuneration, are variable, which means they are not a secure remuneration.

Remuneration in kind arises mainly from the value 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 remuneration in kind, which may vary depending on the personal situation and is subject to tax payable by each Executive Board member.

Pension commitments for members of the Executive Board are mainly implemented through a defined contribution pension plan. A defined-benefit pension commitment exists for the chairman of the Executive Board.

INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS	€ K
Dr. Rüdiger Kapitza, chairman	445
Dr. Thorsten Schmidt, deputy chairman	120
Günter Bachmann	277
Kathrin Dahnke	120
Christian Thönes	50
Dr. Maurice Eschweiler	50
Total	**1,062**

In financial year 2013, provision expenses arose for the defined-benefit award of € 445 K (previous year: € 325 K), whereby the entire sum of provisions was € 6,076 K (previous year: € 5,239 K). This figure also takes account of the benefit for surviving dependants included in the award.

The special purpose payments to the defined contribution pension plan amounted in total to € 617 K (previous year: € 497 K). On the basis of the German Accounting Law Modernisation Act (BilMoG – Bilanzrechtsmodernisierungsgesetz) a distribution amount results for the defined benefit commitment of € 79 K (previous year € 79 K). The entire provisions expense for the financial year just ended amounted to € 1,028 K (previous year: € 822 K). Advances in favour of members of the Executive Board – or for the rest also in favour of members of the Supervisory Board – were not granted. There was no share option plan or similar securities-based incentive system.

The companies of the DMG MORI SEIKI group did not pay any remuneration to officers for services personally rendered, in particular consulting and introduction services. In financial year 2013, an amount of € 729 K for consulting services rendered was paid to the Institute for Manufacturing Excellence GmbH, which was founded by Prof. Klinkner. Former members of the Executive Board and their surviving dependants were paid € 575 K in pensions (previous year: € 588 K). The amount of pension obligations (present value of defined benefit obligation) for former members of the Executive Board and their surviving dependants amounted to € 7,265 K (previous year: € 7,327 K; amount adjusted).

Directors´ Dealings

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Supervisory Board and of the Executive Board, and other persons subject to reporting requirements, must disclose any purchase or disposal of shares, as well as any related rights of purchase or disposal, such as options or rights that are directly dependent upon the quoted share price of the company.

In the reporting period 2013, the following directors‘ dealings notifications were made:

DIRECTORS’ DEALINGS 2013

Name	Position	Date	Type and place of the transaction	Number	Share price in €	**Business volume in €**
Hans Henning Offen	Member of the Supervisory Board	03 Sept. 2013	Sale of shares XETRA	9,000	16.30	146,700.00
Hans Henning Offen	Member of the Supervisory Board	03 Sept. 2013	Sale of rights, Frankfurt	4,600	0.436	2,005.60
Hans Henning Offen	Member of the Supervisory Board	03 Sept. 2013	Sale of rights, Frankfurt	24,276	0.424	10,293.02
Hans Henning Offen	Member of the Supervisory Board	04 Sept. 2013	Sale of shares XETRA	9,876	15.72	155,250.72
Hans Henning Offen	Member of the Supervisory Board	31 Oct. 2013	Sale of shares XETRA	2,000	24.12	48,243.33
Hans Henning Offen	Member of the Supervisory Board	31 Oct. 2013	Sale of shares XETRA	2,000	24.05	48,100.00
Hans Henning Offen	Member of the Supervisory Board	31 Oct. 2013	Sale of shares, Hamburg	1,000	24.05	24,050.00
Hans Henning Offen	Member of the Supervisory Board	31 Oct. 2013	Sale of shares, Tradegate	2,000	24.12	48,240.00
Hans Henning Offen	Member of the Supervisory Board	31 Oct. 2013	Sale of shares XETRA	1,000	24.16	24,156.01

Research & Development

DMG MORI SEIKI AKTIENGESELLSCHAFT is responsible for the research and development strategy. The research and development activities are conducted at the level of the group companies.

Report on Economic Position

Overall Economic Development

The world economy gained in stability again in the 2013 reporting period; cyclical development in the first half-year, however, was very modest. According to provisional calculations of the Institute for World Economics (IfW) at the University of Kiel, the world economy in 2013 grew somewhat less at 2.9% than in the previous year (+3.2%). Cyclical momentum in Asia also lost pace slightly, nevertheless the economy there continued to grow by 6.3% (previous year: +6,6%). Cyclical growth in the emerging countries slowed down overall in the reporting period. Economic growth in Europe was strengthened most recently by developments primarily in Germany and France; however, there were also signs in the crisis countries in Europe that the economic downturn had bottomed out. For 2013, the IfW forecast stagnation in economic growth in Europe (previous year: −0,4%). In Germany the economy is following a moderate upwards trend; according to figures from the Federal Statistics Office, gross domestic product (GDP) in 2013 grew by 0.4% (previous year: +0.7%).

Development of the Machine Tool Building Industry

International development

The world market for machine tools declined in 2013 according to figures of the German Machine Tool Builders‘ Association (VDW – Verein Deutscher Werkzeugmaschinenfabriken). World consumption fell by 12.1% to € 59.6 billion (previous year: € 67.8 billion).

The decline in Asia was 18.6% (previous year: +8.2%). The main causes of this are primarily the heavily corrected figures from China on actual consumption and production in the country. The VDW predicts that consumption in China has fallen by 20.5% or € 5.1 billion to € 19.7 billion. In a worldwide comparison, consumption in Europe fell least at 0.8% (previous year: +6.2%). In America the trend in 2013 was likewise downwards at −5.1% (previous year: +22.1%).

In spite of the decline of 20.5% most machine tools in 2013 were again consumed in China. With a volume of € 19.7 billion had a share in world consumption of 33% (previous year: € 24.8 billion). The second most important market for machines tools in 2013 was the USA with consumption of € 6.1 billion (previous year: € 6.8 billion; −11.2%). In the third largest market, Germany, consumption rose in the reporting period by 5.9% to € 5.3 billion.

Of this, only € 3.7 billion was attributed to the relevant area for us of cutting machines (previous year: € 3.9 billion; −5.7%). Consumption of metal-forming machines rose to € 1.6 billion (previous year: € 1.1 billion; +46.3%). In Japan consumption decreased in local currency by 13.2% and took fourth place with € 4.0 billion (previous year: € 4.6 billion). South Korea was in fifth place as in the previous year with € 3.4 billion (previous year: € 3.4 billion; −2.2%). The ten most important consumer markets accounted for 79% of world machine tool consumption.

German machine tool industry

For the manufacturing industries, the ifo business climate index is the leading indicator of economic development in Germany. According to its survey, the main consumer industries (mechanical engineering, automotive manufacturing and electrical engineering) reported a rise in values compared to the previous year. This reflects the overall positive economic development.

In 2013 the German machine tool industry recorded declining order intake, yet stable production and a rise in sales revenues. At € 14.2 billion, order intake at plants in Germany remained 6% below the previous year's figure (€ 15.1 billion). At the same time, domestic demand fell by 7% (previous year: −10%), international demand decreased by 6% (previous year: −11%). The VDW reports that order intake for cutting machines is down 8% on the previous year (−13%). In the field of forming machines order intake, however, only fell by 2% (previous year: −2%). The order intake of German manufacturers at foreign plants has not been included in this figure.

Due to high order backlogs, sales revenues of German machine tool producers rose in comparison with the previous year's period by 7% (previous year: +9%).

Results of Operations, Net Worth and Financial Position

The earnings of DMG MORI SEIKI AKTIENGESELLSCHAFT were essentially determined by income from financial assets (€ 99.1 million), which arise from the profit and loss transfers from DMG Vertriebs und Service DECKEL MAHO GILDEMEISTER of € 25.0 million (previous year: € 32.8 million) and from GILDEMEISTER Beteiligungen GmbH of € 72.9 million (previous year: € 58.3 million) as well as income from investment in DMG MORI SEIKI COMPANY LIMITED, Nagoya, of € 1.2 million, as in the previous year. DMG MORI SEIKI AKTIENGESELLSCHAFT closes the financial year with an annual profit of € 35.2 million (previous year: € 44.9 million). Taking into account the profit carryforward of the previous year of € 4.2 million, the net retained profits as at 31 December 2013 totalled € 39.4 million (previous year: € 24.7 million).

In the reporting year sales revenues (group cost allocations and rents) were € 15.3 million (previous year: € 13.8 million). The increase was due essentially to the rise in group cost allocations. Other operating income decreased in the same period by € 3.9 million to € 11.0 million (previous year: € 14.9 million).

Expenses incurred for purchased services mainly cover maintenance of the grounds and premises at the Bielefeld site. At € 2.2 million they were about € 0.1 million less than those of the previous year (€ 2.3 million).

Employee expenses rose by € 6.3 million to € 26.6 million (previous year: € 20.3 million) due to a rise in demands made of the holding functions and the associated increase in employee numbers. In addition, due to a rise in variable remuneration commitments and the creation of another Executive Board mandate.

Depreciation increased against the previous year due to the high level of capital investments of € 0.6 million to € 2.4 million (previous year: € 1.8 million).

Other operating expenses amount to € 41.8 million and are thus € 10.9 million above the previous year‘s figure (€ 30.9 million). Costs for the capital increases of € 11.8 million are included In the financial year.

Net investment income rose from € 92.3 million in the previous year to € 99.1 million in the reporting period. Of this, € 97.9 million arose from transfer of profit agreements as well as € 1.2 million from investment income from a 9.6% investment in DMG MORI SEIKI COMPANY LIMITED, Nagoya.

The financial result improved by € 4.1 million to € 10.2 million due to the cash capital increase implemented (previous year: € 6.1 million).

The tax expense recognised of € 27.0 million resulted from current tax expenses (€ 25.5 million), from deferred tax assets of € 1.2 million and from tax expenses for the previous year of € 0.3 million.

The balance sheet total as at 31 December 2013 rose by 30.1% to € 1,353.6 million (previous year: € 1,040.7 million). This resulted mainly from an increase in other long-term equity investments as well as from a rise in bank deposits.

Fixed assets have increased on the balance sheet from € 499.6 million to € 614.4 million. Additions to financial assets arose from the acquisition of further shares in DMG MORI SEIKI COMPANY LIMITED of € 48.0 million. Within the framework of a capital increase through contribution in kind, DMG MORI SEIKI COMPANY LIMITED contributed 19.0% (€ 21.4 million) of the shares in its subsidiary Mori Seiki Manufacturing USA, Inc. plus 44.1% (€ 36.0 million) of the shares in its subsidiary Magnescale Co., Ltd. Furthermore, financial assets rose at DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER (€ 2.5 million) and at MG Finance GmbH (€ 1.6 million) due to capital increases. Capital expenditure on plant, property and equipment related essentially to the modernisation of our production buildings and equipment, the extension of the Energy Solutions Park and the replacement of our heating, ventilation and air conditioning equipment.

Current assets rose against the previous year by a total of € 199.8 million to € 729.7 million. The material changes arose from an increase in receivables from affiliated companies due to higher receivables from profit and loss transfer agreements as well as from a rise in bank deposits. Bank deposits rose by € 179.8 million to € 263.3 million (previous year: € 83.5 million) essentially due to the pre-emptive rights capital increase carried out in August and September the associated net proceeds.

Under liabilities, equity rose to € 909.8 million due to the capital increases implemented and the annual profit of € 614.5 million. The equity ratio therefore increased by 8.1% to 67.2% (previous year: 59.1%).

In August and September, DMG MORI SEIKI AKTIENGESELLSCHAFT successfully carried out two capital increases.

Under the capital increase for contribution in kind, with the disapplication of pre-emptive rights of shareholders, the share capital of the company was increased through the issue of 3,247,162 new no par value bearer shares by € 8,442,621.20 to € 164,880,053.00. This was the equivalent of about 5.4% of the paid up share capital at the time. All the new shares were subscribed to by DMG MORI SEIKI COMPANY LIMITED (previously Mori Seiki Co., Ltd.) at an issue price of € 17.5063 per new share. For this purpose, DMG MORI SEIKI COMPANY LIMITED contributed 19.0% of the shares in its subsidiary, Mori Seiki Manufacturing USA, Inc., Davis (USA), as well as 44.1% of the shares in its subsidiary, Magnescale Co., Ltd., Kanagawa (Japan), as contribution in kind. Through these equity investments, DMG MORI SEIKI AKTIENGESELLSCHAFT receives access to production capacity in state-of-the-art production workshops for machine tools in the USA established by the cooperation partner as well as to the high-precision position measurement technology of Magnescale in Japan. The completion of the capital increase for contribution in kind was entered in the commercial register on 20 August 2013.

As part of the pre-emptive rights capital increase of 24.3% of the paid up share capital at the time, 15,402,589 new no par value bearer shares were offered to all shareholders in the ratio of 4:1. The subscription price was € 14.50. The shareholders made extensive use of their pre-emptive rights; the placement level was 99.6%. The completion of the capital increase for cash was registered in the commercial register on 17 September 2013. The share capital since then has been € 204,926,784.40 and is divided into 78,817,994 no par value shares. The new shares were included in the existing stock exchange listing on 18 September 2013.

The DMG MORI SEIKI group intends to use the net proceeds from the cash capital increase of around € 210 million mainly to establish itself further on the Russian market (in particular for the construction of a production and assembly plant in Ulyanovsk and for the expansion and reconstruction of a technology centre in Moscow). We will also use part of the proceeds for the construction of our European headquarters in Winterthur, Switzerland. Further proceeds will be used to extend other technology centres, to update existing production plants, to enhance control software for machine tools and for general business expansion. Furthermore, any remaining net proceeds will be used to further strengthen equity.

Other provisions increased compared to the previous year by € 0.7 million to € 25.6 million.

DMG MORI SEIKI AKTIENGESELLSCHAFT covers its capital requirements from the operating cash flow and from taking out short- and long-term financing. The amount of the agreed financing lines totals € 742.6 million. The essential component is a syndicated credit facility of € 450 million with a term until 2016.

The DMG MORI SEIKI group does not have a corporate rating as we are not planning any capital market financing and any such rating involves significant costs.

Our financing includes customary agreements on compliance with defined key performance indicators (covenants). The covenants were complied with in the financial year.

Through this financing mix we have sufficient financing lines that allow us to make the necessary liquidity available for our business.

DMG MORI SEIKI group financing is carried out centrally. Only if group financing is not advantageous due to the legal framework local financing is concluded in individual cases. Cash pooling is used to utilise the liquidity surpluses of subsidiaries cost-effectively within the group.

Dividend

The Executive Board and the Supervisory Board will propose to the 112th Annual General Meeting on 16 May 2014 that a dividend of € 0.50 per share be distributed for financial year 2013 (previous year: € 0.35). Moreover, it will be proposed to the Annual General Meeting to carry forward the remaining net retained profits of DMG MORI SEIKI AKTIENGESELLSCHAFT of € 0.9 million to new account.

Employees

As of 31 December 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT was divided into five executive units, which are organised as follows:

- Key accounting / Human resources / Purchasing / Audit / Compliance / Investor and public relations,
- Sales / Marketing and Information technology (IT),
- Controlling / Finance / Accounting / Tax and risk management,
- Product development / Production and Technology,
- Industrial Services

As of 31 December 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT had 98 employees (previous year: 80 employees).

Overall statement of the Executive Board on Financial Year 2013

Overall the DMG MORI SEIKI AKTIENGESELLSCHAFT performed in the reporting period within the scope anticipated and has started the new financial year in line with plans. The results were substantially determined by the income from financial assets of € 99.1 million (previous year: € 92.3 million). Overall, DMG MORI SEIKI AKTIENGESELLSCHAFT closes the financial year with an annual profit of € 35.2 million (previous year: € 44.9 million). DMG MORI SEIKI AKTIENGESELLSCHAFT assumed an overall steady development in its projection for financial year 2013. Primarily due to the costs of capital increase, the annual profit for the current financial year is below that of the previous year. Taking into account the profit carryforward of the previous year of € 4.2 million, the net profit for the year as at 31 December 2013 totalled € 39.4 million (previous year: € 24.7 million). The Executive Board and the Supervisory Board will propose to the 112th Annual General Meeting on 16 May 2014 that a dividend of € 0.50 per share be distributed following € 0.35 in the previous year.

Supplementary report

Dr. Helmut Rothenberger is appointed to the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT by order of the Local Court of Bielefeld of 4 February 2014. He succeeds Hans Henning Offen. The Supervisory Board elected Dr. Rothenberger as deputy chairman of the Supervisory Board. He is also member of the Personnel, Nominations and Remuneration Committee (PNR) and member of the Nominations Commitee.

Executive Board Member Kathrin Dahnke is leaving the Executive Board at her own request as of the End of 24 February 2014.

Opportunities and Risk Management Report

DMG MORI SEIKI AKTIENGESELLSCHAFT is integrated in the opportunities and risk management of the DMG MORI SEIKI group. This comprises five elements:

1. the company-specific Risk Management Manual, in which the system is defined,
2. a central Risk Management Representative, who is supported by a local Risk Representative in each group company and who maintains the risk management system (including software),

3. area-specific risk tables, in which individual risks are assessed quantitatively and are prioritised on the basis of the value-at-risk measure,
4. the general internal and cross divisional reporting structure of the group, which is controlled by threshold values and is also supported by ad hoc reports on significant risks,
5. the risk reporting system at the group level and at the individual company level.

Opportunities Management System (CMS)

Opportunities are identified and analysed within the opportunities and risk management system, in which we also simulate positive deviances from plan assumptions. With the Marketing Information System (MIS) we identify significant individual opportunities by compiling customer data worldwide and evaluating market and competitor data. On this basis we measure, assess and check all sales and service activities and other activities for effectiveness and cost-efficiency. This allows us to draw up short-term and medium-term forecasts on expected customer orders per machine type and sales region.

As the holding company, DMG MORI SEIKI 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 SEIKI AKTIENGESELLSCHAFT.

Risk Management System (RMS)

The risk management system at DMG MORI SEIKI AKTIENGESELLSCHAFT is based on the recognized COSO-framework and is structured in such a way that significant risks must be systematically identified, assessed, aggregated, monitored and notified. The risks in the individual company areas are identified in this way every quarter and the risk potential that is determined as a result is analysed and evaluated using quantitative measures. In doing so, measures to reduce risks will be taken into account and any risks that jeopardize the company as a going concern are reported immediately outside the regular reporting schedule.

The internal control system is part of the entire internal control system (IKS) of DMG MORI SEIKI AKTIENGESELLSCHAFT, which is embedded in the group-wide risk management system.

In addition to other operating and statutory or standards-related objectives and tasks, as part of its subgoals and subtasks our IKS also comprises the accounting-related internal control system to ensure the completeness, correctness and reliability of our financial statements in accordance with the German Commercial Code (HGB) and the underlying bookkeeping. It comprises organisational, control and monitoring structures to ensure the legally compliant collection, preparation and assessment of business facts and their subsequent inclusion in the relevant financial statements. The analyses carried out by the risk management contribute to identifying risks with an impact on financial reporting and to initiate measures to minimise risks. The accounting-related internal control system includes principles, procedures and measures to ensure the correctness of the financial accounting. In this respect we analyse new laws, accounting standards and other communiques with respect to their effect on the annual financial statements. Throughout the group, we have codified relevant regulations in guidelines, such as those in the accounting handbook. These guidelines and the financial statements calendar, which is applicable throughout the group, form the basis for preparing the financial statements. Local regulations also exist, which each have to be harmonised with the group financial accounting. This also includes compliance with the German Commercial Code (HGB) accounting regulations. The internal audit department checks the effectiveness of the accounting-related internal controls. As required, DMG MORI SEIKI 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. The control system comprises control activities aimed at both prevention and discovery, which include authorisations and approvals, plausibility checks, reviews, the “four-eyes” principle (dual control) inter alia in various forms and degrees. Additionally, the appropriate design of the structure and procedural organisation of the business processes serves to ensure adequate separation of functions.

Additionally, the analyses conducted by risk management contribute to identifying risks with an impact on financial reporting and to introducing measures to minimise such risks. The effectiveness of the system is checked on the basis of self-assessments.

Financial risks arise from our international activities. We safeguard against currency-related risks through our currency strategy. We currently expect currency-related risks in an amount of about € 1.5 million.

The essential components of the DMG MORI SEIKI AKTIENGESELLSCHAFT financing are a syndicated loan, which comprises a cash and an aval tranche and is agreed until 2016, and a factoring programme. All financing agreements include an agreement on compliance with standard covenants. The liquidity of the DMG MORI SEIKI AKTIENGESELLSCHAFT has been assessed as sufficient. In principle, DMG MORI SEIKI AKTIENGESELLSCHAFT bears the risk of bad debt which may result in value adjustments or in individual cases even in default. Possible losses from financial risks, including currency-related risks described above, amount in total to € 8.3 million. The probability of occurrence of any loss is low (0% – 20%).

Risks with respect to the assets of DMG MORI SEIKI AKTIENGESELLSCHAFT arise mainly through the accounting and assessment of financial assets. Financial assets are accounted for at purchase cost or with the lower fair value. The value retention of financial assets is determined annually with the aid of the capitalised income value calculation, which is based on the budget overview of the investment companies. Due to the values determined, there was no need for downwards adjustment at the reporting date. In the event that the planned results are not achieved, adjustment to the lower fair value may be required. The current existing budget overview gives no reason for impairment in 2013. Insofar as 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 submit 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 € 7.8 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 SEIKI AKTIENGESELLSCHAFT as a going concern.

In comparison with the previous year, the risks have significantly decreased overall.

Disclosures required by Section § 289 (4) German Commercial Code (HGB) as amended by the Takeover Directive Implementation Act (Übernahmerichtlinie-Umsetzungsgesetz)

As to Section 289(4)(1) German Commercial Code (HGB)

The registered capital of DMG MORI SEIKI AKTIENGESELLSCHAFT amounts to € 204,926,784.40. It is divided into 78,817,994 no par value bearer shares with a theoretical par value of € 2.60 per share.

As to Section 289(4)(2) German Commercial Code (HGB)

DMG MORI SEIKI COMPANY LIMITED has undertaken not to exercise its voting rights at the Annual General Meeting 2013 insofar as DMG MORI SEIKI COMPANY LIMITED would control the Annual General Meeting as a result of this. With respect to future annual general meetings such an obligation does no longer exist.

As to Section 289(4)(3) German Commercial Code (HGB)

DMG MORI SEIKI COMPANY LIMITED holds 24.9% of the voting rights.

As to Section 289(4)(6) German Commercial Code (HGB)

With respect to the appointment and dismissal of members of the Executive Board, reference is made to the statutory provisions in Sections 84 and 85 of the German Stock Corporation Act (AktG). Moreover, Article 7(2) of the articles of association of DMG MORI SEIKI AKTIENGESELLSCHAFT as amended in October 2013 sets out that the Supervisory Board appoints the members of the Executive Board, determines their number and assigns their duties. The provisions on amendments to articles of association are regulated in Sections 133 and 179 of the German Stock Corporation Act (AktG) in conjunction with Article 15(4) of the articles of association.

As to Section 289(4)(7) German Commercial Code (HGB)

Pursuant to Article 5(3) of the articles of association as of 31 December 2013, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 29,729,362.00 during the period until 17 May 2017 through the issue of up to 11,434,370 new no par value bearer shares for contributions in cash and / or in kind (authorised capital). For this purpose, the Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000. Shareholders' statutory pre-emptive rights are excluded to this extent. In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply the statutory pre-emptive rights of shareholders in certain cases that are stipulated in detail in the articles of association. In the financial year 2013 and with consent of the Supervisory Board, the Excecutive Board made partial use of this authorisation and increased the share capital by € 48,489,352.60 through the issue of 18,649,751 shares. Moreover, by resolution of the Annual General Meeting of 18 May 2012, the company is authorised up to 17 May 2017 to purchase its own shares up to a pro rata amount of just less than 10% of the registered capital, which corresponds to € 15,643,743.18. In the period from 26 August 2011 to 31 December 2011, the company made use of the authorisation existing at the time as to 3% (1,805,048 shares) with the result that the authorisation is currently effectively limited to about 7% (4,211,776 shares). This authorisation is intended to place the company in a position of having its own shares available at short notice, without having recourse to the stock market, in order to offer these to a seller in return for the acquisition of companies or interests in other companies. Moreover there has been a contingent increase in the registered capital pursuant to Article 5(4) of the articles of association of up to a further € 37,500,000.00 through the issue of up to 14,423,076 no par value bearer shares (contingent capital). The contingent capital increase is to be effected only insofar as options or conversion rights relating to options or convertible bonds are issued or guaranteed pursuant to the authorisation resolution of the Annual General Meeting of 15 May 2009 and any holders of options or conversion rights exercise their right to conversion or fulfil any obligation to exercise an option or conversion right.

As to Section 289(4)(8) German Commercial Code (HGB)

As material agreements that are subject to a change of control condition in the event of a takeover, the syndicated loan agreement of € 450,000,000 of GILDEMEISTER Aktiengesellschaft must be stated. The threshold for a change of control is 30%. The banks can then only effectively give notice of termination as of this threshold if more than 50% of the shares in the facilities want to give notice. An individual right to terminate of the banks only exists if more than 50% of the shares are taken over.

In addition, the legislator has ruled that an Executive Board must submit an explanatory report on the disclosures pursuant to Section 289(4) of the German Commercial Code (HGB).

As at 31 December 2013, the registered capital of the company amounted to € 204,926,784.40 divided into 78,817,994 no par value shares. Each share has a voting right and is the determining factor for participation in the profits. The company is not allowed to exercise the voting right of its own shares and may not participate pro rata in the profits.

The company is managed by the Executive Board and is represented by the Executive Board vis-à-vis third parties. The appointment and dismissal of members of the Executive Board is the responsibility of the Supervisory Board pursuant to Section 84 of the German Stock Corporation Act (AktG).

The change of control conditions comply with customary agreements. They do not lead to an automatic termination of the above-referred agreements but, in the event of a change of control, merely grant our contractual partners the possibility of terminating these.

Forecast Report

Although the earnings position of DMG MORI SEIKI AKTIENGESELLSCHAFT differs from that of the group in terms of level and structure, nevertheless it is significantly affected by the group results. Therefore in the following, the group forecast will initially be detailed.

For the current year, the Institut für Weltwirtschaft (IfW – Kiel Institute for the World Economy) is forecasting growth in global gross domestic product of 3.7%; for 2015, it is assuming a gain of 4.0%. Economic experts anticipate that the impact of the budget crisis in the USA and the euro crisis on the global economy will lessen considerably during the forecast period.

The DMG MORI SEIKI group intends to intensify its global market presence. In this respect, the cooperation with DMG MORI SEIKI COMPANY LIMITED forms the basis of our strategy. Besides tapping into new markets, from now on we intend to push ahead with joint product development. Through further standardisation of components and processes, as well as streamlining our product portfolio, we will also increase our profitability. Moreover, we will equip our machines with CELOS and offer them in the new corporate design. By continuing to follow our service-orientation consistently, we are reinforcing the foundations of the company's future.

In Energy Solutions the DMG MORI SEIKI group will continue to focus on products and solutions to enhance energy management for industrial and commercial customers; a new software product will be the GILDEMEISTER ENERGY MONITOR, which will compile energy consumption analyses and automate energy reports.

We view future sales markets as being not only those of Russia and China but above all those in Europe, too, where there are signs of a recovery in demand for machine tools. The VDW's current forecast expects a rate of growth of 4.6% for Europe. We have also identified further potential in the South Korean, Brazilian and Indian markets, amongst others. With the aid of our centres of expertise, we will focus specifically on growing sectors such as aerospace, automotive, medical technology and power engineering. We will share even more strongly in the growth of the Russian market through building up our production in Ulyanovsk. Overall, we intend to specifically use our worldwide production capacity for local production.

For financial year 2014 we are expecting a positive business environment overall and moderate growth. The German Machine Tool Builders' Association (VDW) and Oxford Economics are predicting that the machine tools market worldwide will record growth of 5.0% over the course of the financial year. We are primarily anticipating that the rate of business development will be considerably faster in the second half of the year. This forecast is subject to risks that result mainly from the crisis in the eurozone and changes in economic prospects in some growth nations, including China.

For the current financial year we are expecting order intake of around € 2.3 billion. We see potential in our innovations and in the cooperation projects. Also in the "Industrial Services" segment we expect growth. We are planning sales revenues of around € 2.2 billion. In the first quarter of 2014 the result will be above the previous year quarter. For the entire year we are planning an EBIT of around € 175 million as well as an EBT of around € 165 million. For the financial year 2014 we are planning a largely stable material ratio for the group. We anticipate positive free cash flow of between € 20 million and € 50 million. This will depend on the implementation of our planned investments. In addition we plan to pay a dividend.

General statement of the Executive Board on future business development

For financial year 2014, we expect a positive business environment overall and moderate growth. We are primarily anticipating that there will be a noticeable faster rate of business development in the second half of the year. This forecast is subject to risks that result mainly from the crisis in the eurozone and changes in economic prospects in some growth nations, including China. Given these pre-conditions and on the assumption that the global market will develop in line with our expectations, we are planning a further improvement in the EBIT returns and thus an EBIT of around € 175 million as well as EBT of around € 165 million. Over the course of the year we will implement for the most part the investments commenced at the production sites and in our global sales presence, and plan to invest around € 110 million. Despite the high level of investments, we are anticipating positive free cash flow of between € 20 million and € 50 million. This will depend on the implementation of our planned investments.

Due to the positive economic environment in 2014 we are anticipating income from investments on the level of the previous year for the DMG MORI SEIKI AKTIENGESELLSCHAFT. Overall, we are anticipating a slight improvement of the EBT. We do not expect significant changes in net worth and financial position.

Other Disclosures

Concluding statement of the Executive Board on the Dependency Report

DMG MORI SEIKI COMPANY LIMITED as an owner of DMG MORI SEIKI AKTIENGESELLSCHAFT with a minority interest following a capital increase of 20 August 2013 has a justified constantly anticipated (de facto) majority vote at future annual general meetings. As a result, from 20 August 2013 there has been a dependent relationship between DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED according to Section 17(1) German Stock Corporation Act (AktG).

There is no control or profit transfer agreement between DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED.

The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT has therefore pursuant to Section 312 German Stock Corporation Act (AktG) drawn up a dependency report for the reporting period 20 August 2013 to 31 December 2013 of financial year 2013.

The Executive Board has made the following statement in accordance with Section 312(3) German Stock Corporation Act (AktG) at the conclusion of the dependency report for the reporting period 20 August to 31 December 2013 of financial year 2013: “For the transactions and actions listed in the dependency report for the reporting period 20 August 2013 to 31 December 2013, according to the circumstances known to us at the date on which such transactions were undertaken or actions entered into, we have received adequate consideration for each transaction and have not been disadvantaged by any acts taken. There were no incidents of refrained acts in the reporting period.”

Forward-looking statements

This report contains forward-looking statements, which are based on current estimates of the management regarding future developments. Such statements are based on the management‘s current expectations and specific assumptions. They are subject to risks, uncertainties and other factors that could cause the actual circumstances including the results of operations, financial position and net worth of DMG MORI SEIKI AKTIENGESELLSCHAFT to differ materially from or be more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI SEIKI AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may likewise render a forward-looking statement, estimate or forecast inaccurate.

DMG MORI SEIKI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in major business areas as well as the consequences of a recession) as these directly impact 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 SEIKI 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 more depressed by a persistently, unfavourable market environment than we expect 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 and further decline in the capital markets and a deterioration in the conditions for the credit business and in particular in the growing uncertainties that arise from the financial market and liquidity crises including that of the euro debt crisis as well as 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 the DMG MORI SEIKI group; changes in corporate strategy; interruptions in the supply chain, including the inability of a third party, for example due to a natural catastrophe, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other acts of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI SEIKI AKTIENGESELLSCHAFT and various other factors. Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI SEIKI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI SEIKI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any events or developments occurring after the end of 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 SEIKI": DMG MORI SEIKI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI SEIKI COMPANY LIMITED with registered office in Nagoya, Japan. This report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT. If reference is made in this report to the "DMG MORI SEIKI group", this refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT and its group companies.

Notes for the Financial Year 2013 of DMG MORI SEIKI AKTIENGESELLSCHAFT

A. General Declaration

The annual financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the year ending 31 December 2013 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The form of the previous year's statement, particularly the subdivision of the balance sheet and the income statement, has been retained. The income statement is drawn up according to the total cost method of accounting.

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. 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 balance sheet at their present value. Receivables in foreign currencies with a term of one year or less were translated at the exchange rate at the reporting date. Insofar as there are indications for impairment, receivables and other assets are measured at lower fair market value.

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 statement at fair market value and are offset against these liabilities. 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) German Commercial Code (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.

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. For pension provisions or comparable long-term obligations, a flat discounting rate was applied at an average market interest rate that results upon an assumed remaining term of 15 years.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) on the basis of an interest rate for accounting purposes of 4.90% (previous year: 5.06%). 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 3.98% (previous year: 4.26%). 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 4.90% p.a. (previous year: 5.06%).

In recognising hedges for foreign currency, the gross hedge presentation method has been used since 2010.

Liabilities are recognised at their settlement amounts. Liabilities in foreign currency are measured at the closing rate on the reporting date.

C. Notes on the individual balance sheet items

Assets

The movements of the individual fixed assets are set out in the fixed-asset movement schedule, which is attached to the notes.

1 INTANGIBLE ASSETS AND FIXED ASSETS

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 SEIKI 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 2013 are set out in a separate summary at the end of the notes.

No impairments of financial assets were carried out in the financial year. DMG MORI SEIKI AKTIENGESELLSCHAFT has concluded control 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 € 455,036 K (previous year: € 440,357 K) arise essentially from receivables under profit and loss transfer agreements as well as from the allocation of costs and financing. Other assets to the value of € 11,341 K (previous year: € 6,028 K) include receivables from derivatives of € 4,228 K (previous year: € 2,277 K) and tax refund claims of € 6,553 K (previous year: € 3,106 K) amongst others.

Receivables and other assets to the value of € 144 K (previous year: € 156 K) include receivables with a remaining term of more than one year. Moreover, there are receivables owed by affiliated companies of € 4,700 K with a remaining term of more than one year.

4 CASH ASSETS, BANK BALANCES

The disclosure refers to credit balances with banks and the cash in hand value. This rose by € 179,787 K to € 263,307 K (previous year: € 83,520 K) essentially due to the capital increase implemented.

5 PREPAID EXPENSES

The prepaid expenses under assets refer to payments of € 254 K (previous year: € 44 K) before the reporting date which represent expense for the following year.

6 DEFERRED TAX ASSETS

Deferred tax assets totalling € 7,837 K (previous year: € 9,019 K) arise as of 31 December 2013 from temporary differences between the financial statements and the tax accounts. Temporary differences in the carrying amount exist at the balance sheet date in provisions for anticipated losses, for the subsequent effects of the tax audit 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 29.4% has been taken as a basis (previous year: 29.4%).

7 EXCESS OF PLAN ASSETS OVER PENSION LIABILITY DMG MORI SEIKI AKTIENGESELLSCHAFT has taken out appropriate reinsurance policies for specific pension provisions. The disclosure relates to the part that exceeds the corresponding pension obligations. The costs of acquisition of the offset assets are € 7,524 K (previous year: € 7,359 K). The settlement amount of the provision is € 6,945 K (previous year: € 6,188 K); of which € 876 K (previous year: € 955 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 2013.
In conformity with the offsetting of assets and debts, income of € 71 K and expenses of € 404 K are presented net in personnel expenses.

Equity and liabilities

Subscribed capital

8 EQUITY In August 2013 and September 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT successfully carried out two capital increases.

Within the scope of the capital increase for contribution in kind, disapplying the pre-emptive rights of shareholders, the share capital of the company was increased through the issue of 3,247,162 new no par value bearer shares by € 8,442,621.20 to € 164,880,053.00. This was the equivalent of about 5.4% of the paid up share capital at the time. All the new shares were subscribed to by DMG MORI SEIKI COMPANY LIMITED (previously Mori Seiki Co., Ltd.) at an issue price of € 17.5063 per new share. For this purpose, DMG MORI SEIKI COMPANY LIMITED contributed 19.0% of the shares in its subsidiary, Mori Seiki Manufacturing USA, Inc., Davis (USA), as well as 44.1% of the shares in its subsidiary, Magnescale Co., Ltd., Kanagawa (Japan), as contribution in kind. Through these equity investments, DMG MORI SEIKI AKTIENGESELLSCHAFT receives access to production capacity in state-of-the-art production site for machine tools in the USA established by the cooperation partner as well as to the high-precision position measurement technology of Magnescale in Japan. The completion of the capital increase for contribution in kind was entered in the commercial register on 20 August 2013.

Within the scope of the pre-emptive rights capital increase of 24.3% of the paid up share capital at the time, 15,402,589 new no par value bearer shares were offered to all shareholders in the ratio of 4:1. The subscription price was € 14.50. The shareholders made extensive use of their pre-emptive rights; the placement level was 99.6%. The completion of the capital increase for cash was registered in the commercial register on 17 September 2013. The share capital since then has been € 204,926,784.40 and is divided into 78,817,994 no par value shares. The new shares were included in the existing stock exchange listing on 18 September 2013.

The share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 (previous year: € 156,437,431.80) and is fully paid up. It is divided into 78,817,994 (previous year: 60,168,243) no par value 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 SEIKI AKTIENGESELLSCHAFT (version as of 2 October 2013).

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 29,729,362.00 until 17 May 2017 through the issue of up to 11,434,370 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 designated by the Executive Board, with the obligation to offer them to the shareholders (indirect pre-emptive right).

The Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000. In this respect the statutory pre-emptive right of shareholders is disapplied with the consent of the Supervisory Board.

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

a) 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,
b) to the extent required to prevent dilution in order to grant the holders of options or the creditors of convertible bonds issued by the company, or a company in which it holds an investment interest, as part of an authorisation given to the Executive Board by the general meeting of shareholders, a pre-emptive right to new shares to the extent they would be entitled to following the exercising of the option or conversion right or the fulfilment of conversion obligations and
c) 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 a) 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 shareholders, moreover those shares that are to be issued as a consequence of the exercising of option and / or conversion rights attached to options or convertible bonds insofar as the associated options or convertible bonds were issued during the term of this authorisation with the disapplication of pre-emptive rights of shareholders; excluded from the aforementioned figure is the disapplication of pre-emptive rights to compensate for fractional amounts and / or to protect against dilution in favour of owners or creditors of option or conversion rights from options or convertible bonds.

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 utilised in full by 17 May 2017, shall cancel this upon the expiry of the term.

The share capital has been conditionally increased by up to € 37,500,000.00 through the issue of up to 14,423,076 new no par value bearer shares (contingent capital). The contingent capital increase serves to grant new no par value shares to holders of options or convertible bonds, which by virtue of the authorisation resolved upon by the annual general meeting of 15 May 2009 under agenda item 7 are issued by the company or by a group company controlled by the company in return for cash and to grant a conversion or option right to new no par shares of the company or to impose a conversion obligation.

The new shares will be issued at an option or conversion price to be determined in accordance with the aforementioned authorisation resolution.

The capital increase will be carried out solely to the extent that holders of options or conversion rights or those subject to the obligation to exercise conversion rights or options make use of their option or conversion rights or, insofar as they are obliged to exercise their conversion rights or options, fulfil their obligation to exercise their conversion or option obligations and have not used existing shares or a cash payment for performance purposes.

The new shares that are issued by virtue of the exercise of option or conversion rights or by performance of the duty of conversion or option shall participate in the profits from the start of the financial year in which they are issued.

The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT passed a resolution on 25 August 2011 to use the authorisation granted by the Annual General Meeting of 14 May 2010 to buy back the company's own shares. Pursuant to the buyback resolution, a total of up to 3,068,581 shares may be repurchased. The buyback commenced as of 26 August 2011. By 31 December 2011 some 1,805,048 shares had been bought back in a nominal amount of € 4,693,124.80. This is the equivalent of 2.3% of the voting rights. The shares purchased may be used for all purposes stated in the authorisation granted by the Annual General Meeting; in this connection, particular mention must be made of their use as payment for acquisitions.

Capital provision

The capital reserves of DMG MORI SEIKI AKTIENGESELLSCHAFT include the premium from the issue of shares in financial year 2013 of € 231,963,087. As of the balance sheet date, the value of the premium totalled € 497,533,565 (previous year: € 265,570,478).

Revenue provisions

Statutory provisions

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

Provisions for shares of a controlling enterprise

Pursuant to Section 272(4)(1) German Commercial Code (HGB) a provision has to be set up for shares in a controlling company. The amount to be transferred to this provision shall correspond to the amount recognised as an asset for shares in a controlling company. As at 31 December 2013, this amount was € 94,019,900. These provisions may be created from existing distributable provisions, accordingly an allocation is made from other revenue provisions, which are not committed pursuant to the articles of association.

Other revenue provisions

The other revenue provisions are € 77,885,915 (previous year: € 171,905,815).

Proposed appropriation of profits

The financial year 2013 of DMG MORI SEIKI AKTIENGESELLSCHAFT closes with a profit for the year of € 35,229,452.64. It will be proposed to the annual general meeting on 16 May 2014 that, taking account of the profit carryforward from the previous year of € 4,220,654.91, the net retained profits of € 39,450,107.55 be appropriated as follows:

- to distribute € 38,506,473.00 to the shareholders by payment of a dividend of € 0.50 per share
- to carry the remaining net retained profit of € 943,634.55 forward to new account.

DEVELOPMENT OF NET RETAINED PROFIT	€ K
Net retained profit at 31 Dec. 2012	24,648
Dividend distribution	20,427
Annual profit 2013	35,229
Net retained profit at 31 Dec. 2013	**39,450**

For the amount of the deferred tax assets of € 7,837,327 (previous year: € 9,019,449) pursuant to Section 268(8) German Commercial Code (HGB) there is a restriction on distribution with respect to the annual earnings insofar as the freely available reserves are not sufficient to cover the basic amount that is barred from distribution. However, as the current freely available other revenue reserves of € 77,886 K exceed the amount of the deferred tax assets of € 7,837 K, there is no restriction on distribution according to Section 268(8) HGB for the net retained profits.

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 4.90% p.a. and a pension increase of 2.00% 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 SEIKI AKTIENGESELLSCHAFT exercised the option under Art. 67(1)(1) of the Introductory Act on the German Commercial Code (EGHGB). Art. 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 € 3,228 K. Of this, as in the previous year, in financial year 2013 one-fifteenth (€ 212 K) (previous year: € 212 K) was recognised as an expense and recognised under extraordinary expense. An amount of € 2,330 K remains from this obligation for non-established provisions for subsequent years.

10 PROVISIONS FOR TAXES

Tax provisions include liabilities for corporation tax and trade tax of € 11,103 K (previous year: € 12,499 K) for the financial year 2013.

11 OTHER PROVISIONS

Other provisions include anticipated bonus payments of € 15,547 K (previous year: € 10,555 K) and expenses for other personnel expenses in an amount of € 3,810 K (previous year: € 2,656 K), of these severance payments accounted for € 2,630 K (previous year: € 1,630 K). Further a provision for anticipated losses is included of € 3,544 K (previous year: € 9,054 K) from the ineffectiveness of an interest rate hedging instrument (interest rate swap). Additionally, other provisions include expense for legal, advisory and annual financial statement costs of € 1,621 K (previous year: € 1,621 K), provisions for Supervisory Board members' remuneration of € 976 K (previous year: € 897 K) and other provisions of € 139 K (previous year: € 70 K).

12 LIABILITIES

		Statement of financial position as of 31 Dec. 2013	of which residual term up to 1	of which residual term 1 to 5 years	of which residual term more than 5 years	Statement of financial position as of 31 Dec. 2012
		€ K	€ K	€ K	€ K	€ K
1.	Bank loans and overdrafts	0	0	0	0	564
2.	Trade payables	6,832	6,832	0	0	3,527
3.	Liabilities to affiliated companies	383,476	383,476	0	0	367,556
4.	Other liabilities [1]	7,341	7,311	30	0	7,636
		397,649	397,619	30	0	379,283
Outstanding in each maturity period at 31 Dec. 2012			**378,807**	**404**	**72**	**379,283**

1) of which from taxes: € 2,308 K (previous year: € 4,101 K), accrued interest payments: € 394 K (previous year: € 1,020 K)

The short and medium-term working capital needs of DMG MORI SEIKI 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. Our syndicated credit facility with a volume totalling € 450.0 million has a term until 2016. It comprises a cash tranche of € 200.0 million and an aval tranche of € 250.0 million. The syndicated loan will bear interest depending on the current money market interest rate (1 to 6-month EURIBOR) plus a premium of a maximum of 2.30%.

Under the financing agreements for the syndicated loan, DMG MORI SEIKI AKTIENGESELLSCHAFT is obliged to comply with covenants.

For the refinancing the lending banks have completely waived the collateral requirement for the syndicated credit facility. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen GmbH, a+f GmbH, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z.o.o. and GILDEMEISTER Italiana S.p.A. are guarantors for the loan agreement.

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	31 Dec. 2013 € K	31 Dec. 2012 € K
Guarantees	490,781	399,797
Warranties	79,387	73,992
	570,168	**473,789**
OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE		
within 1 year	315	337
within 1 to 5 years	244	243
after 5 years	0	0
	559	**580**

The guarantees of DMG MORI SEIKI AKTIENGESELLSCHAFT include maximum-amount guarantees for affiliated companies of € 16,664 K (previous year: € 24,391 K) and payment sureties of € 76,884 K (previous year: € 78,574 K). The corresponding bank liabilities are value-dated as of 31 December 2013 at € 6,208 K (previous year: € 7,565 K). DMG MORI SEIKI AKTIENGESELLSCHAFT was jointly and severally liable for liabilities of € 144,095 K (previous year: € 154,095 K) as of the balance sheet date.

An amount of € 3,925 K (previous year: € 7,442 K) was given as prepayment guarantees to customers of several group companies.

DMG MORI SEIKI 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 SEIKI AKTIENGESELLSCHAFT. As of 31 December 2013 the amount availed of was € 149,529 K (previous year: € 109,343 K).

Moreover, DMG MORI SEIKI AKTIENGESELLSCHAFT has issued comfort letters for GILDEMEISTER Italiana S.p.A., Sauer GmbH, a+f GmbH, DMG Mori Seiki Benelux B.V., DMG Mori Seiki Malaysia SDN BHD, DMG Asia PTE, FAMOT Pleszew Sp.z o.o. and DMG Mori Seiki Benelux B.V.B.A totalling € 18,152 K. The liabilities in this respect were valued at € 545 K as at 31 December 2013.

The probability of any imminent claim by the beneficiaries based on previous experience is considered to be very slight in our estimation.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The notional amount and fair market values of derivative financial instruments existing at the balance sheet date are set out below:

	Nominal volume		Fair value	
	31 Dec. 2013	31 Dec. 2012	31 Dec. 2013	31 Dec. 2012
	€ K	€ K	€ K	€ K
Forward foreign exchange contracts	317,879	188,574	−351	−214
Interest rate swaps	60,000	200,000	−3,782	−9,871
	377,879	388,574	−4,133	−10,085

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 € −351 K (previous year: € −214 K) and comprise positive market values of € 4,228 K (previous year: € 2,277 K) and negative market values of € 4,579 K (previous year: € 2,491 K). If the pre-conditions exist, the forward foreign exchange contracts are combined in hedges per currency.

DMG MORI SEIKI AKTIENGESELLSCHAFT enters into intragroup forward foreign exchange transactions with the group companies to the value of anticipated cash flows from order intake as well as receivables in foreign currency from loans to group companies. As a general rule, the term of these transactions is less than one year. The anticipated cash flows are hedged externally with financial institutes.

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 two years as of the balance sheet date and serve to hedge foreign currency receivables from group companies in USD, CAD, SGD, JPY, GBP, AUD and PLN. In the previous year, DMG MORI SEIKI AKTIENGESELLSCHAFT concluded interest rate swaps with a volume of € 200,000 K. Interest rate swaps with a volume of € 140,000 K expired in the reporting period. As at 31 December 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT still had one interest rate swap for a notional amount of € 60,000 K with a hedged interest rate of 4.79% and a term until 29 May 2015. The remaining interest rate swaps bind DMG MORI SEIKI AKTIENGESELLSCHAFT to pay a fixed interest rate for the term on the volume concluded. In exchange, DMG MORI SEIKI AKTIENGESELLSCHAFT receives the payment of a 6-month EURIBOR from the contractual partner to the interest rate swap. As of 31 December 2013, the negative market value (dirty fair value) was € 3,782 K. Of these, € 3,544 K (clean fair value) are recognised in other provisions and € 238 K (deferred interest) are recognised in other liabilities.

DMG MORI SEIKI AKTIENGESELLSCHAFT had the following two types of hedges in the financial year just ended:

		Underlying transaction			Hedging instrument			
No	Risk	Type of underlying transaction	**Nominal amount (balanced) € million**	**Hedge ratio in %**	Type of hedge instrument	**Nominal amount (balanced) € million**	Type of hedge	Accounting method
1	Currency risk (USD, GBP, CAD, SGD, JPY)	Internal forward foreign exchange contracts (mapping of order intake and supplier payables at subsidiaries)	91.3	95.3	external forward foreign exchange contracts	87.0	Portfolio hedge	Gross hedge presentation method
2	Currency risk (USD, GBP, CZK, JPY, SGD, CHF, DKK, SEK, PLN)	Internal foreign currency loans	45.3	88.5	external forward foreign exchange contracts	40.1	Portfolio hedge	Gross hedge presentation method

Due to the conformity of significant features of a hedge transaction, the changes in value or cash flows largely offset each other. Unrealised losses, which are not offset by any unrealised profits of the same amount, have been recognised as expense. The hedge exists in each case for the entire term of the underlying transaction. To test effectiveness, the dollar offset method is used.

15 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

In financial year 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT only concluded transactions at customary market conditions with related companies and persons. In financial year 2013, an amount of € 729 K for consulting services rendered was paid to the Institute for Manufacturing Excellence GmbH, which was founded by Prof. Klinkner.

D. Notes to individual items in the Income Statement

16 SALES REVENUES

Sales revenues of € 15,294 K (previous year: € 13,773 K) essentially involve sales arising from the group-wide holding functions.

17 OTHER OPERATING INCOME

Other operating income of € 11,042 K (previous year: € 14,864 K) includes largely foreign exchange and currency gains of € 7,841 K (previous year: € 8,599 K) as well as income from cost allocations and cost refunds of € 2,718 K (previous year: € 4,210 K). In addition, here is included income for other accounting periods from the reversal of provisions of € 31 K (previous year: € 1,360 K).

18 PERSONNEL EXPENSES

For financial year 2013, the employee pension plan expense totalled € 2,553 K (previous year: € 1,170 K). The total benefits for the enlarged Executive Board with the additional member amounted to € 13,657 K. Direct remuneration of the members of the Executive Board was € 12,595 K (previous year: € 9,005 K). Of this, € 2,673 K was allocated to the fixed remuneration (previous year: € 2,410 K), € 3,166 K (previous year € 955 K) to the LTI and € 5,400 K to the STI (previous year: € 4,500 K). The STI thus takes account of the target achievement of the Executive Board. As individual performance remuneration € 1,200 K (previous year: € 1,000 K) was awarded. Indirect remuneration of the Executive Board was € 1,062 K. Benefits in kind accounted for € 156 K (previous year: € 140 K).

Former members of the Executive Board and their surviving dependants received € 575 K (previous year: € 588 K) in pensions. Pension provisions have been set up for former members of the Executive Board and their surviving dependants of € 7,265 K (previous year: € 7,327 K; value adjusted). From this obligation an amount remains for provisions not recognised of € 1,183 K for subsequent years.

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). Additional disclosures on the remuneration of the Executive Board are located in the management report.

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

	31 Dec. 2013	31 Dec. 2012
Salary earners	87	74

19 OTHER OPERATING EXPENSES

Other operating expenses result from expense for the capital increase of € 11,762 K (previous year: € 2,000 K), for external services of € 6,123 K (previous year: € 5,487 K), expenses for legal and consultancy fees and costs for the preparation of the annual accounts of € 5,254 K (previous year: € 4,956 K), investor and public relations expenses of € 2,992 K (previous year: € € 2,491 K), travel and entertaining expenses of € 2,392 K (previous year: € 2,331 K), insurance contributions of € 1,835 K (previous year: € 1,540 K), and rental and lease expenses of € 680 K (previous year: € 783 K). Exchange and currency losses of € 7,319 K (previous year: € 7,845 K) were set off against exchange and currency gains of € 7,841 K (previous year: € 8,599 K). Other operating expenses include expenses unrelated to the accounting period of € 749 K (previous year: € 53 K).

Auditor’s fees and services

In the financial year 2013, the fees of the auditor of the financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, were recognised as expense of € 374 K (previous year: € 333 K) and include the fees and expenses for the statutory audit of the annual and consolidated financial statements. In addition, for other assurance or assessment services € 944 K (previous year: € 3 K) and for other services € 1,255 K (previous year: € 1,041 K) were recognised in expense. Of this, tax advisory services accounted for € 492 K (previous year: € 267 K).

Remuneration of the Supervisory Board

In the financial year 2013, € 976 K (previous year: € 897 K) were allocated to provisions for Supervisory Board members’ remuneration. Further details of the remuneration of the Supervisory Board are given in the Group Management Report.

20 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

DMG MORI SEIKI AKTIENGESELLSCHAFT achieved income from profit and loss transfer agreements of € 97,880 K (previous year: € 91,161 K) from GILDEMEISTER Beteiligungen GmbH and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

21 INCOME FROM EQUITY INVESTMENTS

The income from equity investments of € 1,229 K (previous year: € 1,181 K) relates to the dividend distribution of DMG MORI SEIKI COMPANY LIMITED.

22 OTHER INTEREST AND SIMILAR INCOME

In the reporting period affiliated companies were charge interest to the value of € 23,521 K (previous year: € 23,603 K).

23 INTEREST AND SIMILAR EXPENSES

The interest expense of € 13,437 K (previous year: € 17,866 K) includes interest of € 9,558 K (previous year: € 13,153 K), which has been charged by affiliated companies as well as an interest expense from compounding of provisions of € 672 K (previous year: € 679 K). The remainder of the interest expenses is essentially commitment fees and interest on liabilities to banks.

24 EXTRAORDINARY RESULT

The extraordinary expense originates from adjustments to comply with the German Accounting Law Modernisation Act (BilMoG). In extraordinary expenses of € 212 K (previous year: € 212 K) the amount recognised in expenses in the financial year for allocations to pension provisions due to measurement adjustments in accordance with the BilMoG is disclosed. We refer to our explanatory notes in Section (9) Provisions.

25 TAX ON INCOME AND EARNINGS

Taxes on income and earnings includes expenses unrelated to the accounting period in an amount of € 300 K (previous year: €1,756 K) as well as tax expense of € 25,545 K (previous year: € 22,806 K). In addition, an amount of € 1,182 K (previous year: € 5,569 K) includes deferred tax expenses.

26 STATUTORY NOTIFICATION PURSUANT TO SECTION 26 WPHG

GILDEMEISTER Aktiengesellschaft, Bielefeld, Deutschland, hereby notifies pursuant to Section 26(1) sentence 2 of the German Securities Trading Act (WpHG) that the share of treasury shares held by GILDEMEISTER Aktiengesellschaft (ISIN: DE0005878003; WKN: 587800), fell below the threshold of 3% on 20 August 2013 and as of that date amounted to 2.85% of the voting rights (1,805,048 voting rights).

GILDEMEISTER Aktiengesellschaft hereby announces that the total number of voting rights at the end of the month of August 2013 totalled 63,415,405 voting rights.
The change in the total number of voting rights has been in effect since 20 August 2013.

BlackRock Financial Management, Inc., New York (NY), USA; informed us pursuant to Section 21(1) WpHG by letter of 3 September 2013 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, as of 30 August 2013 fell below the threshold of 3% and amounted to 2.99% (1,902,024 shares). Of these, 2.99% (1,902,024 voting rights) are attributed to it in accordance with Section 22(1) sentence 1 (6) in conjunction with sentence 2 WpHG.

BlackRock Holdco 2, Inc., Wilmington (DE), USA, informed us pursuant to Section 21(1) WpHG by letter of 3 September 2013 that its share of the voting rights in our company as of 30 August 2013 fell below the threshold of 3% and amounted to 2.99% (1,902,024 shares). Of these, 2.99% (1,902,024 voting rights) are attributed to it in accordance with Section 22(1) sentence 1 (6) in conjunction with sentence 2 WpHG.

BlackRock Inc., New York (NY), USA, informed us pursuant to Section 21(1) WpHG by letter of 4 September 2013 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, as of 2 September 2013 fell below the threshold of 3% and amounted to 2.85% (1,805,371 shares). Of these, 2.85% (1,805,371 voting rights) are attributed to it in accordance with Section 22(1) sentence 1 (6) in conjunction with sentence 2 WpHG.

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21(1) WpHG by letter of 23 September 2013 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 17 September 2013 crossed the thresholds of 3%, 5% 10% and 15%, and as of that date amounted to 19.88% (15,665,266 voting rights).

Joh. Berenberg Gossler & Co. KG, Hamburg, Germany, has informed us pursuant to Section 21(1) WpHG by letter of 23 September 2013 that its share of the voting rights in GILDEMEISTER Aktiengesellschaft, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 18 September 2013 fell below the thresholds of 15%, 10%, 5% and 3%, and as of that date amounted to 0% (0 voting rights).

Norges Bank (the Central Bank of Norway), Oslo, Norway, has informed us pursuant to Section 21(1) WpHG by letter of 20 November 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 19 November 2013 crossed the 3% threshold and as of that date amounted to 3.85% (3,035,874 voting rights).

The Ministry of Finance on behalf of the State of Norway, Oslo, Norway, has informed us pursuant to Section 21(1) WpHG by letter of 20 November 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 19 November 2013 crossed the 3% threshold and as of that date amounted to 3.85% (3,035,874 voting rights). The 3.85% voting rights (the equivalent of 3,035,874 voting rights) are assigned to the Ministry of Finance on behalf of the State of Norway from Norges Bank pursuant to Section 22(1) sentence 1 (1) WpHG.

AXA S.A., 25, Avenue Matignon, 75008 Paris, France, has informed us pursuant to Section 21(1) WpHG by letter of 28 November 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 25 November 2013 crossed the 3% threshold and as of that date amounted to 3.04% (2,397,718 voting rights). Of these, 1,767,718 (the equivalent of 2.24%) are assigned to AXA S.A. pursuant to Section 22(1) sentence 1 (1) WpHG and a further 630,000 voting rights (equivalent to 0.8%) pursuant to Section 22(1) sentence 1 (6) in conjunction with sentence 2 WpHG.

Goldman Sachs (UK) L.L.C, Wilmington, Delaware, USA, has informed us pursuant to Section 25a(1) WpHG by letter of 24 September 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 19 September 2013 crossed the 5% threshold and as of that date amounted to 5.003% (3,943,107 voting rights). Of these, 72,495 voting rights (equivalent to 0.092%) are attributed to Goldman Sachs (UK) L.L.C pursuant to Section 25a WpHG, 3,655,000 voting rights pursuant to Section 25 WpHG and another 215,612 voting rights (equivalent to 0.274%) pursuant to Section 21 and Section 22 WpHG.

Goldman Sachs International, London, United Kingdom, informed us pursuant to Section 25a(1) WpHG by letter of 25 September 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 20 September 2013 fell below the 5% threshold and as of that date amounted to 4.97% (3,914,393 voting rights). Of these, 118,935 voting rights (equivalent to 0.15%) are attributed to Goldman Sachs International pursuant to Section 25a WpHG and 3,795,458 voting rights pursuant to Section 25 WpHG.

Goldman Sachs Group Holdings (UK), London, United Kingdom, informed us pursuant to Section 25a(1) WpHG by letter of 25 September 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 20 September 2013 fell below the 5% threshold and as of that date amounted to 4.97% (3,914,393 voting rights). Of these, 118,935 voting rights (equivalent to 0.15%) are attributed to Goldman Sachs International pursuant to Section 25a WpHG and 3,795,458 voting rights pursuant to Section 25 WpHG.

Goldman Sachs Holdings (UK), London, United Kingdom, informed us pursuant to Section 25a(1) WpHG by letter of 25 September 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 20 September 2013 fell below the 5% threshold and as of that date amounted to 4.97% (3,914,393 voting rights). Of these, 118,935 voting rights (equivalent to 0.15%) are attributed to Goldman Sachs International pursuant to Section 25a WpHG and 3,795,458 voting rights pursuant to Section 25 WpHG.

Goldman Sachs Group, Inc, Wilmington, Delaware, USA, has informed us pursuant to Section 25a(1) WpHG by letter of 19 December 2013 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, on 16 December 2013 fell below the 5% threshold and as of that date amounted to 2.29% (1,805,158 voting rights). Of these, 16,893 voting rights (the equivalent of 0.02%) are attributed to the Goldman Sachs Group, Inc. pursuant to Section 25a WpHG, 1,403,829 voting rights pursuant to Section 25 WpHG and a further 384,436 voting rights (equivalent to 0.49%) pursuant to Section 21 and Section 22 WpHG.

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 December 2013 and has been made permanently accessible on our website at www.dmgmoriseiki.com.

Corporate directory

• Supervisory Board mandate pursuant to Section 100 AktG (German Companies Act)
* member of comparable domestic and foreign bodies of business enterprises

Supervisory Board

Prof. Dr.-Ing. Raimund Klinkner,
Gräfelfing, born in 1965,
Chairman since 17 May 2013
Managing partner, INSTITUTE FOR MANUFACTURING EXCELLENCE GmbH
* Terex Corporation, Westport Conneticut, USA, member of Board of Directors

Hans Henning Offen,
Großhansdorf, born in 1940,
Chairman until 17 May 2013,
since 17 May 2013 until
31 December 2013 ordinary member,
independent industry consultant,
* Schwarz Beteiligungs GmbH, Neckarsulm, member of the Advisory Board
* Schwarz Unternehmenstreuhand KG, Neckarsulm, extraordinary member of the Advisory Board

Herman Lochbihler,
Vils, born in 1956,
1st Deputy Chairman since 17 May 2013,
Director of purchasing for
DECKEL MAHO Pfronten GmbH,
Senior Executives' representative

Mario Krainhöfner,
Pfronten, born in 1964,
Deputy Chairman since 28 November 2013,
Group Works Council Chairman of DMG MORI SEIKI AKTIENGESELLSCHAFT, Chairman of the Works Council at DECKEL MAHO Pfronten GmbH

Dr. Helmut Rothenberger,
Frankfurt, born in 1949,
Member and Deputy Chairman
since 4 February 2014,
• REAL AG, Immobiliengesellschaft, Chairman of Supervisory Board,
• AUTANIA AG, Chairman of Supervisory Board,
• Rothenberger AG, Chairman of Supervisory Board,
* Dr. Helmut Rothenberger Holding GmbH, Chairman of the management

Günther-Johann Schachner,
Peiting, born in 1952,
Deputy Chairman and member of Supervisory Board until 17 May 2013,
1st secretary of the IG Metall-Verwaltungsstelle, Weilheim

Prof. Dr. Edgar Ernst,
Bonn, born in 1952,
President of Deutschen Prüfstelle für Rechnungslegung DPR,
• Deutsche Postbank AG, Bonn, member of the Supervisory Board
• Österreichische Post AG, Vienna, member of the Supervisory Board, until June 2013
• Deutsche Annington SE, member of the Supervisory Board, since June 2013
• TUI AG, Hanover, member of the Supervisory Board
• Wincor Nixdorf AG, Paderborn, member of the Supervisory Board

Ulrich Hocker,
Düsseldorf, born in 1950,
General Manager of Deutschen Schutzvereinigung für Wertpapierbesitz e. V.,
• FERI Finance AG, Bad Homburg, deputy chairman of the Supervisory Board
* Phoenix Mecano AG, Kloten, Switzerland, President of the Administrative Board

Prof. Dr.-Ing. Walter Kunerth,
Zeitlarn, born in 1940,
until 17 May 2013,
Independent Industry Consultant,
* Autoliv Inc., Stockholm, Sweden, member of Board of Directors until 31 December 2013

Prof. Dr.-Ing. Berend Denkena,
Hanover, born in 1959,
since 17 May 2013,
Director of the Institute of Production Engineering and Machine Tools (IFW)
Leibniz University Hanover

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

Dietmar Jansen,
Memmingen, born in 1965,
since 17 May 2013,
Director and Treasurer of IG Metall Kempten administrative office – AGCO GmbH

Oliver Grabe,
Bielefeld, born in 1964, until 17 May 2013
Production controller
Member of the Works Council at
GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
Member of Group Works Council of
DMG MORI SEIKI AKTIENGESELLSCHAFT,
Bielefeld

Dr. Constanze Kurz,
Frankfurt am Main, born in 1961,
Political secretary of the Board of IG Metall,
Ressort employment development,
Frankfurt am Main

Matthias Pfuhl,
Schmerbach, born in 1960,
Deputy Chairman of the Group Works Council of DMG MORI SEIKI AKTIENGESELLSCHAFT,
Chairman of the Works Council of
DECKEL MAHO Seebach GmbH

Peter Reinoß,
Bergisch Gladbach, born in 1958,
since 17 May 2013,
Electronic service technician, Works Council Chairman of DMG Vertriebs und Service GmbH,
Member of the Group Workers Council of
DMG MORI SEIKI AKTIENGESELLSCHAFT

Norbert Zweng,
Eisenberg, born in 1957,
until 17 May 2013
Head of Logistics at
DECKEL MAHO Pfronten GmbH,
Senior Executives' representative

Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza,
Bielefeld,
Chairman

Dipl.-Kfm. Dr. Thorsten Schmidt,
Bielefeld,
Deputy Chairman

Dipl.-Ing. Günter Bachmann,
Wutha-Farnroda, until 31 December 2013

Dipl.-Kffr. Kathrin Dahnke,
Bielefeld, until 24 February 2014
Fraport AG, Frankfurt / Main
Member of the Supervisory Board
since May 2013

Dipl.-Kfm. Christian Thönes,
Bielefeld

Dipl.-Kfm. Dr. Maurice Eschweiler,
Bielefeld, since 1 April 2013

Affiliated Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2013 [1] € K
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			240,416	100.0	
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			47,922	100.0	
SAUER GmbH, Stipshausen / Idar-Oberstein [3/7/8]			7,455	100.0	
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			73	100.0	
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			28	100.0	
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [5]	CNY K	90,428	10,831	100.0	1,406
FAMOT Pleszew Sp.z o. o., Pleszew, Poland [5]	PLN K	219,888	52,930	100.0	14,644
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/5/6]			15,750	100.0	
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy [5]			57,122	100.0	−6,617
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			43,856	100.0	−8,507
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			22,695	100.0	4,047
DMG Service Drehen Italia S.r.l., Brembate di Sopra (Bergamo), Italy [9]			789	100.0	209
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [9] (former: a+f Italia S.r.l.)			1,355	100.0	−837
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			30,363	100.0	
DMG Electronics GmbH, Pfronten [3/5/6]			500	100.0	
DMG MORI SEIKI Spare Parts GmbH, Geretsried [3/4/5/6] (former: DMG Spare Parts GmbH)			19,000	100.0	
Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5]	RUB K	534,105	11,784	100.0	−709
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			27	100.0	25
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			97	100.0	14
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [2/3/4]			155,163	100.0	
DMG MORI SEIKI Deutschland GmbH, Leonberg [3/4/10/11]			45,000	100.0	
DMG MORI SEIKI München Vertriebs und Service GmbH, Munich [3/4/12/13]			929	100.0	
DMG MORI SEIKI Hilden Vertriebs und Service GmbH, Hilden [3/4/12/13]			935	100.0	
DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH, Bielefeld [3/4/12/13]			957	100.0	

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2013 [1] € K
DMG MORI SEIKI Berlin Vertriebs und Service GmbH, Berlin [3/4/11/12]			301	100.0	
DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH, Bad Homburg [3/4/12/13]			610	100.0	
DMG MORI SEIKI Hamburg Vertriebs und Service GmbH, Hamburg [3/4/12/13]			200	100.0	
DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH, Leonberg [3/4/12/13]			4,299	100.0	
DMG MORI SEIKI Services GmbH, Bielefeld [3/4/10/11]			8,830	100.0	
DMG Microset GmbH, Bielefeld [3/4/14/15]			1,405	100.0	
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [3/4/14/15]			1,508	100.0	
DMG Service Fräsen GmbH, Pfronten [3/4/14/15]			2,730	100.0	
DMG MORI SEIKI Academy GmbH, Bielefeld [3/4/14/15] (former: DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER)			2,771	100.0	
DMG Automation GmbH, Hüfingen [3/4/14/15]			1,486	100.0	
DMG MORI SEIKI Used Machines GmbH, Geretsried [3/4/10/11] (former: DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER)			17,517	100.0	
DMG Netherlands B.V., Veenendaal, Netherlands [10]			194,904	100.0	35,907
DMG Holding AG, Dübendorf, Switzerland [16]			180,843	100.0	−2,269
DMG MORI SEIKI Europe AG, Dübendorf, Switzerland [17]			231,240	60.0	4,350
DMG / MORI SEIKI Austria International GmbH, Klaus, Austria [18]			917	100.0	2,180
DMG / MORI SEIKI Austria GmbH, Klaus, Austria [19]			5,547	100.0	−105
DMG / MORI SEIKI BENELUX B.V., Veenendaal, Netherlands [18]			3,948	100.0	675
DMG – MORI SEIKI Benelux BVBA – SPRL., Zaventem, Belgium [18]			1,818	100.0	390
DMG MORI SEIKI Czech s.r.o., Brno, Czech Republik [18]	CZK K	85.052	3,101	100.0	1,247
DMG MORI SEIKI DENMARK ApS, Copenhagen, Denmark [18]	DKK K	6.830	916	100.0	248

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2013 [1] € K
DMG MORI SEIKI FRANCE SAS, Paris, France [18]			10,024	100.0	20,223
DMG / MORI SEIKI Hungary Kereskedelmi és Szerviz Kft., Budapest, Hungary [18]			3,174	100.0	1,067
DMG MORI SEIKI IBERICA S.L.U., Ripollet, Spain [18]			8,112	100.0	1,482
DMG MORI SEIKI Italia S.r.l., Milan, Italy [18]			35,594	100.0	−159
Micron S.p.A., Veggiano, Italy [20]			3,497	100.0	30
DMG MORI SEIKI MIDDLE EAST FZE, Dubai, United Arab Emirates [18]	AED K	2,647	523	100.0	272
DMG / MORI SEIKI POLSKA Sp. z o.o., Pleszew, Poland [18]	PLN K	22,498	5,415	100.0	1,232
DMG MORI SEIKI Schweiz AG, Dübendorf, Switzerland [18]	CHF K	10,089	8,219	100.0	1,408
DMG / MORI SEIKI South East Europe M.E.P.E., Thessaloniki, Greece [18]			158	100.0	−19
DMG Mori Seiki Sweden AB, Gothenburg, Sweden [18]	SEK K	59,552	6,722	100.0	403
DMG Scandinavia Norge AS, Langhus, Norway [18]	NOK K	8,411	1,006	100.0	29
DMG MORI SEIKI UK Limited, Luton, Great Britain [18]	GBP K	16,292	19,541	100.0	2,668
MORI SEIKI (UK) Limited, Coventry, Great Britain [21]	GBP K	3,500	4,198	100.0	0
DMG MORI SEIKI ROMANIA S.R.L., Bukarest, Romania [18]	RON K	9,837	2,200	100.0	363
DMG Europe Holding AG, Dübendorf, Switzerland [17]			8,707	100.0	8,624
DMG MORI SEIKI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [22]	TRY K	14,795	4,997	100.0	1,503
DMG Russland o.o.o., Moskau, Russia [22]	RUB K	248,512	5,483	100.0	1,818
DMG MORI SEIKI CANADA INC., Toronto, Canada [17]	CAD K	0	0	51.0	0
DMG Canada Inc., Toronto, Canada [17]	CAD K	4,142	2,823	100.0	592
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	21	100.0	0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	21	100.0	0
DMG Nippon K.K., Yokohama, Japan [17]	JPY K	268,006	1,852	100.0	10
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brazil [17]	BRL K	2,557	785	100.0	−815
DMG ECOLINE AG, Dübendorf, Switzerland [17]			1,461	100.0	488

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2013 [1] € K
Cellstrom GmbH, Klaus, Austria [16] (former: DMG Europe Holding GmbH)			74,000	100.0	22,277
DMG ECOLINE GmbH, Klaus, Austria [23]			3,339	100.0	18
DMG Mori Seiki South East Asia Pte. Ltd., Singapore [23]	SGD K	25,740	14,781	51.0	398
DMG (Thailand) Co. Ltd., Bangkok, Thailand [24]	THB K	2,750	61	100.0	19
DMG Mori Seiki (Malaysia) SDN BHD, Shan Alam / Selangor, Malaysia [24]	MYR K	11,747	2,598	100.0	149
DMG Mori Seiki (Vietnam) Co. Ltd., Hanoi, Vietnam [24]	VND K	14,583,715	502	100.0	44
DMG America Inc., Itasca, USA [23]	USD K	39,834	28,891	100.0	−226
DMG MORI SEIKI MEXICO S.A. de C.V., Queretaro, Mexico [25]	MXN K	70,338	3,892	51.0	757
DMG Los Angeles Inc., Los Angeles, USA [25]	USD K	333	241	100.0	0
DMG Asia Pte. Ltd., Singapore [23]			20,182	100.0	120
DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED, Bangalore, India [10]	INR K	594,640	6,963	51.0	−873
DMG MORI SEIKI (Taiwan) Co. Ltd., Taichung, Taiwan [10]	TWD K	99,605	2,413	100.0	336
DMG MORI SEIKI KOREA CO., LTD., Siheung-si / Gyeonggi-do, Korea [10]	KRW K	8,246,582	5,684	100.0	467
DMG MORI SEIKI Machine Tools Trading Co., Ltd., Shanghai, China [10] (former: DMG Technology Trading (Shanghai) Co.Ltd.)	CNY K	90,927	10,891	100.0	1,869
a+f GmbH, Wurzburg [3/4/10/11]			52,100	100.0	
GILDEMEISTER energy efficiency GmbH, Stuttgart [26]			46	60.0	−185
GILDEMEISTER ENERGY SERVICES IBERICA, SOCIEDAD LIMITADA, Madrid, Spain [26] (former: AF Sun Carrier Iberica S.L.)			−323	100.0	−349
Green Energy Babice s.r.o., Babice, Czech Republic [26]	CZK K	−32,741	−1,194	100.0	−393
Simon Solar, S.r.l., Milan, Italy [26]			933	100.0	185
Rena Energy S.r.l., Milan, Italy [26]			665	100.0	205
Winch Puglia Foggia S.r.l., Milan, Italy [26]			971	100.0	370
Cucinella S.r.l., Milan, Italy [26]			167	100.0	71
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [26] (former: Solar Power Puglia S.r.l.)			−25	100.0	−36

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2013 [1] € K
Jointly-controlled entities (joint Ventures)					
DMG / Mori Seiki Australia PTY LTD, Clayton Victoria, Australia	AUD K	5,329	3,455	50.0	
SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India	INR K	60,000	703	50.0	
Associates					
MG Finance GmbH, Wernau			19,373	42.6	
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	6,390,918	44,161	44.1	
Magnescale Europe GmbH, Wernau			537	44.1	
Magnescale Americas, Inc. Davis, USA	USD K	789	572	44.1	
Other equity investments					
Mori Seiki Co. Ltd, Nagoya, Japan				9.6	
Mori Seiki Manufacturing USA, Inc., Davis, USA				19.0	

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 at the market price on reporting date.
2) Management and profit and loss transfer agreement with DMG MORI SEIKI AKTIENGESELLSCHAFT
3) The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) 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 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the preparation of a management report.
5) Equity investment of GILDEMEISTER Beteiligungen GmbH
6) Management and profit and loss transfer agreement with GILDEMEISTER Beteiligungen GmbH
7) Equity investment of DECKEL MAHO Pfronten GmbH
8) Management 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) Management and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
12) Equity investment of DMG MORI SEIKI Deutschland GmbH
13) Management and profit and loss transfer agreement with DMG MORI SEIKI Deutschland GmbH
14) Equity investment of DMG MORI SEIKI Services GmbH
15) Management and profit and loss transfer agreement with DMG MORI SEIKI Services GmbH
16) Equity investment of DMG Netherlands B.V.
17) Equity investment of DMG Holding AG
18) Equity investment of DMG MORI SEIKI Europe AG
19) Equity investment of DMG / MORI SEIKI Austria International GmbH
20) Equity investment of DMG MORI SEIKI Italia S.r.l.
21) Equity investment of DMG MORI SEIKI (UK) Limited
22) Equity investment of DMG Europe Holding AG
23) Equity investment of Cellstrom GmbH
24) Equity investment of DMG Mori Seiki South East Asia Pte. Ltd.
25) Equity investment of DMG America Inc.
26) Equity investment of a+f GmbH

Income Statement for the period 01 January to 31 December 2013 of DMG MORI SEIKI AKTIENGESELLSCHAFT

		Notes	2013 €	2012 €
1.	Sales revenues	16	15,294,099	13,773,154
2.	Other operating income	17	11,042,041	14,863,924
			26,336,140	28,637,078
3.	Cost of materials			
	a) Cost of purchased goods		49,938	80,646
	b) Cost of purchased services		2,249,470	2,326,336
			2,299,408	2,406,982
4.	Employee expenses	18		
	a) Wages and salaries		22,999,807	18,133,185
	b) Social contributions, pensions and other benefits		3,564,871	2,120,594
			26,564,678	20,253,779
5.	Depreciation of tangible and intangible assets		2,433,202	1,824,530
6.	Other operating expenses	19	41,846,963	30,858,537
7.	Income from profit and loss transfer agreements	20	97,880,475	91,160,890
8.	Income from investments	21	1,229,063	1,181,451
9.	Other interest receivable and similar income	22	23,604,258	23,922,424
10.	Interest payable and similar expenses	23	13,437,203	17,865,649
11.	Profit on ordinary activities		62,468,482	71,692,366
12.	Extraordinary expense		211,849	211,849
13.	Extraodinary result	24	−211,849	−211,849
14.	Tax on income	25	27,027,180	26,619,640
15.	Net profit		35,229,453	44,860,877
16.	Profit carryforward from previous year		4,220,655	2,186,896
17.	Appropriation to other revenue provisions		0	22,400,000
18.	**Net profit for the year**		**39,450,108**	**24,647,773**

Balance Sheet as at 31 December 2013
of DMG MORI SEIKI AKTIENGESELLSCHAFT

ASSETS	Notes	31 Dec. 2013 €	31 Dec. 2013 €	31 Dec. 2012 €
A. Fixed assets	1			
I. Intangible assets				
Industrial property and similar rights and values and licences to such rights and values			5,393	13,522
II. Tangible assets	1			
1. Land and building		20,094,408		18,914,139
2. Other equipment, factory and office equipment		13,431,965		10,076,432
3. Payments on account and construction in progress		4,862,296		4,029,285
			38,388,669	33,019,856
III. Financial assets	2			
1. Shares in affiliated companies		417,953,026		415,453,026
2. Investments		158,041,184		51,131,401
			614,388,272	499,617,805
B. Current assets				
I. Receivables and other assets	3			
1. Receivables from affiliated companies		455,035,574		440,357,195
2. Other assets		11,340,865		6,027,734
			466,376,439	446,384,929
II. Cash assets and bank balances	4		263,306,669	83,520,028
C. Prepaid expenses	5		**253,787**	**44,394**
D. Deferred tax assets	6		**7,837,327**	**9,019,449**
E. Assets arising from the overfunding of pension obligations	7		**1,454,213**	**2,126,486**
			1,353,616,707	**1,040,713,091**

EQUITY AND LIABILITIES	Notes	31 Dec. 2013 €	31 Dec. 2013 €	31 Dec. 2012 €
A. Equity	8			
I. Subscribed capital		204,926,785		156,437,432
Treasury shares		−4,693,125	200,233,660	−4,693,125
II. Capital provision			497,533,565	265,570,478
III. Revenue provision				
1. Statutory provision			680,530	680,530
2. Provisions for shares of a controlling company			94,019,900	0
3. Other revenue provision		93,878,930		187,898,830
Treasury shares		−15,993,015	77,885,915	−15,993,015
IV. Net profit			39,450,108	24,647,773
			909,803,678	614,548,903
B. Provisions				
1. Pension provisions	9	9,424,040		9,523,074
2. Tax provisions	10	11,103,000		12,498,631
3. Other provisions	11	25,637,473		24,859,918
			46,164,513	46,881,623
C. Liabilities	12			
1. Liabilities to banks		0		563,613
2. Trade payables		6,831,681		3,526,603
3. Amounts owned to affiliated companies		383,476,115		367,555,996
4. Other liabilities		7,340,720		7,636,353
			397,648,516	379,282,565
			1,353,616,707	**1,040,713,091**

Fixed Asset Movement Schedule as at 31 December 2013
of DMG MORI SEIKI AKTIENGESELLSCHAFT

AQUISITION AND PRODUCTION COSTS

I. Intangible assets
Industrial property and similar rights and
values and licences to such rights and values
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. Investments
Total fixed assets

DEPRECIATION

I. Intangible assets
Industrial property and similar rights and values and licences to such rights and values
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. Investments
Total fixed assets

As at 01 Jan. 2013 €	Additions €	Disposals €	Book Transfer €	**As at 31 Dec. 2013 €**
17,549,959	1,910	0	0	17,551,869
17,549,959	**1,910**	**0**	**0**	**17,551,869**
40,434,210	1,154,363	0	1,159,065	42,747,638
19,316,951	1,886,133	3,291	2,762,695	23,962,488
4,029,285	4,779,771	25,000	−3,921,760	4,862,296
63,780,446	**7,820,267**	**28,291**	**0**	**71,572,422**
415,453,026	2,500,000	0	0	417,953,026
51,131,401	106,909,783	0	0	158,041,184
466,584,427	**109,409,783**	**0**	**0**	**575,994,210**
547,914,832	**117,231,960**	**28,291**	**0**	**665,118,501**

			CARRYING AMOUNT	
As at 01 Jan. 2013 €	Additions €	**As at 31 Dec. 2013 €**	**As at 31 Dec. 2013 €**	As at 31 Dec. 2012 €
17,536,437	10,039	17,546,476	5,393	13,522
17,536,437	10,039	**17,546,476**	**5,393**	**13,522**
21,520,071	1,133,159	22,653,230	20,094,408	18,914,139
9,240,519	1,290,004	10,530,523	13,431,965	10,076,432
0	0	0	4,862,296	4,029,285
30,760,590	**2,423,163**	**33,183,753**	**38,388,669**	**33,019,856**
0	0	0	417,953,026	415,453,026
0	**0**	0	158,041,184	51,131,401
0	0	0	575,994,210	466,584,427
48,297,027	**2,433,202**	**50,730,229**	**614,388,272**	**499,617,805**

Responsibility Statement

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

Bielefeld, 24 February 2014
DMG MORI SEIKI AKTIENGESELLSCHAFT
The Executive Board

Rüdiger Kapitza
Dipl.-Kfm. Dr. Rüdiger Kapitza

Dipl.-Kfm. Dr. Thorsten Schmidt

Dipl.-Kffr. Kathrin Dahnke

Dipl.-Kfm. Christian Thönes

M. Eschweiler
Dipl.-Kfm. Dr. Maurice Eschweiler

Auditor's Report

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of DMG MORI SEIKI AKTIENGESELLSCHAFT, Bielefeld, (until 10 October 2013: GILDEMEISTER Aktiengesellschaft) the financial year from 1 January to 31 December 2013. The maintenance of the books and records and the preparation of the financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and, as a whole, provides a suitable view of the company's position and suitably presents the opportunities and risks of future development.

Berlin, 10 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Tonne	Bröker
Auditor	Auditor

Financial Calendar

12 March 2014	Press Conference of the Balance Sheet, Dusseldorf
12 March 2014	Publication of the Annual Report 2013
13 March 2014	Society of Investment Professionals in Germany (DVFA) Analysts' Conference, Frankfurt
06 May 2014	First Quarterly Report 2014 (1 January to 31 March)
16 May 2014	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld
19 May 2014	Dividend Distribution
31 July 2014	Second Quarterly Report 2014 (1 April to 30 June)
28 Oct. 2014	Third Quarterly Report 2014 (1 July to 30 September)
08 May 2015	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld

SUBJECT TO ALTERATION

Forward-looking statements

This report contains forward-looking statements, which are based on current estimates of the management regarding future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors that could cause the actual circumstances including the results of operations, financial position and net worth of DMG MORI SEIKI AKTIENGESELLSCHAFT to differ materially from or be more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI SEIKI AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may likewise render a forward-looking statement, estimate or forecast inaccurate.

DMG MORI SEIKI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in major business areas as well as the consequences of a recession) as these directly impact 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 SEIKI 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 more depressed by a persistently, unfavourable market environment than we expect 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 and further decline in the capital markets and a deterioration in the conditions for the credit business and in particular in the growing uncertainties that arise from the financial market and liquidity crises including that of the euro debt crisis as well as 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 the DMG MORI SEIKI group; changes in corporate strategy; interruptions in the supply chain, including the inability of a third party, for example due to a natural catastrophe, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other acts of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI SEIKI AKTIENGESELLSCHAFT and various other factors. Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI SEIKI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI SEIKI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any events or developments occurring after the end of 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 SEIKI": DMG MORI SEIKI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI SEIKI COMPANY LIMITED with registered office in Nagoya, Japan. This report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT. If reference is made in this report to the "DMG MORI SEIKI group", this refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT and its group companies.

DMG MORI SEIKI AKTIENGESELLSCHAFT
Gildemeisterstraße 60
D-33689 Bielefeld
Local Court HRB 7144
Phone: +49 (0) 52 05 / 74-3001
Fax: +49 (0) 52 05 / 74-3081
Internet: www.dmgmoriseiki.com
E-Mail: info@dmgmoriseiki.com