DMG MORI SEIKI

AKTIENGESELLSCHAFT

Annual Report 2014

IDENTIFY THE CHANCES SHAPE THE FUTURE

The DMG MORI SEIKI group in brief

The DMG MORI SEIKI group is a leading producer worldwide of cutting machine tools and offers innovative services for the entire life cycle of a machine. With a wide-ranging portfolio, which also includes software and energy solutions, our company has a diverse and well-developed customer structure in various industries.

Business operations are subdivided into the “Machine Tools” and “Industrial Services” segments. The “Machine Tools“ segment comprises the divisions Turning, Milling, Advanced Technologies (Ultrasonic / Lasertec) and the ECOLINE product range, as well as our Electronics and Systems products. The “Industrial Services” segment includes the Services and Energy Solutions divisions.

Our company’s success is sustained by 7,166 employees. In total, 154 national and international sales and service locations bearing the worldwide brand name of DMG MORI maintain direct contact with our customers. Together with our cooperation partner, DMG MORI SEIKI COMPANY LIMITED, we are present on all the major markets worldwide.

KEY FIGURES ___ The Consolidated Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT as at 31 December 2014 were prepared in accordance with the International Financial Reporting Standards (IFRS), as they have to be applied in the European Union. This financial report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT and its affiliated companies in the group (in the following referred to as the DMG MORI SEIKI group).

01 **DMG MORI SEIKI GROUP**

	2014 **€ million**	2013 € million	Changes 2014 against 2013 € million	%
Sales revenues				
Total	2,229.0	2,054.2	174.8	9
Domestic	779.2	676.5	102.7	15
International	1,449.8	1,377.7	72.1	5
% International	65	67		
Order intake				
Total	2,331.4	2,101.1	230.3	11
Domestic	814.5	705.8	108.7	15
International	1,516.9	1,395.3	121.6	9
% International	65	66		
Order backlog *				
Total	1,134.3	1,031.9	102.4	10
Domestic	312.8	277.5	35.3	13
International	821.5	754.4	67.1	9
% International	72	73		
Investments	159.0	213.5	−54.5	−26
whereof tangible assets / intangible assets	136.9	106.6	30.3	28
Personnel costs	506.1	465.2	40.9	9
Personnel quota in %	22.4	22.6		
Employees	6.918	6,497	421	6
Plus trainees	248	225	23	10
Total employees *	7,166	6,722	444	7
EBITDA	232.5	193.9	38.6	20
EBIT	182.6	147.6	35.0	24
EBT	175.3	135.0	40.3	30
Annual result	121.1	93.2	27.9	30

* Reporting date 31 December

Page reference

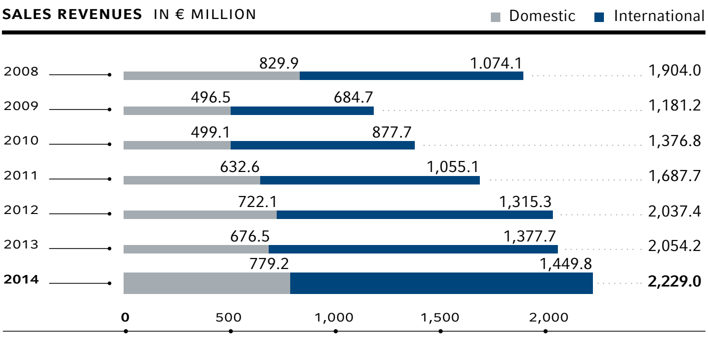
P — Page reference for further information in the Annual Report

G — Reference to a diagram or table providing visual represenation

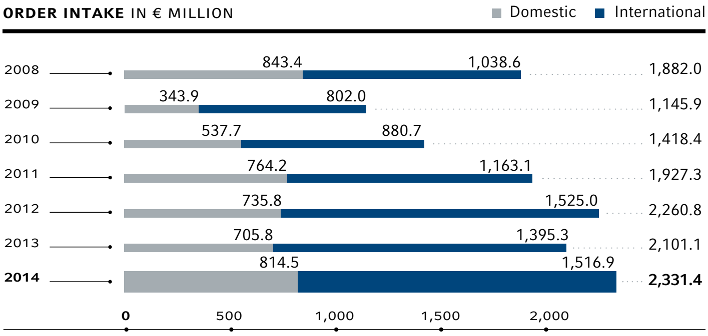
I — Reference to further / updated Information in the internet

KEY FIGURES

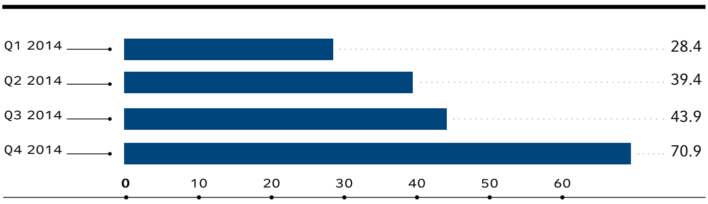
02 **SALES REVENUES** IN € MILLION



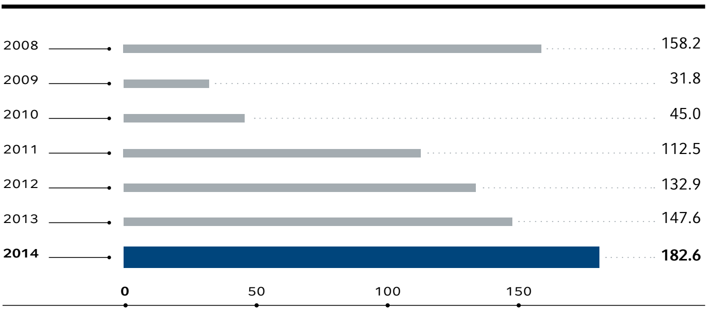
03 **ORDER INTAKE** IN € MILLION



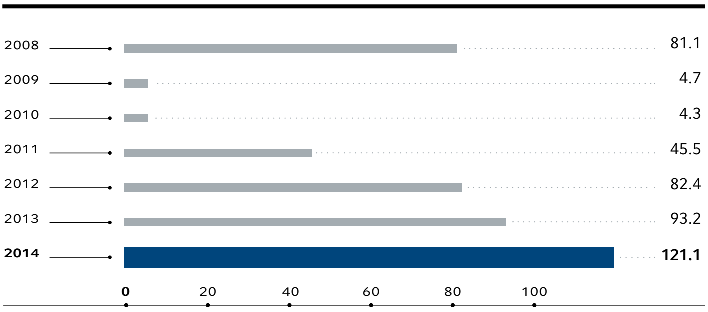
04 **QUARTERLY RESULTS (EBIT)** IN € MILLION



05 **EBIT** IN € MILLION



06 **ANNUAL RESULT** IN € MILLION



ANNUAL REPORT 2014

TO OUR SHARE-HOLDERS

Prof. Dr.-Ing. Raimund Klinkner (50)

has been the chairman of the Supervisory Board since 17 May 2013. After graduating in mechanical engineering from the Technische Universität München (Technical University of Munich), Prof. Dr.-Ing. Klinkner initially worked in the automotive industry. From 1998 until 2006 he was a member of the Executive Board of GILDEMEISTER Aktiengesellschaft – and from 2003 deputy chairman of the Executive Board; he was responsible for production, logistics and IT. In the years 2007 to 2011 he took over the chair of the Executive Board of Knorr-Bremse AG in Munich. Since 2012, Prof. Dr.-Ing. Klinkner has been a managing partner of the "Institute for Manufacturing Excellence" (IMX). He is a lecturer at the Technical University of Berlin and is chairman of the board of the "Bundesvereinigung Logistik e.V." (BVL – the German Logistics Association).

The Supervisory Board closely monitored the business performance and results of the DMG MORI SEIKI group in the financial year 2014. One main focus here was the consolidation of the collaboration with the Japanese cooperation partner DMG MORI SEIKI COMPANY LIMITED. In addition, the Supervisory Board discussed with the Executive Board questions of business policy, the risk situation and risk management, as well as compliance and the development of the group up to 2017, including investments.

Over the course of the reporting year, the Supervisory Board was once again kept informed by the Executive Board promptly, regularly and comprehensively on all processes and events which were of major importance to the company. This was done not only in meetings, but also by telephone and in writing. In addition, the Supervisory Board was notified regularly of the performance of the main key figures of the company.

The Supervisory Board carried out its duties with the utmost care pursuant to the articles of association and statutory requirements, and all members convened as a plenum met a total of four times in the financial year 2014. The chairs of the Supervisory Board committees, who prepared the Supervisory Board meetings regularly by means of numerous meetings, reported regularly to the plenum on the matters reviewed and the recommendations drawn up at committee meetings. There were no conflicts of interests amongst the members of the Supervisory Board during the last business year.

Over the course of the reporting year, the following **personnel changes were made on the Executive Board and the Supervisory Board:** Ms business graduate (Diplom-Kauffrau) Kathrin Dahnke resigned from her post on the Executive Board on 24 February 2014. With effect from 11 March 2014, Mr. business graduate (Diplom-Kaufmann) André Danks was appointed to the Executive Board as a full member for a three year term. He is responsible for the finance division. This includes the areas of central finances, central controlling, investor relations, taxes, accounting and risk management. Furthermore, resolutions were passed for the reappointment of Dr. Rüdiger Kapitza as member and Chairman of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT until 31 December 2017, as well as for the reappointment of Mr. Christian Thönes as member of the Executive Board until 31 December 2017.

With effect from 4 February 2014, Dr. Helmut Rothenberger was appointed to the Supervisory Board, succeeding Mr. Hans Henning Offen, who left on 31 December 2013. The Supervisory Board voted for Dr. Rothenberger as an additional vice-chairman of the Supervisory Board. He is also a member of the Personnel, Nominations and Remuneration Committee.

Present at the **balance sheet meeting on 10 March 2014** were the annual auditors, the entire Executive Board and all members of the Supervisory Board. The Supervisory Board unanimously approved the annual and consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT as at 31 December 2013. Furthermore, the board agreed on the agenda and on the proposal for the appropriation of profits to be made at the 112th Annual General Meeting of the company. The plenary meeting concerned itself with the reports from the Personnel, Nominations and Remuneration Committee, from the Technology and Development Committee and from the Technology Advisory Council. Further topics of discussion included business performance, and the resolutions to appoint Mr. André Danks as a full member of the Executive Board, as well as to reappoint Mr. Christian Thönes as a member of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT from 1 January 2015 up to and including 31 December 2017.

At the second **meeting on 15 May 2014**, all members of the Supervisory Board and of the Executive Board took part. The main items under discussion were the preparations for the 112th Annual General Meeting, which was to take place the following day. Business performance was also discussed.

The third **meeting on 23 September 2014** was attended by all the members of the Executive Board and the Supervisory Board. One important item on the agenda was the discussion of business performance. The plenary session also concerned itself with the reports of the Finance and Audit Committee and the Technology and Development Committee. In addition, the increase of the investment volume was resolved. Furthermore, the executive field of responsibility "IT and process management" was assigned to Mr André Danks with immediate effect.

At the **planning meeting on 26 November 2014**, all members of the Supervisory Board and of the Executive Board took part. The emphasis of the meeting was on the corporate planning for the years 2015 to 2017 and on the capital expenditure planning for the year 2015. Subsequently the Supervisory Board approved the investment budget as well as the group planning for 2015, including the consolidated balance sheet and the consolidated statement of cash flows; the Board also agreed to the medium-term planning for the years 2016 and 2017, likewise with the inclusion of the relevant consolidated balance sheet and consolidated statement of cash flows.

The plenary session also resolved the reappointment of Dr. Rüdiger Kapitza as member and Chairman of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT as of 1 January 2015 and until the end of 31 December 2017. Furthermore, the resolution was passed to design a basis for the variable remuneration of the Executive Board for 2015, with regard to short-term, long-term and individual, performance-based remuneration, based on the regulations for "Short-Term Incentives" (STI) and "Long-Term Incentives" (LTI).

In addition, the main focuses of the statutory audit up to 31 December 2014 were determined. These include accounting for business combinations, in accordance with IFRS 3, as part of the expansion of the collaboration with DMG MORI SEIKI COMPANY LIMITED, and the necessary explanatory notes; the recognition and valuation of inventories (IFRS 2) and the necessary explanatory notes, taking into account the necessary notes of the subsidiaries; and the recognition and valuation of reserves (IFRS 37), taking into account the explanatory notes on accounting methods in the attachment.

A large proportion of the Supervisory Board's work is carried out by various committees: The **Finance and Audit Committee** held six meetings in financial year 2014. In its meetings, the Committee concerned itself with the respective status of the finances, development of free cashflow, net working capital, taxes and the ongoing tax audits. It also examined and discussed risk management, the 2013 audit report and the compliance report 2013. The Committee examined the financial statement and the consolidated financial statement, prepared the approval and adoption of the annual financial statements and assessed the proposal on appointing the annual auditor; it monitored the independence of the annual auditor and obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code. Further topics covered by the committee included the audit by the DPR (German Financial Reporting Enforcement Panel) and the latest IFRS amendments. The committee also prepared proposals for resolutions on the declaration of conformity as well on the audit focuses for 2014.

The **Personnel, Nominations and Remuneration Committee** held two meetings. The committee prepared proposals for resolutions on the remuneration of the Executive Board, with regard to short-term, long-term and individual, performance-based remuneration, based on the regulations for "Short-Term Incentives" (STI) and "Long-Term Incentives" (LTI). In addition, it recommended the appointment of Mr André Danks to the Executive Board up to 10 March 2017, the reappointment of Dr. Rüdiger Kapitza as member and Chairman of the Executive Board until 31 December 2017, as well as the reappointment of Mr Christian Thönes as member of the Executive Board until 31 December 2017. In its meetings, the committee also dealt without the participation of Prof. Dr.-Ing. Raimund Klinkner with the contractual agreement with regard to cooperation with the "Institute for Manufacturing Excellence" (IMX). The IMX, the managing director of which is chairman of the Supervisory Board Prof. Dr.-Ing. Raimund Klinkner, has offered a recognised expertise in assisting companies to optimise their production systems and logistics. DMG MORI SEIKI AKTIENGESELLSCHAFT has been working with IMX on the "TAKT" project since 2013. The aim of "TAKT" is to optimise production processes, and implement cross-plant standards at all sites. The committee ascertained without the participation of Prof. Dr.-Ing. Raimund Klinkner that there were no conflicts of interests, and gave its consent for the signing of the contract to continue the project.

The **Technology and Development Committee** met three times. This committee discussed and analysed not only general topics, such as general trends in the machine tool industry, but also specialised topics such as the alignment of the product portfolio for 2015, and the investment budget. In addition to these topics, the committee also developed proposals for resolutions for increasing the investment budget for 2014 and for approving the amount of capital expenditure for 2015, and discussed the initiation of the third phase of the "TAKT" project.

The chapter **Corporate Governance** on page 35 describes the activities of the Supervisory Board with regard to the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). Since the last declaration of conformity in November 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT has complied with the recommendations of the "Commission for German Corporate Governance Code" in the version dated 13 May 2013, as published in the Federal Gazette on 10 June 2013. DMG MORI SEIKI AKTIENGESELLSCHAFT has complied with the recommendations of the "Commission for German Corporate Governance Code" laid out in the code version dated 24 June 2014 since it was published in the Federal Gazette on 30 September 2014, and will continue to do so in future.

The entire Executive Board and nine members of the Supervisory Board attended an **extraordinary Supervisory Board meeting held on 21 January 2015** in person. Two members of the Supervisory Board participated in the meeting by casting their votes in written procedure. One member of the Supervisory Board was prevented from participation. At the beginning the Executive Board informed the Supervisory Board in detail on the structure of an intensified collaboration with DMG MORI SEIKI COMPANY LIMITED and the 2015 Cooperation Agreement based on this. The plenary session voted unanimously to sign the 2015 Cooperation Agreement. Supervisory Board member Dr. Masahiko Mori did not participate in the discussion and in the vote. Further, a resolution was passed to form a committee for capital market issues in 2015. Prof. Dr.-Ing. Raimund Klinkner, Prof. Dr. Edgar Ernst, Ulrich Hocker, Mario Krainhöfner and Dr. Constanze Kurz were appointed to this committee.

On **18 February 2015**, the **committee for capital market issues** held a meeting as a conference call in order to discuss a Reasoned Opinion in accordance with Section 27 of Securities Acquisition and Takeover Act (WpÜG) on the voluntary public tender offer for the outstanding shares of DMG MORI SEIKI AKTIENGESELLSCHAFT by the bidder DMG MORI GmbH, Stuttgart, which is an affiliated company of DMG MORI SEIKI COMPANY LIMITED, and to prepare this statement for the Supervisory Board.

All members of the Executive Board and eleven members of the Supervisory Board participated in the **extraordinary Supervisory Board meeting on 23 February 2015**, which was held as a conference call. Supervisory Board member Dr. Masahiko Mori did not participate in the meeting. The subject of the meeting was the final discussion of the "Joint Reasoned Opinion of the Executive Board and the Supervisory Board" by DMG MORI SEIKI AKTIENGESELLSCHAFT in accordance with Section 27 WpÜG, regarding the voluntary public tender offer from the bidder DMG MORI GmbH, Stuttgart to the shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT. The Executive and Supervisory Boards respectively resolved the content of the statement, as well as the provision and publication of this joint statement.

At the **balance sheet meeting of 9 March 2015**, which all members of the Supervisory Board and the Executive Board attended, the Supervisory Board approved, upon its own review and discussion, the annual financial statements as well as the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the financial year 2014; thus the annual financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT have been adopted pursuant to Section 172 German Stock Corporation Act (AktG). The resolutions were prepared by the Finance and Audit Committee. The Supervisory Board endorses the Executive Board's proposal for the appropriation of net retained profits. The Executive Board prepared the management report and the annual financial statements 2014 and the group management report 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The 2014 consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union. Pursuant to the exemption provision in Section 315a of the German Commercial Code (HGB), consolidated financial statements in accordance with the German Commercial Code were not prepared. The annual auditors have reported in detail on their audit procedures and findings and were available for any supplementary questions; KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, issued in each case an unqualified auditor's report for both the financial statements and the management report. The chairman of the Finance and Audit Committee reported to the Supervisory Board in detail on the findings of the Finance and Audit Committee as well as on the discussions held with the annual auditors and the Executive Board. The Supervisory Board and the

Finance and Audit Committee discussed and reviewed the annual financial statements and the consolidated financial statements in detail. The Supervisory Board concurred with the results of the audit based on its own review – as did the Finance and Audit Committee. The Supervisory Board did not raise any objections and neither did the Finance and Audit Committee. At this meeting, the Supervisory Board members also discussed the results of the audit in terms of the efficiency of their work in detail. The Executive Board additionally informed the Supervisory Board on the status of the tender offer and the current acceptance quota. In order to achieve the aims of the tender offer pursued by DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED, the Executive Board and the Supervisory Board agreed with DMG MORI SEIKI COMPANY LIMITED amongst others to reduce the offer condition of achieving a minimum participation from 50% (plus one share) to 40%.

Moreover, the Supervisory Board examined the **report by the Executive Board on the relations of the company with affiliated companies in the financial year 2014** prepared by the Executive Board in accordance with Section 312(1) German Stock Corporation Act (AktG) and discussed this extensively with the Executive Board and the auditors, who are also the auditors of the report. The auditors gave a comprehensive report on the material aspects of their audit. In the course of this, the Supervisory Board reviewed the auditors‘ report on the audit of the report extensively. A detailed discussion did not give rise to any grounds for objection.

The auditors issued the following auditor’s report on the report:
In accordance with our duly performed audit and evaluation, we confirm

1. that the actual details in the report are correct
2. that the consideration of the company with respect to the legal transactions presented in the report was not unreasonable
3. that there are no circumstances suggesting a materially different evaluation of the measures indicated in the report from the evaluation provided by the Executive Board.

In accordance with the conclusive results of the Supervisory Board’s extensive review of the report, the Supervisory Board states that it does not raise any objections (Section 314(3) AktG) to the concluding statement of the Executive Board on the dependent company report (concluding statement pursuant to Section 312(3)(1) AktG) in the financial year 2014.

The DMG MORI SEIKI group closed the business year 2014 successfully. The Supervisory Board would like to thank the Executive Board and all employees for their commitment and contribution!

Prof. Dr.-Ing. Raimund Klinkner
Chairman of the Supervisory Board
Bielefeld, 9 March 2015

Dr. Rüdiger Kapitza (60)

has been the Chairman of the Executive Board since April 1996. He was appointed to the Board of GILDEMEISTER Aktiengesellschaft in 1992. Following his apprenticeship as a machinist and industrial clerk at GILDEMEISTER, he studied economics in Paderborn and obtained his doctorate at the Johannes Gutenberg University in Mainz. Dr. Rüdiger Kapitza is responsible for corporate strategy, key accounting, personnel, purchasing, auditing and compliance, as well as corporate public relations.

Dear Shareholders,

The DMG MORI SEIKI group closed the business year 2014 as the most successful year in the history of the company. In a challenging market environment, we were once again able to increase our order intake, our sales revenues, and our income, compared to previous year. With sales revenues totalling € 2.2 billion, earnings before interest and taxes (EBIT) totalling € 182.6 million (EBIT margin of 8.1%), we have considerably exceeded last year's figures. The Executive Board and Supervisory Board will recommend the Annual General Meeting to increase the **dividend** accordingly for the reporting year to € 0.55 per share (previous year: € 0.50).

Overall, it must be concluded that global economic development last year was marked by instability caused by political conflicts. The economic growth was manifestly subdued. Over the course of the year, this also affected the global market for machine tools. According to the German Machine Tool Builders' Association (VDW) and the British Institute for Economic Research, Oxford Economics, the world consumption recorded a slight rise by 2.9% to € 60.7 billion due to exchange rate effects.

We managed to meet our forecasts for 2014 and even exceeded. Here is the most important **key data of the reporting year:** order intake increased by 11% to € 2,331.4 million (previous year: € 2,101.1 million). Sales revenues increased by 9% to € 2,229.0 million (previous year: € 2,054.2 million). EBITDA improved by 20% to € 232.5 million (previous year: € 193.9 million), EBIT increased by 24% to € 182.6 million (previous year: € 147.6 million) and EBT by € 40.3 million to € 175.3 million (previous year:€ 135.0 million). On 31 December 2014, the group had generated an annual profit of € 121.1 million (previous year: € 93.2 million). The free cashflow was positive at € 86.1 million (previous year: € 67.3 million).

Dear shareholders, over the past business year, we've pressed ahead with further strategic projects. In these, our cooperation with our Japanese partner **DMG MORI SEIKI COMPANY LIMITED** formed a significant part of our strategy. Thus, in the field of sales and services, we were able to successfully expand our collaboration with our partner in Brazil and Canada in the middle of the year. Together with our cooperation partner, we are now represented on all major markets as of the end of 2014, operating 154 sales & service centres in 34 countries around the globe.

We aim to further increase our **international market presence** together. One major milestone was set in this respect with the opening of our **global headquarters Europe** in Winterthur, Switzerland in December 2014. In future, all sales & service activities will be controlled from Winterthur under the DMG MORI brand.

In addition, we are concentrating on expanding our **production capacities** in markets which are of strategic importance. In Russia, the construction of our production plant in Ulyanovsk and of our new technology centre in Moscow continue according to schedule. With **DMG MORI Systems GmbH**, we have taken first steps towards globally bundling our joint expertise in the field of system solutions and automation solutions. We will be setting up a new assembly centre in Baden-Wuerttemberg for this purpose. From 2016 on, this will concentrate on supplying particularly our customers from the automotive industry with system solutions for large-scale production.

Last year, besides expanding existing markets and entering new markets, we intensified our collaboration with our cooperation partner in the fields of **product development and production**. Our aim is to create efficiency and price advantages when developing and manufacturing products by bundling resources, standardising components and mutual use of local production capacity. In addition, we have set new standards in machine tool construction with our standardised **corporate design**. Together with our Japanese partner, each and every machine we produce from this year on will reflect this new and highly distinctive corporate design.

A further proof of our successful cooperation can be seen in the **innovations** we developed together and presented at international trade fairs and technology exhibitions over the course of the last business year. Visitors to these fairs and exhibitions not only showed an interest in the numerous world premieres, but were also strongly drawn to the control and operating software CELOS, as well as to additive manufacturing.

Digitalisation will make decisive changes to industrial processes in the company in the future. Already, computer networks are playing an increasingly important role. With **CELOS**, we have launched on the market an APP-based control software, developed conjointly with our cooperation partner, which plays a key role in intelligent, networked production, and is a major step forward for us towards **Industry 4.0**. With its applications, CELOS makes it possible to use the consistent digitalised management, documentation and visualisation of order, process and machine data. As with a smartphone, the user has direct access to the APPs. Our customers benefit by increasing the functionality of their machines, which in turn makes their processes more efficient.

In addition to this, we introduced the **LASERTEC 65 3D Additive Manufacturing** to our customers last year. This is an innovative machine which combines generative laser deposition welding with the finishing process via 5-axis milling technology. To date, this combination of both processes in one machine is unique on the global market. In an age of ever shorter product life-cycles and increasingly complex and individualised components, additive manufacturing can help the companies to produce new and innovative products more quickly and with higher precision. Hence, expansion in this market is unbroken.

Dear shareholders, in conclusion, I'd like to address our **expectations for the current business year**. The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT is optimistic for the financial year 2015. Currently, however, the overall picture is increasingly volatile: On the one hand, economic analysts assume that global energy prices will remain low – particularly in highly developed industrialised countries. On the other hand, the economic impact of geopolitical conflicts may have a negative effect on the economies of individual countries, as the fall of the rouble in recent months has shown, for example. In addition, changes in exchange rates between leading international currencies could lead to greater fluctuations in economic growth, as can currently be seen with Swiss francs. The example of Greece shows that the disparities within the Euro zone grow continuously. In short, the volatility in the markets increases, and all these developments will in turn impact the machine tool industry.

The Association of German Machine Tool Manufacturers (VDW) and the British Institute for Economic Research Oxford Economics currently forecast a 7.3% rise in global machine tools consumption. Taking the macro-economic situation as described above into account, we believe this is pitched too high. Experience shows that these forecasts will be corrected downwards during the course of the year. Thus, over the 2015 business year, we predict for the DMG MORI SEIKI group a higher order intake and a slight increase in sales revenues, but not with key income figures above the results of the record year 2014.

Together with our cooperation partner, **DMG MORI SEIKI COMPANY LIMITED**, we are well positioned on the global market to grasp all business opportunities that arise. In this, we will benefit from the synergies generated in particular by the sales, service, product development, production and purchasing divisions. Thanks to the reciprocal use of production sites, we are able to produce "in the market, for the market" and hence reduce import costs and logistics costs. Together we will continue to channel our energies into expanding global markets.

Dear shareholders, on 21 January 2015, a Cooperation Agreement 2015 was signed between DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED. This extended the objectives for the strategic enhancement of the cooperation, which has been in existence since 2009. Accordingly, DMG MORI SEIKI COMPANY LIMITED announced on the same day its decision to make a voluntary public tender offer for the outstanding shares of DMG MORI SEIKI AKTIENGESELLSCHAFT. DMG MORI SEIKI COMPANY LIMITED originally offered all shareholders in the company a cash consideration of € 27.50 per share. With its offer, DMG MORI SEIKI COMPANY LIMITED intended to acquire a stake of more than 50% in DMG MORI SEIKI AKTIENGESELLSCHAFT. The Executive Board and Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT issued on 23 February 2015 a joint reasoned opinion declaring the offer price to be adequate.

On 3 March 2015 the offer was raised from € 27.50 to € 30.00 per share as a consequence of an off-market acquisition of a total of approximately 12.02% shares of DMG MORI SEIKI AKTIENGESELLSCHAFT for € 30.00 per each acquired share by DMG MORI SEIKI COMPANY LIMITED. In order to achieve the aims of the tender offer pursued by DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED, the Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT agreed with DMG MORI SEIKI COMPANY LIMITED on 9 March 2015 to reduce the offer condition of achieving a minimum participation from 50% (plus one share) in the public tender offer to 40%. In return, DMG MORI SEIKI COMPANY LIMITED agreed, that all shareholders accepting the offer will receive an additional amount of € 0.55 per share. On these grounds, the offer price increases from € 30.00 to € 30.55 per share.

Dear shareholders, I would like to take this opportunity to thank you – also on behalf of my colleagues on the Board – for the confidence you have placed in us. I would also particularly like to thank our customers, our business partners and most especially our employees. Without the dedication they have shown, we could never have made the most successful year in the history of the company. With regard to the 2015 business year, we continue to work resolutely on the successful development of the DMG MORI SEIKI group, and towards achieving the targets communicated.

Best regards

Rüdiger Kapitza

Dr. Rüdiger Kapitza
Chairman of the Executive Board
Bielefeld, 9 March 2015

f.l.t.r Dr. Thorsten Schmidt, Dr. Maurice Eschweiler, Dr. Rüdiger Kapitza, Christian Thönes, André Danks.

Dr. Thorsten Schmidt (42)
has been a member of the Executive Board since October 2006, he has held the position of deputy chairman of the Executive Board since 23 November 2012. He holds a doctorate in economics from Münster University and has been working at the group since January 2002. He took over management responsibility for sales and services in America, after which he became a managing director in Asia. Dr. Thorsten Schmidt is responsible for sales and marketing.

Christian Thönes (42)
has been a member of the Executive Board since January 2012. The business graduate joined the group in 1998, built up Advanced Technologies (Ultrasonic and Lasertec) and was most recently managing director of DECKEL MAHO Pfronten GmbH. Since then Christian Thönes has been responsible for product development, technology and further internationalisation of the production workshops. As of 1 January 2014 he holds executive responsibility for product development, production and technology.

André Danks (38)
has been a member of the executive board since March 2014. His fields of responsibility are finances, accounting, controlling, taxes, risk management, investor relations, information technology (IT) and process management. The business graduate joined the DMG MORI SEIKI group in 2007. He was head of capital markets, investor relations and public relations, and contributed to develop the corporate strategy. André Danks was also particularly involved in the successful capital increases of recent years. These increases formed an important part of the joint strategy with Mori Seiki Co., Ltd.

Dr. Maurice Eschweiler (40)
has been a member of the Executive Board since April 2013. He received a doctorate in economics from the University of Münster and joined the group in 2007, becoming managing director of DMG Vertriebs und Service GmbH. He is responsible for the Industrial Services division. This takes account of the growing importance of this segment, which comprises the Services unit and Energy Solutions within the group.

Share

Stock Market Listing, Trading Volume and Shareholder Base

The shares of DMG MORI SEIKI AKTIENGESELLSCHAFT are listed on the official market on the stock exchanges in Frankfurt / Main, Berlin and Dusseldorf, as well as on the open market stock exchanges in Hamburg-Hannover, Munich and Stuttgart. DMG MORI SEIKI AKTIENGESELLSCHAFT is listed on the **MDAX** and meets the internationally valid transparency requirements of the Deutsche Börse “Prime Standard”.

As of year-end, the stock market volume traded was 73.8 million shares (previous year: 96.9 million shares); on the basis of the number of shares a turnover is calculated for the financial year of 0.9 times (previous year’s period: 1.5 times). The average **trading volume** decreased to around 290,000 shares per trading day (previous year: 383,000 shares).

The DMG MORI SEIKI AKTIENGESELLSCHAFT shares remained in a high level of free float in 2014. Four companies and affiliated companies held more than 3% of the voting rights up to 31 December 2014 pursuant to the notifications of voting rights. DMG MORI SEIKI LIMITED, Nagoya, Japan, held a share in the voting rights of 24.33% of the share capital of the company. The German Asset & Wealth Management Investment GmbH, Frankfurt a. M. (Germany) registered a 5.18% share in the voting rights. Norges Bank (Central Bank of Norway), Oslo (Norway) and affiliated companies held a 3.88% of the share capital, and Allianz Global Investors Europe GmbH, Frankfurt a. M. (Germany) held 3.04%.

Share Performance and Market Capitalisation

The development of DMG MORI SEIKI AKTIENGESELLSCHAFT shares in the past year proved to be volatile. Over the year, they increased slightly in value by 2.1%. Essentially, the main factor influencing share performance was the above-average level of volatility on the capital market, shaped by numerous global political conflicts and the resulting macro-economic instability. In comparison, the MDAX rose by around 2.5%.

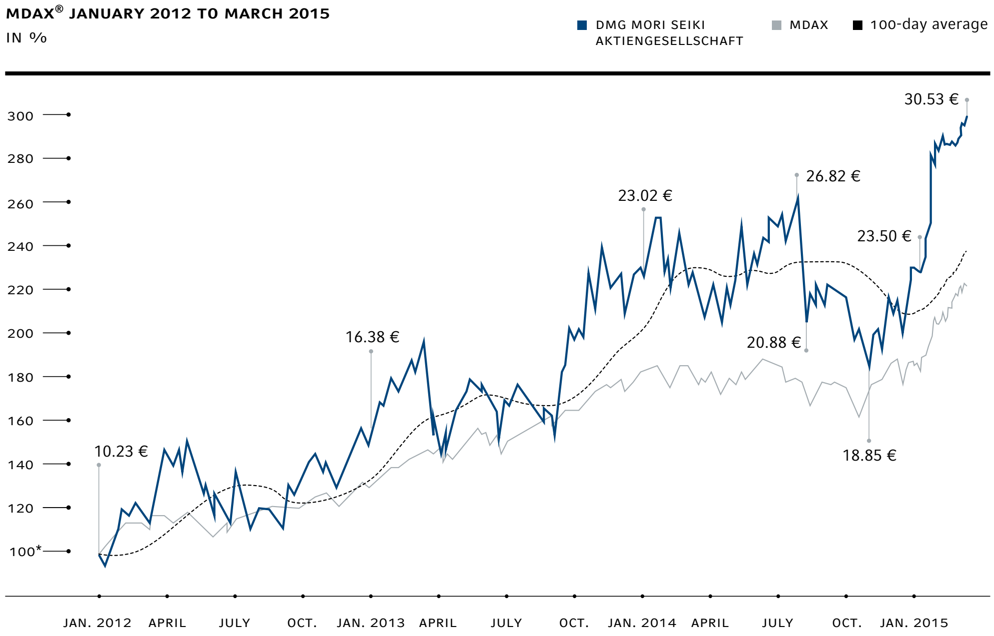
In the stock market year 2014, the share was initially quoted at € 23.02 (2 January 2014) and reached its highest value of € 26.82 on 25 July 2014. Following the presentation of the business figures for the 2nd quarter, the stock noted a strong price downturn of 10.8% on 31 July 2014, which was to continue for the subsequent two weeks. On 8 August 2014, the stock price bottomed out for the first time at € 20.88. After a lateral movement for several weeks, another deep fall of the price occurred in late October, which came to an end not before 28 October 2014, hitting the lowest price of the year at € 18.85, following the presentation of results for the 3rd quarter. In the subsequent weeks, the stock price was once again rising. Accordingly, the stock closed on a price of € 23.50 on 30 December 2014.

The new year opened with a share price of € 23.63 that continously recorded further gains in the following. After the announcement of a voluntary public tender offer by DMG MORI SEIKI COPMANY LIMITED on 21 January 2015, the share price jumped the following day by 12.6% to € 28.82. At the date of preparing the report on 9 March 2015, the share was quoted at € 30.53.

Market capitalisation rose in the reporting period by 1.5% or € 27.6 million to € 1,852.2 million (reference date: 30 December 2014).

The company is currently being analysed in regular studies by around 15 banks, seven of which recommend buying the shares, and one of which have given it the rating “overweighted”. Four analysts recommend holding on to the securities, whereas one analyst recomends to “underweight”. Moreover, two banks advise to sell the securities.

A . 01 **THE DMG MORI SEIKI SHARE IN COMPARISON WITH THE MDAX® JANUARY 2012 TO MARCH 2015**
IN %



* 02 January 2012 = 100, stock performances indexed, XETRA stock prices
Source: Deutsche Börse Group

P. 85 – 87
Dividend

The Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT will propose to the Annual General Meeting on 8 May 2015 to distribute a **dividend** of € 0.55 per share for financial year 2014 (previous year: € 0.50). For the approximate 78.8 million no par value shares with dividend rights, the amount to be distributed totals € 43.4 million. Taking the annual closing price 2014 as a base, this results in a dividend yield of 2.3%.

A . 02

KEY FIGURES OF THE DMG MORI SEIKI AKTIENGESELLSCHAFT SHARE

		2014	2013	2012	2011	2010	2009	2008
Registered capital	€ million	204.9	204.9	156.4	156.4	118.5	118.5	112.6
Number of shares	million shares	78.8	78.8	60.2	60.2	45.6	45.6	43.3
Closing price 1)	€	23.50	23.15	15.25	9.75	16.70	11.33	7.85
Annual high 1)	€	26.82	24.53	16.11	17.50	17.19	11.69	23.38
Annual low 1)	€	18.85	15.00	9.74	8.69	7.53	4.25	4.79
Market capitalisation	€ million	1,852.2	1,824.6	917.6	586.6	761.2	516.4	339.9
Dividend	€	0.55*	0.50	0.35	0.25	–	0.10	0.40
Dividend total	€ million	43.4	38.5	20.4	14.6	–	4.6	17.3
Dividend yield	%	2.3	2.2	2.3	2.6	–	0.9	5.1
Earnings per share 2)	€	1.41	1.33	1.32	0.85	0.09	0.10	1.87
Price-to-earnings ratio 3)		16.7	17.4	11.6	11.5	185.6	113.3	4.2

1) XETRA-based closing price
2) Pursuant to IAS 33
3) Closing price / earnings per share
* Proposal for the Annual General Meeting 2015

Treasury Stock

Due to a resolution of the Executive Board of the DMG MORI SEIKI AKTIENGESELLSCHAFT on 18 March 2014, 1,805,048 of the own shares held by the company – this was the entire portfolio held by the company – were sold at a minimum impact to the market with the assistance of a credit institution. The company had acquired the shares, which are no longer necessary to finance acquisitions, in September 2011 within the scope of a share buyback programme.

Investor Relations and Corporate Public Relations

Our investor relations work serves the continuous and open exchange of information with all participants in the capital market. Our goal is to create transparency and to increase understanding of our business model and our value drivers by the capital market participants.

The work of the Corporate Public Relations department plays a significant role in maintaining and strengthening the DMG MORI SEIKI group's excellent reputation with the general public. We maintain a continuous dialogue with the national and international business press, as well as with the associations, institutions and decision-makers who are relevant for our business.

DMGMORISEIKI.COM
Financial reports

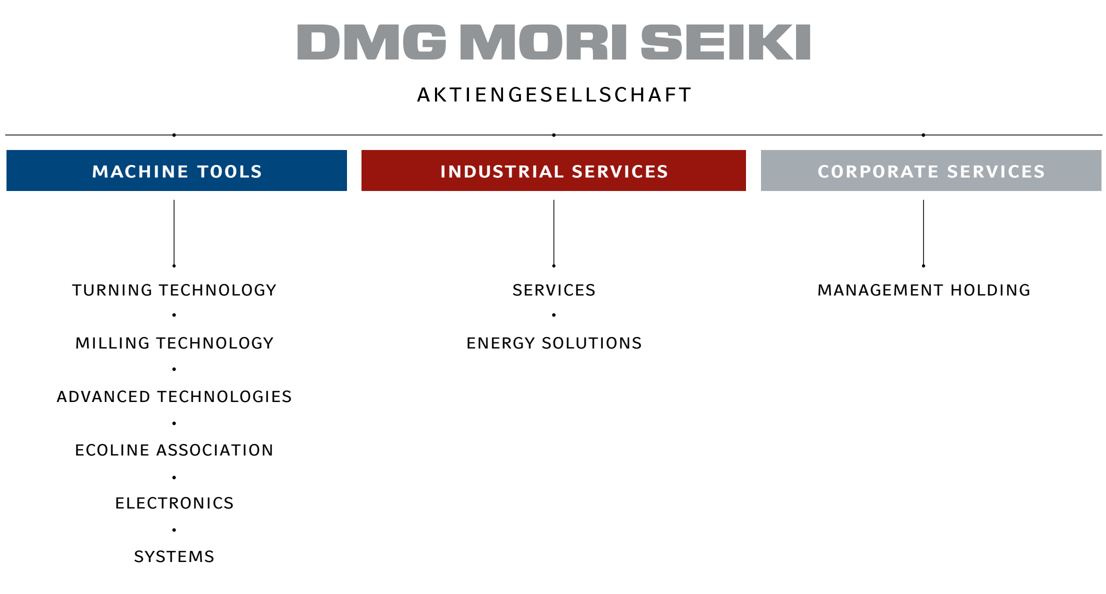
GROUP MANAGEMENT REPORT

The Basis of the Group

The operating activities of the DMG MORI SEIKI group are split into the "Machine Tools" and the "Industrial Services" segments. The "Machine Tools" segment comprises the new machines business with the business divisions Turning and Milling, Advanced Technologies (Ultrasonic / Lasertec), ECOLINE as well as Electronics and Systems. The "Industrial Services" segment includes the Services and Energy Solutions divisions. The Services division combines the marketing activities and the LifeCycle Services both for our machines and for those of our cooperation partner. Energy Solutions comprises the Cellstrom, Energy Efficiency, Service and Components business areas.

B . 01

SEGMENTS OF THE DMG MORI SEIKI GROUP



B . 02

SEGMENTS AND BUSINESS DIVISIONS

MACHINE TOOLS

TURNING TECHNOLOGY
- Universal lathes
- Turn-Mill complete machining centres
- Production lathes
- Vertical lathes
- Automatic lathes

ECOLINE
- Universal lathes
- Vertical machining centres
- Universal milling machines
- Compact machining centre

MILLING TECHNOLOGY
- Vertical machining centres
- Horizontal machining centres
- 5 axis universal milling machines
- 5 axis universal machining centres
- Travelling column milling machines
- High speed precision cutting centres

SYSTEMS
- Standard automation
- Flexible manufactoring
- Production lines

ADVANCED TECHNOLOGIES
- Ultrasonic
- Lasertec

ELECTRONICS
- CELOS
- Powertools
- Technology Cycle
- Software development
- Software marketing
- Machine controls
- Components

INDUSTRIAL SERVICES

SERVICES
- Marketing of machine tools (own and those of our cooperation partner)
- LifeCycle Services
  - Service / Maintenance
  - Spindel service
  - Spare parts
  - Training
  - Retrofitting
  - Used machines
  - Presetters

ENERGY SOLUTIONS
- Cellstrom
- Energy Efficiency
- Service
- Components

CORPORATE SERVICES

“Corporate Services” essentially includes DMG MORI SEIKI AKTIENGESELLSCHAFT with its group-wide holding functions.

As at: 9 March 2015

Group Structure

The DMG MORI SEIKI group is a globally operating company: 154 national and international sales and service locations under the worldwide brand DMG MORI are in direct contact with our customers.

B . 03

GROUP STRUCTURE

CORPORATE SERVICES

DMG MORI SEIKI AKTIENGESELLSCHAFT; Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Production (12)

Turning Technology	Milling Technology	Advanced Technologies	ECOLINE Association	Electronics	Systems
GILDEMEISTER Drehmaschinen GmbH (Bielefeld)	DECKEL MAHO Pfronten GmbH (Pfronten)	SAUER GmbH (Idar-Oberstein, Pfronten)	DMG ECOLINE AG (Winterthur / Switzerland)	DMG Electronics GmbH (Pfronten)	DMG MORI Systems GmbH (Wernau, Hüfingen)
GRAZIANO Tortona S.r.l. (Tortona / Italy)	DECKEL MAHO Seebach GmbH (Seebach)		FAMOT Pleszew Sp.z o.o. (Pleszew / Poland)		
GILDEMEISTER Italiana S.p.A. (Bergamo / Italy)			DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., (Shanghai / China)		
			Ulyanovsk Machine Tools ooo (Ulyanovsk / Russia)		

INDUSTRIAL SERVICES

Worldwide Sales and Service Locations (154**)

DMG Holding AG Schweiz

DMG MORI SEIKI Europe Winterthur (Switzerland) (36)

- DMG MORI SEIKI Italia S.r.l., (Bergamo, Milan, Tortona, Padova)
- DMG MORI SEIKI France S.A.S (Paris, Lyon, Scionzier, Toulouse)
- DMG MORI SEIKI (Switzerland) AG (Winterthur)
- DMG MORI SEIKI Austria GmbH (Klaus, Stockerau)
- DMG MORI SEIKI Sweden AB (Gothenburg)
- DMG MORI SEIKI Polska Sp. z o. o. (Pleszew)
- DMG MORI SEIKI Czech s.r.o. (Brno, Trencin)
- DMG MORI SEIKI UK Ltd., (Coventry)
- DMG MORI SEIKI Ibérica S.L.U. (Barcelona, Madrid, San Sebastian)
- DMG MORI SEIKI Benelux (Veenendaal, Zaventem)
- DMG MORI SEIKI Denmark ApS (Copenhagen, Fredericia)
- DMG MORI SEIKI Russ OOO (Moscow, St. Petersburg, Ekaterinburg)
- DMG MORI SEIKI Hungary Kft. (Budapest)
- DMG MORI SEIKI South East Europe M.E.P.E. (Thessaloniki)
- DMG MORI SEIKI Romania S.R.L., (Bukarest)
- DMG MORI SEIKI Middle East FZE (Dubai)
- DMG MORI SEIKI Turkey Ltd. (Istanbul, Izmir, Ankara, Bursa, Konya)

DMG MORI SEIKI Asia Shanghai, Singapore (61)

- DMG MORI SEIKI Machine Tools Trading Shanghai Co. Ltd. (Shanghai, Beijing, Guangdong, Chongqing, Shenyang, Xi'an, Dalian, Tianjin, Quingdao, Suzhou, Shenzhen,Guangzhou)
- DMG MORI SEIKI South East Asia (Singapore, Kuala Lumpur, Hanoi, Ho-Chi-Minh)
- DMG MORI SEIKI Korea Co. Ltd. (Seoul)
- DMG MORI SEIKI India Pvt. Ltd. (Bangalore, New Dehli, Ahmedabad, Pune)
- DMG MORI SEIKI Taiwan Co. Ltd. (Taichung)

DMG MORI SEIKI Asia / Australia*

- DMG MORI SEIKI Japan (Nagoya)
- DMG MORI SEIKI Australia (Melbourne, Sydney)
- DMG MORI SEIKI Thailand (Ayutthaya)
- DMG MORI SEIKI Indonesia (Jakarta)

DMG MORI SEIKI America Itasca (Illinois) (19)

DMG NORTH AMERICA

- DMG MORI SEIKI ELLISON Canada Inc. (Toronto)
- DMG MORI SEIKI México S.A. de C.V. (Querétaro)

DMG SOUTH AMERICA

- DMG MORI SEIKI Brasil Ltda. (São Paulo, Caixa du Sol)

DMG MORI SEIKI USA*

- DMG MORI SEIKI USA (Chicago, Charlotte, Boston, Los Angeles, Dallas, Detroit, Seattle, Houston, Cincinnati, New Hampshire, Connecticut, New Jersey, Florida, Kansas City, Berkeley)

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER

DMG MORI SEIKI Deutschland Stuttgart (8)

- DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH
- DMG MORI SEIKI München Vertriebs und Service GmbH
- DMG MORI SEIKI Hilden Vertriebs und Service GmbH
- DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH
- DMG MORI SEIKI Berlin Vertriebs und Service GmbH
- DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH
- DMG MORI SEIKI Hamburg Vertriebs und Service GmbH

DMG MORI SEIKI Services Bielefeld, Pfronten (24)

- DMG Service Drehen GmbH (Bielefeld)
- DMG Service Drehen Italia S.r.l. (Bergamo, Tortona)
- DMG Service Fräsen GmbH (Pfronten, Seebach, Geretsried)
- DMG MORI SEIKI Spare Parts GmbH (Geretsried, Bielefeld, Seebach, Pfronten, Waigaoquiao)
- DMG MORI SEIKI Academy GmbH (Bielefeld, Pfronten, Stuttgart, Geretsried, Seebach, Klaus, Moscow, Shanghai, Singapore)
- DMG MORI SEIKI Used Machines GmbH (Geretsried, Bielefeld, Singapore)
- DMG MORI Microset GmbH (Bielefeld)

a+f GmbH Wurzburg, Stuttgart (6)

- GILDEMEISTER energy services Italia S.r.l. (Milan)
- GILDEMEISTER energy services Ibérica S.L. (Madrid)
- Cellstrom GmbH (Klaus)
- SUNCARRIER OMEGA Pvt. Ltd., (Bhopal)
- GILDEMEISTER energy efficiency GmbH (Stuttgart)

* These markets are worked and consolidated by our cooperation partner DMG MORI SEIKI COMPANY LIMITED.

** 42 of these sites are consolidated by our cooperation partner.

Simplified organisational structure according to management criteria. The legal corporate structure is presented in the Notes to the Financial Statements 2014 on pages 242 et seq.

As at: 9 March 2015

Organisation and Legal Corporate Structure

P. 87 – 96
Segment Report

P. 26 – 27
Group Structure

P. 173 – 175
Notes to the consolidated financial statements

The DMG MORI SEIKI AKTIENGESELLSCHAFT manages the DMG MORI SEIKI group centrally and across all functions as the management holding company; it comprises all cross-divisional key functions of the group. Further holding functions are assumed by GILDEMEISTER Beteiligungen GmbH as the parent company of all the production plants and by DMG Vertriebs und Service GmbH as the controlling company of all sales and service companies. DMG Holding AG, Dübendorf (Switzerland), is the main holding company for the worldwide sales and service sites.

All the DMG MORI SEIKI group companies are managed as profit centres and follow clear guidelines to ensure the best possible performance and results. A uniform IT infrastructure throughout the group standardises the main processes and workflows and thus forms an integrative link for the group. The organisational costs of DMG MORI SEIKI AKTIENGESELLSCHAFT in the reporting period amounted to € 26.7 million (previous year: € 23.1 million).

Essential changes in the **legal corporate structure** of the DMG MORI SEIKI group during the reporting year resulted largely from an expansion of the collaboration with our Japanese partner on the markets in Canada, Brazil and Russia. Specifically, the following material changes took place:

- In March 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED incorporated the operations of their Canadian sales companies into DMG MORI SEIKI Canada Inc., Toronto (Canada), as a first step to collaborating on the Canadian market. 51% of the interest in this company is held by DMG Holding AG, Dübendorf (Switzerland); 49% of the equity interest is held by DMG MORI SEIKI U.S.A., INC., a subsidary of DMG MORI SEIKI COMPANY LIMITED.
- In May 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED incorporated the operations of their Brazilian sales companies into DMG MORI SEIKI BRASIL COMERCIO DE EQUIPAMENTOS INDUSTRIAS LTDA. 51% of this company is held by DMG Holding AG, Dübendorf (Switzerland); 49% of the interest is held by DMG MORI SEIKI U.S.A., INC.
- In July 2014, DMG MORI SEIKI Canada Inc. and the ELLISON MACHINERY COMPANY LTD. incorporated their sales companies into a newly founded mutual subsidiary, DMG MORI SEIKI ELLISON CANADA INC., Vancouver (Canada), as a second step to collaborating on the Canadian market. 33% of the interest in this company is held by ELLISON MACHINERY COMPANY LTD., Mississauga (Canada).
- In July 2014, DMG MORI SEIKI Europe AG, Dübendorf (Switzerland) founded DMG MORI Israel Ltd. as a 100% subsidiary.

- In September 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED incorporated the operations of their Russian sales companies into DMG MORI SEIKI RUS LLC., Moscow (Russia). 89.1% of this company is held by DMG Europe Holding AG, Dübendorf (Switzerland); 10.0% of the interest is held by DMG MORI SEIKI COMPANY LIMITED, Nara (Japan), and 0.9% of the interest is held by DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld.
- In October 2014, DMG MORI SEIKI Europe AG founded DMG MORI Finland Oy Ab, Tampere (Finland), as a 100% subsidiary.
- In November 2014, DMG Holding AG, Dübendorf (Switzerland) founded DMG MORI Machine Tools Spare Parts (Shanghai) Ltd. as a 100% subsidiary. Essentially, this company will further expand the spare parts business in China.
- In November 2014, DMG Holding AG, Dübendorf (Switzerland) founded DMG Management AG, Winterthur (Switzerland) as a 100% subsidiary. All central management tasks and various corporate services will be bundled in this new company.
- In December 2014, DMG Netherlands B.V., Veenendaal (Netherlands) founded DMG ECOLINE Holding AG, Winterthur (Switzerland), as a 100% subsidiary. In future, this new company will hold all interest in the companies of the ECOLINE Association, and perform the according holding function.

The structure of the DMG MORI SEIKI group is organised in such a way that all the companies contribute to extending its position as a market and innovations leader worldwide in cutting machine tools. The group is mapped in a **matrix organisation** with the production plants on one side and the sales and service companies on the other. The production plants specialise in business areas and product series.

The DMG MORI SEIKI sales and service companies are responsible for the direct sales and service of our products and of the products of our cooperation partner. Additionally, our key accounting serves our main international customers. The company a+f GmbH operates in the field of renewable energies. It is not intended to make any substantial change to the group structure at the current time.

P. 242 – 245
Shareholdings / Notes to the consolidated financial statements

The DMG MORI SEIKI group has no **material financial investments**. Within the strategic cooperation, DMG MORI SEIKI AKTIENGESELLSCHAFT holds an equity investment in DMG MORI SEIKI COMPANY LIMITED, Nagoya, Japan, of 9.6%.

Takeover Directive Implementation Act (Section 315(4) German Commercial Code (HGB))

The DMG MORI SEIKI group must make the following mandatory disclosures:

- The share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT is € 204,926,784.40 and is divided into 78,817,994 no par value bearer shares. Each share has a notional value of € 2.60 of the subscribed capital.
- Pursuant to Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board shall appoint and withdraw members of the Executive Board. This authorisation is specified in Article 7(2) of the Articles of Association of DMG MORI SEIKI AKTIENGESELLSCHAFT to the effect that the Supervisory Board appoints the members of the Executive Board, determines their number and assigns their duties.
- The DMG MORI SEIKI COMPANY LIMITED holds 24.33% of the voting rights as at 31 December 2014.
- Pursuant to Section 119(1)(5) of the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions on changes to the Articles of Association. The correspondingly defined rules of procedure are contained in Sections 179, 181 of the German Stock Corporation Act (AktG) in conjunction with Section 15(4) of the Articles of Association of DMG MORI SEIKI AKTIENGESELLSCHAFT.
- Pursuant to Article 5(3) of the Articles of Association, the Executive Board was authorised to increase the share capital of the company in the period until 15 May 2019 with the consent of the Supervisory Board through a single or several issues of up to 39,408,997 new shares in exchange for cash or contributions in kind up to a nominal amount of € 102,463,392.20 **(authorised capital).** At the same time the Executive Board is authorised to issue shares disapplying the pre-emptive rights of shareholders to a value of € 5,000,000.00 to employees of the company and of companies affiliated with the company.
- Furthermore, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the legal subscription right in certain cases detailed and regulated by the Articles of Association (authorised capital).
- Furthermore, there has been a contingent increase in the registered capital 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 warrant 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 any obligation to exercise an option or conversion right is fulfilled. The authorisation of 15 May 2009 expired on 31 March 2014 – without having been used. As a result the associated contingent capital has no longer any functions.

- The material financing agreements of DMG MORI SEIKI AKTIENGESELLSCHAFT are subject to a **change of control condition** (that is to say, the acquisition of 30% or more of the voting rights) as a result of a takeover offer within the meaning of Section 315(4)(8) German Commercial Code (HGB).

Pursuant to Section 315(4) German Commercial Code (HGB), the Executive Board provides the following explanatory notes:

- As at 31 December 2014, the share capital of the company was € 204,926,784.40 divided into 78,817,994 no par value bearer shares. Each share has a voting right and is the determining factor for participation in the profits. The company may not exercise voting rights for treasury shares and may not participate pro rata in the profits.
- The most recent amendment of the Articles of Association took place in May 2014 when Article 5(3) of the Articles of Association was revised.
- In the reporting period the Executive Board did not exercise the above-referred authorisation.
- 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.

Corporate Strategy and Material Financial and Key Performance Indicators

The corporate strategy of the DMG MORI SEIKI group is directed towards a constant expansion of today's market position as a leading manufacturer worldwide of cutting machine tools in the global market for machine tools (volume 2014: € 60.7 billion). With a special focus on growing profitability, we particularly target growth markets and industries, with our innovative and diversified portfolio of products.

A central pillar in our strategy is still the **cooperation with our Japanese partner DMG MORI SEIKI COMPANY LIMITED**. Here, we benefit from the realized synergies generated in particular by the sales, service, product development, production and purchasing divisions. Thanks to the reciprocal use of production sites, we are able to produce "in the market, for the market" and hence further reduce import costs and logistics costs in the future. Moreover, we purposefully support a further internationalisation through the building of new production sites as well as through the transfer of products between the present production sites.

P. 59 – 61
Production and Logistics

Together with DMG MORI SEIKI COMPANY LIMITED, we will continue to invest into expanding global markets. To this end, we are systematically aligning the DMG MORI SEIKI group to be market-based, product-based and customer-based. The following core areas define the business activities of the DMG MORI SEIKI group:

P. 110 – 122
Opportunities and Risk Report

- **Strategic focus on growth industries and markets:** We are focussing our core business area of machine tools on high-growth industries such as aerospace, automotive, medical technology and power engineering. We offer our customers in these industries comprehensive production and system solutions to enable them to manufacture complex and specific components more efficiently. In this area, markets such as China and Russia play a highly strategic role for us, due to their above-average consumption of machine tools. We are also increasingly entering smaller markets such as Thailand, Indonesia, Vietnam and the Philippines, where we see great potential for growth. Our strategy aims to win new customers in these countries and thus further expand our market share. In a market environment which poses increasing challenges due to macro-economic instability, a broader presence on global markets is better able to compensate for regional fluctuations. We aim to expand our sales territory in these markets on an ongoing basis, in order to offer customers better local support and thus consistently increase the degree of market penetration.
- **Consistent services orientation:** The "Industrial Services" segment makes a significant contribution both to the turnover of the group and to its profitability. Our range of services covers the entire life cycle of a machine tool and leads the field worldwide, most especially in the areas of repair, service and spares parts. The partnership with DMG MORI SEIKI COMPANY LIMITED provides our customers worldwide with substantial advantages through an improved and faster service as well as improved spare parts supply: Already, we are able to guarantee customers 95% spare parts availability on a global scale. In the business area of renewable energies we are concentrating on offering integrated energy management solutions for industrial customers.
- **Strengthening existing customer relations:** In the field of machine tools we are securing our diverse and broad customers base in the long-term through targeted measures and are building upon our relationships. The basis for this is formed by our innovative and comprehensive portfolio of products and services. We consistently work towards establishing a broad and balanced customer structure from diverse industries, as well as towards generating follow-up orders. In view of this, we are increasingly intensifying our collaboration with major multinational customers by further expanding our global DMG MORI key account management (KAM). The aim is

P. 71 – 72
Order Intake

to position our company, with the aid of KAM, as a long-term partner offering comprehensive solutions. With KAM we will also be bundling our expertise in systems, and erecting a new assembly centre for system solutions and production lines in Baden-Wuerttemberg. From this base, we hope to supply particularly our automotive customers with comprehensive system solutions for large-scale production from the year 2016.

We also support customers – predominantly small and medium sized companies to finance new machine tools by offering customised financial solutions together with our cooperation partner, via the joint venture DMG MORI Finance GmbH.

P. 50 – 56
Research and Development

- **Innovations as the main driver of growth:** In future we will continue to regularly launch innovative products and services from all business areas on the market. In the "Machine Tools" segment, we offer innovative and high quality products from the turning, milling and advanced technologies business areas and the ECOLINE product range, as well as from the electronics range. In the area of system solutions and automation solutions, we will be bundling our expertise at the new site currently under planning in Baden-Württemberg. We will also continue to develop innovative software solutions, and rigorously promote the further development and marketing of CELOS. CELOS, as a control- and technology-independent system, supports the interaction between man and machine, and thereby represents a key element in networked, intelligent production. CELOS, with its new apps becoming available in 2015, represents a decisive step towards Industrie 4.0 for DMG MORI. Overall, by more closely coordinating research and development with our Japanese cooperation partner, both companies can focus more strongly on their individual strengths, which in turn makes joint development work more effective.

P. 123 – 131
Forecast Report

- **Increasing profitability and sustainable use of capital:** The increase in profitability and the efficient and sustainable use of our capital are important goals in raising the corporate value. By constantly building upon the cooperation with DMG MORI SEIKI COMPANY LIMITED, we are also improving our profitability. Primarily, this can be achieved by constantly optimising our global delivery partnership, by significantly reducing material costs, by further standardising components and processes, and by streamlining our product portfolio.

Management System of the DMG MORI SEIKI group: The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT manages the group via a rigidly defined organisational and management structure, as well as by operative goals, the achievement of which is monitored by pre-determined key figures. With the aid of our internal controlling and management system as well as our regular reporting system we monitor and manage the attainment of the key performance indicators and the efficient use of our capital. 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.

P. 77 – 78
Financial position

P. 123 – 131
Forecast Report

The following table provides an overview of the material financial and key performance indicators of the DMG MORI SEIKI group:

B . 04 **KEY FINANCIAL PERFORMANCE INDICATORS TARGETS AND RESULTS 2014**

	Results 2013	Targets 2014 [1]	Targets 2014 [2]	Results 2014
Sales revenues	€ 2,054.2 million	around € 2.2 billion	around € 2.2 billion	€ 2,229.0 million
Order intake	€ 2,101.1 million	around € 2.3 billion	around € 2.3 billion	€ 2,331.4 million
EBT	€ 135.0 million	around € 165 million	around € 165 million	€ 175.3 million
Free Cashflow	€ 67.3 million	between € 20 and € 50 million	positive	€ 86.1 million
Net Working Capital	€ 196.8 million	turnover ratio at 2013 level	moderate improvement	€ 189.5 million
Capital investments	€ 213.5 million	around € 110 million	around € 136 million	€ 159.0 million
of which tangible fixed assets / intangible assets	€ 106.6 million	around € 110 million	around € 136 million	€ 136.9 million
Research & Development expenses	€ 51.9 million	around € 50 million	around € 45 million	€ 44.1 million
New developments / world premieres	27	20	19	19

1) As at 10 March 2014
2) As at most recently published target values

Overall, the DMG MORI SEIKI group achieved its **targets for the financial year 2014**. As one of the leading manufacturers of cutting machines tools, we have further increased our global market share. For the year 2014, a turnover of around € 2.2 billion was achieved. This equates to an 9% rise compared to the previous year. According to the German Machine Tool Builders´ Association (VDW) and Oxford Economics, the increase in global machine tool consumption was only at 2.9%. Furthermore the DMG MORI SEIKI group predicted order intake totalling around € 2.3 billion, EBT totalling around € 165 billion, free cashflow between € 20 and € 50 million, expenditure for research and development totalling around € 50 million and 20 new products / world premieres. The target of maintaining the turnover of net working capital in 2014 to the 2013 business year level was also achieved (actual: 11.8; target: 10.4). Essentially, the increase in investments in comparison to the original forecast was primarily in the area of tangible assets and intangible assets, and can be traced back to increased investment in new areas of growth, as well as to additional modernisation measures at production sites. With regard to investments in financial assets, the equity investment in the capital increase of our cooperation partner DMG MORI SEIKI COMPANY LIMITED resulted in an increase of € 21.9 million. Our interest in the voting share capital of our cooperation partner thus remained constant at 9.6%.

Corporate Governance Report

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.

DMG MORI SEIKI GROUP COMPLIES WITH CORPORATE GOVERNANCE CODE

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 acting at all levels of the group. The DMG MORI SEIKI group has been following the recommendations of the German Corporate Governance Code for years.

In November 2014, the Executive Board and Supervisory Board once again issued a declaration of conformity that confirmed without reservation compliance with all recommendations of the “Government Commission on the German Corporate Governance Code” in the version of 24 June 2014 and its publication in the electronic Federal Gazette (Bundesanzeiger) on 30 September 2014. The Executive Board and Supervisory Board likewise confirm that the recommendations will also be complied with in the future.

DMGMORISEIKI.COM
Declaration of conformity

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.

Insurance for members of the Supervisory Board and of the Executive Board at the DMG MORI SEIKI group

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

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Opportunities and Risk Report

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.

Within the opportunities management system of the DMG MORI SEIKI group, 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.

Our risk management system includes an early risk identification system, an internal control system (ICS), and the central insurance management. Forward-looking, our early risk identification system enables us to record and control the potential risks of future developments in the DMG MORI SEIKI group. The recorded, assessed and controlled risks in question are circumstances which contain an inherent element of potential risk due to the prevailing environmental situation, and which are recorded, assessed and controlled in an adequate manner.

Our early risk identification system consists of five basic elements: the company-specific manual on risk management, the central DMG MORI SEIKI AKTIENGESELLSCHAFT risk management officer, decentralised risk management officers in each group company, area-specific risk management systems, which assess and prioritise individual risks, and the risk reporting system on corporate level and for each individual company with the accompanying ad hoc reporting system for material risks.

The early risk identification system at the DMG MORI SEIKI group is structured in such a way that significant risks are systematically identified, assessed, aggregated, monitored and notified.

Risks in individual company divisions will be identified once per quarter according to prescribed risk areas. All potential risks thus recorded are analysed and assessed according to quantitative variables; hereby measures to reduce risks are also taken into account. Any risk which threat the continuation of business is reported immediately, also outside of the periodic reporting.

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. Possible maximum loads from identified and assessed risks for the group are simulated using quantitative methods (Monte Carlo simulation).

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

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

The existing internal control system of the DMG MORI SEIKI group serves to minimise or eliminate controllable risks in day-to-day business processes. Based on an analysis and documentation of basic business processes, which is updated annually, controllable risks are registered and eliminated or minimised to an acceptable level by arranging the organisational structure and workflow management accordingly, and by implementing suitable control measures. This is supported by existing internal guidelines and instructions as part of the ICS. The effectiveness of the ICS is judged by annual self-assessments. A report on the results of the self-assessments is given to the Executive Board and the Supervisory Board.

To minimise or eliminate risks, the DMG MORI SEIKI group also deploys central insurance management. This determines the group-wide insurance strategy, and is responsible for the operational implementation.

Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely together in the interests of the company. The Executive Board agrees the strategic direction of the company with the Supervisory Board and informs the latter regularly, timely and comprehensively of all issues of relevance to the company relating to strategy, business development, the risk position, risk management and compliance. Any deviations in the course of business from the established plans and targets of the group are discussed and the reasons therefore given. The Executive Board forwards the half-year and quarterly reports to the Finance and Audit Committee and discusses the reports in detail 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.

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Remuneration Report

The remuneration of both the members of the Supervisory Board and of the Executive Board is presented in detail in the remuneration report as part of the management report of the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

Objectives in the Composition of the Supervisory Board

Pursuant to Section 5.4.1 of the Corporate Governance Code, the Supervisory Board has agreed a self-imposed obligation to the effect that nominations for the future composition of the Supervisory Board should be aligned with the interests of the company and that in this respect the following objectives should be observed:

- The composition of the Supervisory Board with members on the owners‘ side with experience of management or managing 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 most important markets for the group, as well as of technical relations and the management of technologies should be taken into account. The same applies for special knowledge and experience in applying accounting principles as well as of internal control mechanisms and compliance processes.
- The current female ratio should be increased from one female member at present to four female members by the re-elections to the Supervisory Board in 2018, whereby every effort should be made to achieve equal proportions of females on the owners' and employees' sides. This corresponds to current legal regulations, which apply from 2016.
- 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 complied with.

Avoiding Conflicts of Interest

Members of the Executive Board and Supervisory Board are obliged to act in the interests of the company. In making decisions and in connection with their functions, the members of the Executive Board and of the Supervisory Board may not pursue any personal interests or business opportunities that the company is entitled to, nor may they grant any unjustified benefits to any other 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, authorised by the Supervisory Board. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and on how they are dealt with.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting passes resolutions, inter alia, on the appropriation of profits, on the approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the annual auditor or any changes to the articles of association. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the Annual General Meeting personally are given the opportunity of 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 instruction.

In addition, it is possible to obtain information about the Annual General Meeting timely via the Internet. All documents and information are made available to shareholders in good time on our website.

Transparency

We strive to ensure that our corporate communication 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.

DMGMORISEIKI.COM
Public Relations / Investor Relations

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

DMGMORISEIKI.COM
Compliance

We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and to society. We therefore specifically undertake to uphold clear principles and values. In particular, this includes observing and upholding legal requirements and regulatory standards as well as voluntary commitments and our own internal guidelines. Our compliance management system is designed to safeguard our principles and values.

The code of conduct of the DMG MORI group is applicable worldwide in all group companies and applies to all employees and, inter alia, governs their behaviour towards third parties. This code of conduct is set out more specifically in the compliance guidelines inter alia 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.

Our senior executives regularly attend training sessions organised by the Chief Compliance Officer. Our senior executives are then expected to act as multipliers, passing their knowledge on to their employees. During the reporting year we also designed an online training course. In order to establish our compliance programme for 2015, 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 2015, the focus will again be on anti-corruption, antitrust law and export controls.

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Other disclosures

Financial Accounting and Annual Audit

We have again agreed with the annual auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for this reporting period that the chairman of the Supervisory Board and the chairman of the Finance and Audit Committee have to be informed without delay of any grounds for exclusion or bias that may arise during the audit insofar as these cannot be eliminated. In addition, the auditor shall also immediately report any findings and events that arise during the audit of the financial statements and consolidated financial statements that have a significant bearing on the work of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board or note in the audit report if, when conducting the audit, any facts are discovered that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the corporate governance code.

Share Ownership of the Executive Board and Supervisory Board Members

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 holds shares in DMG MORI SEIKI COMPANY LIMITED (Nagoya, Japan). The DMG MORI SEIKI COMPANY LIMITED holds 24.33 per cent of the share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT (as at 31 December 2014). Hence, Dr. Masahiko Mori is indirectly a shareholder of DMG MORI SEIKI AKTIENGESELLSCHAFT.
- The Executive Board member Christian Thönes holds 1,080 no par value shares in DMG MORI SEIKI AKTIENGESELLSCHAFT as at 31 December 2014.

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

Suggestions of the German Corporate Governance Codex

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. For organisational reasons, no provision has been made to livestream the entire Annual General Meeting.

Remuneration Report

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

Remuneration of the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT

The Supervisory Board's remuneration is set by the Annual General Meeting and governed by Article 12 of the Articles of Association of DMG MORI SEIKI AKTIENGESELLSCHAFT.

PERFORMANCE-BASED COMPONENTS

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 attendance fees for meetings. The performance-based component comprises a long-term performance incentive (LTI), whose objective is to support sustainable, value-based corporate management.

In financial year 2014, 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 € 356,548 (previous year: € 337,512).

Remuneration for committee work totalled € 284,384 (previous year: € 209,672) 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 and the Nominations 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 2014 amounted to € 88,000 (previous year: € 91,200).

The LTI performance-based remuneration component is based on target values aligned with key figures. The earnings per share (EPS) is used as the performance-related key figure. The EPS is an established key figure by which specific performance is fulfilled taking the share capital into consideration in each case. 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 it does not involve a secure remuneration. Again the Supervisory Board chairman receives 2.5-times and his 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 period but also of the two preceding years. The key figure is the mean average of the EPS figures in the relevant 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 2014 and the two preceding years the corresponding EPS average was € 1.35 (previous year: € 1.17). The performance-based remuneration for the Supervisory Board calculated from the LTI totalled € 356,548 (previous year: € 337,512).

The Supervisory Board remuneration in 2014 was made up as follows:

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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 €	Meeting attendance fees in €	LTI in €	**Total in €**
Prof. Dr.-Ing. Raimund Klinkner Chairman SB Chairman T&D and PNR	60,000	12,000	24,000	24,000	12,000	12,000	60,000	204,000
Dr. Helmut Rothenberger Member and deputy chairman SB as of 04 Feb. 2014 Member PNR and nomination committee as of 25 Feb. 2014	32,548	0	10,192	0	10,192	4,800	32,548	90,280
Ulrich Hocker	24,000	0	12,000	0	12,000	4,800	24,000	76,800
Prof. Dr. Edgar Ernst Chairman F&P	24,000	24,000	0	0	0	8,000	24,000	80,000
Dr.-Ing. Masahiko Mori	24,000	12,000	0	12,000	0	8,000	24,000	80,000
Prof. Dr.-Ing. Berend Denkena	24,000	0	0	12,000	0	5,600	24,000	65,600
Dr. Constanze Kurz*	24,000	12,000	12,000	12,000	0	11,200	24,000	95,200
Dietmar Jansen*	24,000	0	0	0	0	3,200	24,000	51,200
Mario Krainhöfner* deputy chairman SB	36,000	0	12,000	0	0	4,800	36,000	88,800
Matthias Pfuhl	24,000	12,000	0	12,000	0	10,400	24,000	82,400
Peter Reinoß*	24,000	0	0	0	0	3,200	24,000	51,200
Hermann Lochbihler deputy chairman SB	36,000	12,000	12,000	12,000	0	12,000	36,000	120,000
Total	**356,548**	**84,000**	**82,192**	**84,000**	**34,192**	**88,000**	**356,548**	**1,085,480**

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

For financial year 2014, the total remuneration of the Supervisory Board was € 1,085,480 (previous year: € 975,896).

Remuneration of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT

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

PERFORMANCE-BASED EXECUTIVE BOARD REMUNERATION

Members of the Executive Board receive direct and indirect remuneration components. The indirect remuneration 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 present a clear incentive for the Executive Board members to achieve the targets. In this way they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration include, primarily, the tasks rendered by each Executive Board member, his or her personal performance and the performance of the Executive Board, as well as the business situation, the success and the future prospects of the company within its comparative environment.

The total remuneration received by the Executive Board totalled € 9,679 K (previous year: € 10,538 K). Of this sum, fixed salaries accounted for € 2,252 K (previous year: € 2,673 K), whilst STI accounted for € 5,804 K (previous year: € 5,400 K), and individual performance-based remuneration accounted for € 581 K (previous year: € 1,200 K). When awarded, the fair value of the LTI totalled € 924 K (previous year: € 1,109 K). Benefits in kind accounted for € 118 K (previous year: € 156 K). The total remuneration received by the Executive Board in the year 2014 was as follows:

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EXECUTIVE BOARD DIRECT REMUNERATION

	Fixum € K	STI € K	LTI* € K	Performance remuneration € K	Project remuneration € K	**Total € K**
Dr. Rüdiger Kapitza, chairman	800	1,997	261	200	44	3,302
Dr. Thorsten Schmidt, deputy chairman	500	999	174	100	30	1,803
Christian Thönes	318	999	174	100	19	1,610
Dr. Maurice Eschweiler	318	999	174	100	14	1,605
André Danks, member of the Executive Board as of 11 March 2014	257	810	141	81	7	1,296
Kathrin Dahnke, member of the Executive Board until 24 Feb. 2014	59	–	–	–	4	63
Total	**2,252**	**5,804**	924	**581**	**118**	9,679

* Fair value of the LTI at the date of grant

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

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ALLOCATED GRANTS

(in € K)				2013	2014	2014 (Min)	2014 (Max)
Dr. Kapitza	Chairman		Fixum	800	800	800	800
			Perquisite	44	44	44	44
			Sum	**844**	**844**	**844**	**844**
			STI	750	1,600	400	2,500
			Performance remuneration	300	200	0	200
			LTI 2013 – 2016	277	–	–	–
			LTI 2014 – 2017	–	261	0	1,600
			Sum	**1,327**	**2,061**	**400**	**4,300**
			Service cost	411	422	422	422
			Total	**2,582**	**3,327**	**1,666**	**5,566**
Dr. Schmidt	Deputy chairman		Fixum	500	500	500	500
			Perquisite	30	30	30	30
			Sum	**530**	**530**	**530**	**530**
			STI	500	800	0	1,250
			Performance remuneration	200	100	0	100
			LTI 2013 – 2016	185	–	–	–
			LTI 2014 – 2017	–	174	0	1,000
			Sum	**885**	**1,074**	**0**	**2,350**
			Service cost	120	120	120	120
			Total	**1,535**	**1,724**	**650**	**3,000**
Mr. Thönes	Executive Board Product development, production and technology		Fixum	318	318	318	318
			Perquisite	16	19	19	19
			Sum	**334**	**337**	**337**	**337**
			STI	500	800	0	1,250
			Performance remuneration	200	100	0	100
			LTI 2013 – 2016	185	–	–	–
			LTI 2014 – 2017	–	174	0	636
			Sum	**885**	**1,074**	**0**	**1,986**
			Service cost	50	50	50	50
			Total	**1,269**	**1,461**	**387**	**2,373**
Dr. Eschweiler	Executive Board Industrial Services	As of 1 April 2013	Fixum	215	318	318	318
			Perquisite	11	14	14	14
			Sum	**226**	**332**	**332**	**332**
			STI	250	800	0	1,250
			Performance remuneration	100	100	0	100
			LTI 2013 – 2016	92	–	–	–
			LTI 2014 – 2017	–	174	0	636
			Sum	**442**	**1,074**	**0**	**1,986**
			Service cost	50	50	50	50
			Total	**718**	**1,456**	**382**	**2,368**

ALLOCATED GRANTS

(in € K)				2013	2014	2014 (Min)	2014 (Max)
Mr. Danks	Executive Board Finance	As of 11 March 2014	Fixum	–	257	257	257
			Perquisite	–	7	7	7
			Sum	–	**264**	**264**	**264**
			STI	–	649	0	1,014
			Performance remuneration	–	81	0	81
			LTI 2013 – 2016	–	–	–	–
			LTI 2014 – 2017	–	141	0	515
			Sum	–	**871**	**0**	**1,610**
			Service cost	–	50	50	50
			Total	–	**1,185**	**314**	**1,924**
Ms. Dahnke	Executive Board Finance	Until 24 Feb. 2014	Fixum	390	59	59	59
			Perquisite	21	4	4	4
			Sum	**411**	**63**	**63**	**63**
			STI	500	–	–	–
			Performance remuneration	200	–	–	–
			LTI 2013 – 2016	185	–	–	–
			LTI 2014 – 2017	–	–	–	–
			Sum	**885**	–	–	–
			Service cost	120	120	120	120
			Total	**1,416**	**183**	**183**	**183**
Mr. Bachmann	Executive Board production and technology	Until 31 Dec. 2013	Fixum	450	–	–	–
			Perquisite	34	–	–	–
			Sum	**484**	–	–	–
			STI	500	–	–	–
			Performance remuneration	200	–	–	–
			LTI 2013 – 2016	185	–	–	–
			LTI 2014 – 2017	–	–	–	–
			Sum	**885**	–	–	–
			Service cost	277	–	–	–
			Total	**1,646**	–	–	–
Total			Fixum	2,673	2,252	2,252	2,252
			Perquisite	156	118	118	118
			Sum	**2,829**	**2,370**	**2,370**	**2,370**
			STI	3,000	4,649	400	7,264
			Performance remuneration	1,200	581	0	581
			LTI 2013 – 2016	1,109	0	0	0
			LTI 2014 – 2017	0	924	0	4,387
			Sum	**5,309**	**6,154**	**400**	**12,232**
			Service cost	1,028	812	812	812
			Total	**9,166**	**9,336**	**3,582**	**15,414**

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INFLOW FOR THE FINANCIAL YEAR

(in € K)				2013	**2014**
Dr. Kapitza	Chairman		Fixum	800	800
			Perquisite	44	44
			Sum	**844**	**844**
			STI	1,350	1,997
			Performance remuneration	300	200
			LTI 2010 – 2013	1,420	–
			LTI 2011 – 2014	–	1,231
			Sum	**3,070**	**3,428**
			Service cost	411	422
			Total	**4,325**	**4,694**
Dr. Schmidt	Deputy chairman		Fixum	500	500
			Perquisite	30	30
			Sum	**530**	**530**
			STI	900	999
			Performance remuneration	200	100
			LTI 2010 – 2013	712	–
			LTI 2011 – 2014	–	784
			Sum	**1,812**	**1,883**
			Service cost	120	120
			Total	**2,462**	**2,533**
Mr. Thönes	Executive Board Product development, production and technology		Fixum	318	318
			Perquisite	16	19
			Sum	**334**	**337**
			STI	900	999
			Performance remuneration	200	100
			LTI 2010 – 2013	–	–
			LTI 2011 – 2014	–	–
			Sum	**1,100**	**1,099**
			Service cost	50	50
			Total	**1,484**	**1,486**
Dr. Eschweiler	Executive Board Industrial Services	As of 1 April 2013	Fixum	215	318
			Perquisite	11	14
			Sum	**226**	**332**
			STI	450	999
			Performance remuneration	100	100
			LTI 2010 – 2013	–	–
			LTI 2011 – 2014	–	–
			Sum	**550**	**1,099**
			Service cost	50	50
			Total	**826**	**1,481**

INFLOW FOR THE FINANCIAL YEAR

(in € K)				2013	2014
Mr. Danks	Executive Board Finance	As of 11 March 2014	Fixum	–	257
			Perquisite	–	7
			Sum	–	**264**
			STI	–	810
			Performance remuneration	–	81
			LTI 2010 – 2013	–	–
			LTI 2011 – 2014	–	–
			Sum	–	**891**
			Service cost	–	50
			Total	–	**1,205**
Ms. Dahnke	Executive Board Finance	Until 24 Feb. 2014	Fixum	390	59
			Perquisite	21	4
			Sum	**411**	**63**
			STI	900	–
			Performance remuneration	200	–
			LTI 2010 – 2013	322	–
			LTI 2011 – 2014	–	–
			Sum	**1,422**	–
			Service cost	120	120
			Total	**1,953**	**183**
Mr. Bachmann	Executive Board production and technology	Until 31 Dec. 2013	Fixum	450	–
			Perquisite	34	–
			Sum	**484**	–
			STI	900	–
			Performance remuneration	200	–
			LTI 2010 – 2013	712	–
			LTI 2011 – 2014	–	759
			Sum	**1,812**	**759**
			Service cost	277	–
			Total	**2,573**	**759**
Total			Fixum	2,673	2,252
			Perquisite	156	118
			Sum	**2,829**	**2,370**
			STI	5,400	5,804
			Performance remuneration	1,200	581
			LTI 2010 – 2013	3,166	0
			LTI 2011 – 2014	0	2,774
			Sum	**9,766**	**9,159**
			Service cost	1,028	812
			Total	**13,623**	**12,341**

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 specified anew each year. In addition, the STI includes a ceiling limit (cap) in an amount of € 1,250 K for 2014 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.

REMUNERATION COMPONENTS WITH SUSTAINABILITY FACTOR

As a remuneration component with long-term incentive effect, 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 twice the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. Should the EAT fall below a set minimum figure over a four-year average, no LTI payment is made.

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 any third party. The tranches awarded at the beginning of each year have a term of four years. Each tranche is defined by an assumed amount of money that is converted into a number of performance units using the average share price. Following expiry of the relevant period, the amount to be paid out is calculated from the number of units. From the LTI tranche 2011 – 2014, which was awarded on 31 December 2014 and will be paid out in 2015, the resulting payment totals € 2,774 K (previous year's tranche 2010 – 2013: € 3,166 K).

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

The tranches awarded for financial year 2014 will be allocated on 31 December 2017 and will be paid out in 2018, 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 performance units awarded in the years 2011, 2012, 2013 and 2014, as well as the fair value of the LTI at the date it was granted to each Executive Board member.

B . 09

TRANCHES OF THE LONG-TERM INCENTIVE	Tranche 2011 4-year term			Tranche 2012 4-year term		Tranche 2013 4-year term		Tranche 2014 4-year term	
	Number of performance units	Fair value when awarded € K	Allocation amount for 2014 € 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	26,858	262	1,231	22,422	248	22,848	277	16,000	261
Dr. Thorsten Schmidt, deputy chairman	17,905	175	784	14,948	165	15,232	185	10,667	174
Günter Bachmann, (member of the Executive Board until 31 Dec. 2013)	17,905	175	759	14,948	165	15,232	185	–	174
Christian Thönes	–	–	–	7,474	83	15,232	185	10,667	174
Dr. Maurice Eschweiler	–	–	–	–	–	7,616	92	10,667	174
André Danks (member of the Executive Board as of 11 March 2014)	–	–	–	–	–	–	–	8,650	141
Total	**62,668**	**612**	**2,774**	**59,792**	**661**	**76,160**	**924**	**56,651**	**924**

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 LTI, as well as the individual performance remuneration, are variable, which means these 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 benefits plan exists for the chairman of the Executive Board.

B . 10

INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS	€ K
Dr. Rüdiger Kapitza, chairman	422
Dr. Thorsten Schmidt, deputy chairman	120
Kathrin Dahnke (member of the Executive Board until 24 Feb. 2014)	120
Christian Thönes	50
Dr. Maurice Eschweiler	50
André Danks (member of the Executive Board as of 11 March 2014)	50
Total	**812**

In financial year 2014, pursuant to the International Financial Reporting Standards (IFRS), a provisions expense of € 422 K arose for the defined benefit plan (previous year: € 411 K) and one-off past service costs in an amount of € 2,242 K, whereby total provisions amounted to € 14,529 K (previous year: € 9,276 K). This figure also takes account of the benefit for surviving dependants included in the plan.

The special purpose payments to the defined contribution pension plan amounted in total to € 390 K (previous year: € 617 K). The expense for the financial year just ended amounted to € 812 K (previous year: € 1,028 K).

Advances in favour of members of the Executive Board – as 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.

Companies in the DMG MORI SEIKI AKTIENGESELLSCHAFT group did not pay any remuneration to members of governing bodies for services personally rendered, in particular consulting and introduction services. In financial year 2014, an amount of € 1,728 K for consulting services rendered was paid to the Institute for Manufacturing Excellence, which was founded by Prof. Dr.-Ing. Klinkner.

Former members of the Executive Board and their surviving dependants were paid € 610 K in pensions (previous year: € 575 K). The amount of pension obligations for former members of the Executive Board and their surviving dependants amounted to € 12,000 K (previous year: € 9,689 K).

Directors´ Dealings

Pursuant to Section 15a of the German Securities Trading Act (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. There were no directors‘dealings reports during the reporting year 2014.

Research and Development

The aim of the joint research and development activities of the DMG MORI SEIKI group is to increase the value added of our products for our customers. We develop technologically complex products worldwide on the basis of regional market requirements and offer our customers a wide range of machine tools. We differentiate ourselves from the competition as a technology leader in particular through our APP-based control and operating software CELOS and integrated technology and software solutions. Through the cooperation with our Japanese partner DMG MORI SEIKI COMPANY LIMITED, we are in a position to optimise development times and reduce our costs. At the same time, through standardising components and the location of our production, we can offer our products with high quality and short delivery times. The overriding priorities that are guiding our research and development are:

- increasing the machine functionality through our APP-based control and operating software CELOS,
- increasing the value retention and user-friendliness of our machines through the new corporate design,
- market-directed consolidation and development of the product portfolio (product streamlining),
- standardisation of components and greater depth of value added in the core components (SCOPE),
- expanding localisation of machines and components.

Expenses for research and development (R&D) at € 44.1 million were around 3.8% above the previous year's figure (€ 42.5 million). Expenses for special designs are no longer included, contrary to the reporting last year. The previous year's figures were adjusted accordingly.

Due to the increasing demand for customer-specific solutions, special designs continue to become more important. We intend to increasingly utilise the opportunities arising in the special design segment and we are expanding our business of customised solutions. Expenses for special designs are therefore viewed separately since this year and no longer attributed to the expenses for research and development.

The innovation ratio in the "Machine Tools" segment was 3.5%. Capital investments in new developments are listed in the segment reports as capitalised development costs. Research and development activities as drivers of growth make a marked contribution to the group's results. However, it is not possible to quantify the contribution made by individual measures.

B . 11

RESEARCH AND DEVELOPMENT AT DMG MORI SEIKI GROUP IN A YEAR BY YEAR VIEW

		2014	2013	2012	2011	2010	2009	2008
R&D employees	number	501	504	502	485	451	435	471
Proportion of R&D employees [1]	in %	14	15	15	15	15	15	13
R&D expense [2]	€ million	44.1	42.5	45.3	44.7	40.3	39.7	46.5
Innovation ratio [3]	in %	3.5	3.5	3.9	4.1	5.2	5.2	3.9
Capitalisation ratio [4]	in %	18	26	20	24	23	16	15
New developments	number	19 [5]	20 [5]	17 [5]	20	17	15	17

1) R&D employees in relation to the number of employees in the "Machine Tools" segment.
2) R&D expenses exclusive expense for "special constructions".
3) R&D expenses in relation to sales revenues in the "Machine Tools" segment.
4) Capitalised development costs in relation to R&D expense.
5) Developments of DMG MORI SEIKI AKTIENGESELLSCHAFT inclusive cooperation developments with the DMG MORI SEIKI COMPANY LIMITED.

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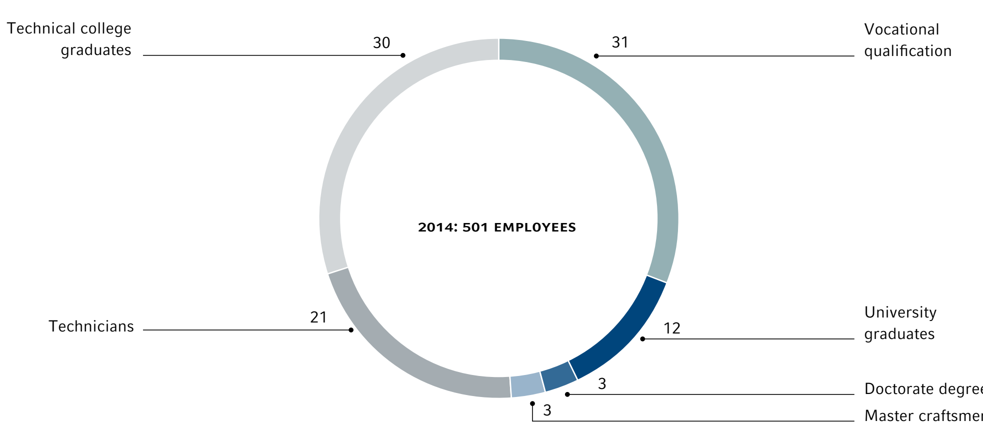
Corporate Communication

The success of our R&D work is reflected in the high quality of our innovations and in the demand from our customers. Overall, machines that were developed in the past three years accounted for around 31% of all orders in the reporting period (previous year: 51%). Together with our cooperation partner we presented 19 world premieres at 58 national and international trade fairs, as well as at open house exhibitions in the reporting period and thus demonstrated our innovative capacity. This included 12 of our own new developments, four joint developments and three world premieres of our cooperation partner. Moreover, in the reporting year we were able to register 117 patents, utility models and designs, as well as brand names and trademarks (previous year: 61 industrial property rights). In total, the value of our portfolio of protected rights, defined by the market value method, amounts to around € 535 million (previous year: € 511 million). This includes trademark rights of DMG MORI SEIKI totalling € 346 million.

A total of 501 employees work on developing our products (previous year: 504 employees); this corresponds to 14% of the total workforce at the plants (previous year: 15%).

B . 12 **GROUP WIDE QUALIFICATION STRUCTURE IN THE AREA OF DEVELOPMENT / CONSTRUCTION**
IN %



Research and development activities at the sites are decentralised and are coordinated with each other through a product development body. Our development activities are directed towards a close cooperation with DMG MORI SEIKI COMPANY LIMITED. In particular, the integration of the shared product portfolio is at the centre of our activities. For this purpose, we are strengthening the cooperation developments and are discontinuing the marketing and production of outdated products.

In the future, a consistent Cooperative R&D Platform (CRP) will support our worldwide development activities. It facilitates an exchange across the group of development-related information, such as CAD data, parts list structure and rules on parts management. We are currently in the first project phase. The existing product data management system (PDM) will be replaced. The new cooperative R&D Platform is planned to go live in April 2015. A machine that is presently in development is being configured in a pilot project according to the new, coordinated parts list structure. In phase 2, the information filed there will be made available in a suitable form to the downstream departments.

We have presented our APP-based control and operating software **CELOS** at the EMO 2013 as world premiere. During the reporting year we started to adapt CELOS on the machines of our product program. CELOS simplifies and expedites the process from the idea to the finished product and provides the basis for a paper-free production. Via a multi-touch display, CELOS currently makes it possible to use 12 APPs for the continuous digitalised administration, documentation and visualisation of the order, process and machine data. CELOS is compatible with other systems, such as PPS and ERP, and enables networking with CAD / CAM applications. CELOS thereby becomes a key element in networked intelligent production, and it is a big step for DMG MORI towards Industrie 4.0. CELOS is open for trendsetting APP extensions.

Furthermore, through the new **corporate design**, which offers enhanced functionality and user-friendliness, we have emphasised the main features of machine tool construction. By using new surfaces, which improve protection against damage, we are ensuring that our machines enjoy greater value retention. In 2014, we focussed on expanding the new corporate design to the machines with relevance in the market for DMG MORI. Since the IMTS in Chicago, DMG MORI has presented exclusively machines in the corporate design at trade fairs. In 2014, a total of 116 machines of DMG MORI were changed over to the new design and the development of design standards for machines was completed.

Within the **Milling** segment, we have presented 10 new developments in the past financial year: DECKEL MAHO Pfronten GmbH presented with the DMC 80 H duoBLOCK®, the DMC 80 FD duoBLOCK® and the DMU 125 P duoBLOCK® new machines of the fourth generation of the successful duoBLOCK® series for 5-axis processing. In addition, the product portfolio of the large 5-axis portal machines was expanded by the DMU 270 P and the DMU 270 FD. In the product segment of horizontal processing centres for heavy machining the NHX 4000 and NHX 5000 were presented as successful cooperation developments of the second generation already.

DECKEL MAHO Seebach GmbH expanded the third generation of vertical machining centres after the DMC 650 V by three new machines, the DMC 850 V, DMC 1150 V and the DMC 1450 V. The new series stands out for considerably improved technical data over the predecessor generation.

The **Turning** division presented three new developments in the financial year 2014. For example, the CTX beta 800 TC displays innovations in the working area, the main spindle as well as the revolver. The new, compact milling spindle "compactMASTER" for the usage of turning and milling makes highest flexibility with a large working area possible. Furthermore, at the grand opening of the Tokyo Solution Centre of our cooperation partner, the second generation of the NTX 1000 Turn & Mill processing centre was presented. The milling functionality of the NTX 1000 enables 5-axis simultaneous processing of complex components with diameters of up to 430 mm and lengths of 800 mm. In addition, the standard features of the SPRINT 20|5 for workpieces with lengths of 600 mm include five linear axes and one C-axis on the main spindle. At the same time, the working area on two tool slides offers space for 23 partly driven tools. Optionally, two slots can be fitted here for the backside processing with driven tool stations.

We have added to our range in **Advanced Technologies** with the five-axis compatible LASERTEC 45 SHAPE. The compact machine for workpieces with a diameter of 300 mm has a rapid traverse three times higher than the predecessor machine and also 80% more working area.

The LASERTEC 65 3D Additive Manufacturing for the generative production of 3D components was met with particular customer interest. Components are manufactured in finished parts quality through an intelligent combination of generative production and milling. The unique process integration of laser deposition with powder nozzle and milling in one machine offers new possibilities for the production of highly complex and customised products. We have developed the machine for the production of metal prototypes, components, repairs and coatings. It specifically addresses the market segments of aerospace, energy and automotive.

Additive Manufacturing

DMG MORI is integrating the generative laser build-up process for the first time in a fully-fledged 5-axis milling machine. This intelligent solution combines the generative component processing (additive manufacturing) with precision cutting and thereby enables the production of complete components in finished-part quality. The combination of additive and cutting processing on one machine is unique in the global market. This process uses a build-up process that is up to 10 times quicker than the generation in the powder bed.

The ECOLINE segment presented the ecoMill 70 as world premiere. The product portfolio in the universal milling machines of the entry range was thereby expanded for 5-side maching. Through this combination of a high-performance control with an NC rotary swivel table, price-conscious and quality-oriented customers receive a high-performance and high-precision solution.

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Sustainability

Generally, we work very closely together with our system suppliers and use licenses in this context. Other than this, we do not purchase any third party **development know-how**. We use the services of third parties primarily in the area of **industrial design**. The **energy efficiency** of our machines and products has traditionally enjoyed a high priority. Through working together with national and international research institutes, we additionally benefit from the latest scientific findings.

Essential drivers of our innovative force in 2014 were our modular kits for key components. Under our "SCOPE" programme, we also accomplished in the financial year just ended to exploit synergies in development and production of key components, covering all machines and sites. One example for this is our "speedMASTER" motor spindle, a co-development with our cooperation partner DMG MORI SEIKI COMPANY LIMITED, which was presented for the first time in the NHX series in 2014 and which has set new standards in the market regarding performance and durability. Moreover, through our consistent standardisation of purchased parts, we were also able to continue bundling our purchasing volume with DMG MORI SEIKI COMPANY LIMITED, whereby we have achieved substantial cost advantages in the procurement markets of Europe and Asia.

One priority was the integration of magnetic scales of the company Magnescale, a joint subsidiary of DMG MORI SEIKI COMPANY LIMITED and DMG MORI SEIKI AKTIENGESELLSCHAFT, as a standardised component in our machines. It is our aim to equip the machines of DMG MORI, which are presently fitted with glass scales, successively with magnetic scales. This can increase the robustness and accuracy of the machines. Until now, we have equipped 62 machine types with scales of Magnescale.

Our portfolio in the **"Industrial Services"** segment has been further optimised in the reporting period in all areas, in particular we have pushed ahead with software development. With DMG MORI SEIKI LifeCycle Services, we offer our customers a unique service portfolio to maximise the productivity of their machines. With new maintenance contracts and spindle checks in combination with machine-specific maintenance kits, we provide a preventive service, which minimises standstill periods and substantially increases the lifecycle of the machines. With the product "Productivity PLUS", the DMG MORI Academy moreover offers a new consulting service for efficiency increase and process optimisation in our customers‘ mechanical production. In addition, we have developed a training package under the leadership of the DMG MORI Academy, so to enable the training workshops of our customers to embark on Industrie 4.0. The devices of the DMG MORI Microset for tool pre-setting allow for significant productivity increases, since tools can be prepared for use in parallel to processing. Particular efficiency increases in the entry segment already are facilitated by the advanced modular UNO series. For example, the UNO 20|40 offers not only extremely high precision as a standard, but also improves ergonomics owing to the new design. The newly developed automated measuring processes on the "automatic drive" configuration level and the automatic activation of the cutting edge on the "autofocus" configuration level round out the large product range of DMG MORI Microset.

In **Energy Solutions** the GILDEMEISTER energy monitor was successfully established in the market and is continuously being expanded by new features. The innovative software enables systematic energy management and thereby considerable energy cost reductions for our customers. In the Energy Services segment, we have developed our services during the reporting year: we can now offer all of the service solutions to our customers, from simple maintenance to complete service, depending on their need.
In order to be well positioned in the rapidly growing market of e-mobility, we have developed a new e-charging station solutions with the eCube. We are therefore very well positioned in the market in the field of rapid charging. The Energy Services and Components segments were ISO 9001 certified in the year 2014. Furthermore, we could obtain the permit for our "CellCube" storage in the important North American market.

CTX beta 800 TC: The New Compact Engine for Turn & Mill Complete Machining

The CTX beta 800 TC adds to the DMG MORI programme of Turn & Mill machines for the 6-side complete processing of smaller work pieces with diameters of up to 500 mm and turning lengths of 800 mm. The core element of the machine is the new ultra-compact turning and milling spindle compactMASTER for high flexibility with a maximum of working space. The compact design increases the working space by 170 mm compared to a traditional spindle and adds 20% more troque at the same time. Besides the significantly raised performance versatility, the machine in the new corporate design, which is also equipped with CELOS offers improved functionality and retention of value.

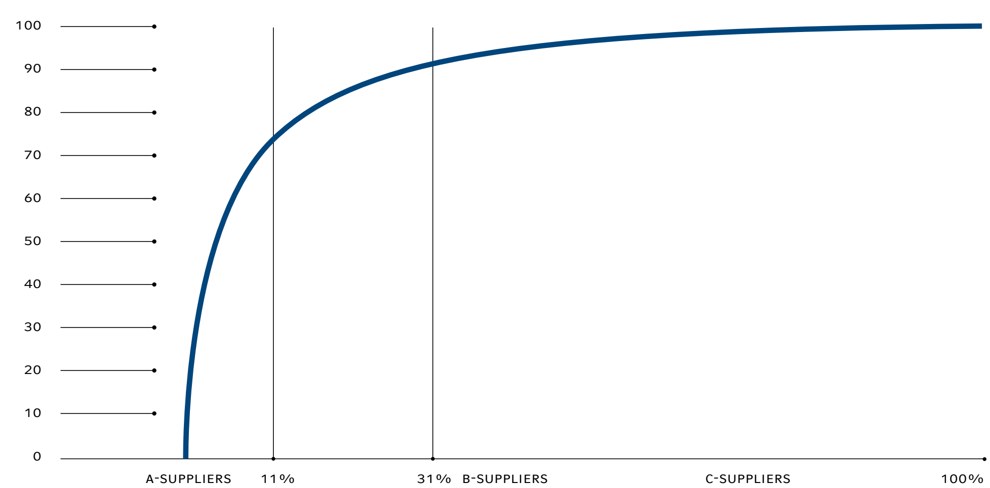
Purchasing

In the reporting year, the focus of the work in **Purchasing** was to push ahead the organisation of a local supplier structure in Russia and to further optimise the cost situation of the product innovations launched in the market, particularly with regard to the new CELOS control interface and the new corporate design.

The **costs** of materials and purchased services amounted to € 1,190.0 million (previous year: € 1,086.7 million), of which raw materials and consumables accounted for € 1,041.5 million (previous year: € 944.9 million). The **materials ratio** was 52.6% (previous year: 52.7%). Our **depth of value added** was 30.9% (previous year: 29.9%).

Our supplier structure is illustrated in the following diagram:

B . 13 **STRUCTURE ANALYSIS OF SUPPLIERS 2014**
SHARE OF SUPPLIERS IN PURCHASING VOLUME IN %



The structure analysis shows that 11% of our suppliers cover around 74% of the total purchasing volume. We refer to these as our A-suppliers. A further 20% of our suppliers have a share of 17% of the purchasing volume (B-suppliers); 31% of our suppliers thus cover 91% of the entire purchasing volume. The remaining 9% share of materials purchased is spread among the remaining 69% of our suppliers, the so-called C-suppliers.

The aim of the multidisciplinary-organised purchasing activities at the DMG MORI SEIKI group is to secure the existing market and technological lead and to ensure quality.

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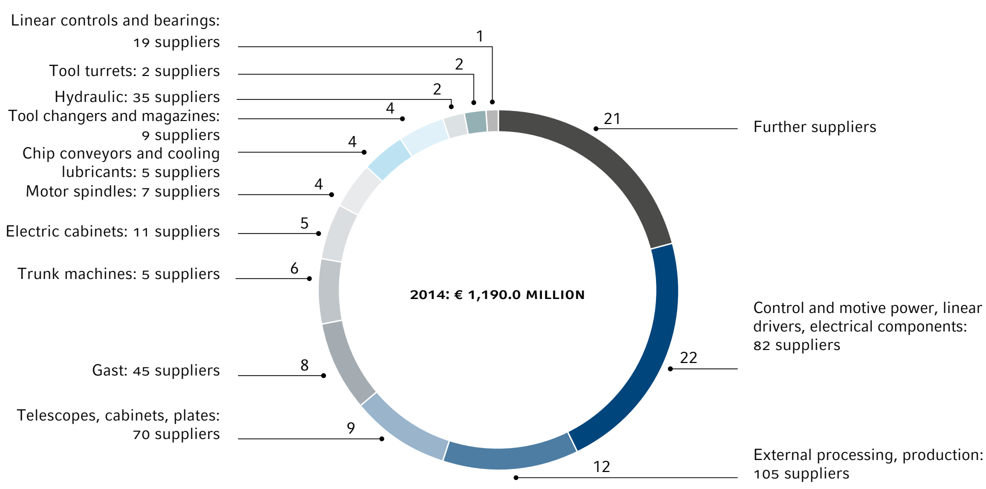
In doing so, purchase management activities are based on the integrated approach of the ***co*****Supply© supply management,** the **strategic material groups management** and the **integrated global sourcing**. In line with our supplier-capital policy, we consistently added to our **global supply partnerships** in the reporting period in order to cope with the effects of progressive globalisation, which leads to a generally more dynamic state of the markets. We have developed and intensified our global supply relations in order to make use of regional location advantages with respect to quality and cost.

Alongside the global sourcing activities and intensive supplier management, the **materials groups management** also forms a critical element of purchasing activities. Divided into 30 materials groups, it brings together the cooperation between purchasing and technology throughout the group.

B.14 **SHARE OF MATERIALS GROUP IN PURCHASING VOLUME**
IN %



In the area of non-production materials and services, especially the topics of investments for the Winterthur and Ulyanovsk sites, as well as IT were at the centre of attention in the reporting year. Use throughout the group of our own Energy Solutions products was further optimised, allowing us to further improve our electricity terms with our service providers. Purchasing in specific areas was closely coordinated with the competent departments and a decision was taken centrally. In a central committee, proposed capital investments were presented to the Executive Board monthly and a final decision was made.

Production and Logistics

In the **Production and Logistics** area, we have implemented numerous measures in the year 2014 to increase efficiency at the plants. For example, in the scope of project **"TAKT"**, the optimisation of processes in production and production-related areas was advanced further, meanwhile the implementation of the general plant standards was ensured at all sites. Through a host of measures within the scope of the supply chain management, particularly the turnaround of inventories could be increased compared to the previous year, whereby inventories are once more reduced. By virtue of the further optimisation of the production chain, the adherence to delivery dates could furthermore be raised substantially. With project **"TAKT"** we are staking out a clear framework for action across all sites, in order to improve the processes within the company. **"TAKT"** in this context stands for creating transparency, clarifying orders, mastering complexity and adhering to schedules. It integrates modern production concepts and advances these by means of standardised methods and processes.

"TAKT" PHASE 2 STARTED

The average delivery period, and consequently the calculatory extent of the order intake of the DMG MORI group, was about five months in the past financial year. On average in the German machine tool industry this value is quantified by the German Machine Tool Builders' Association (VDW) as 7.5 months; because it includes a comparably much greater share of special and project machines with typically longer through-put times, the value is consequently a little higher.

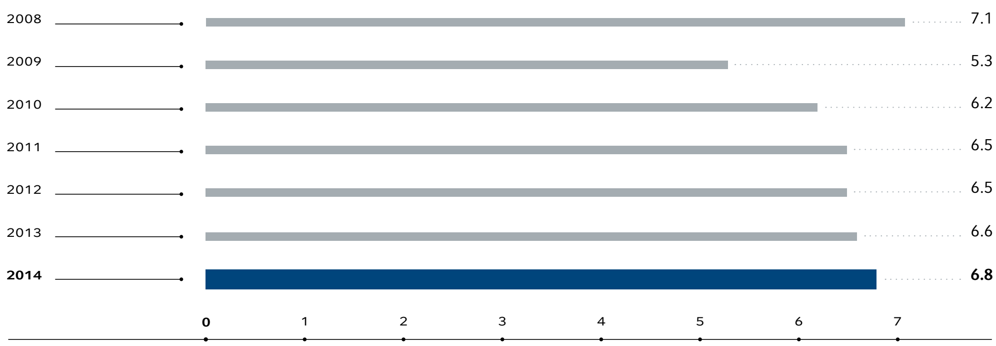
In the production segment we have further intensified the **cooperation** with our partner, DMG MORI SEIKI COMPANY LIMITED, in the past year. Through the reciprocal use of the global production sites, we are lowering transport costs and shortening the delivery periods for the benefit of our customers. At our Bergamo site (Italy) in the financial year 2014, we have more than doubled the produced parts rate of our cooperation partner's universal turning machine NLX 2500 SY / 700 at GILDEMEISTER ITALIANA S.P.A. Vice versa, we have realised the start-up of local assembly for our 5-axis milling machine DMU 50 at the plants in Chiba (Japan) and Davis (USA). We have ensured the series start at the highest standard of quality in both plants by means of training in Germany and Japan, as well as with technical support on site. From now on, we will increasingly produce "in the market for the market" and thereby profit from the reciprocal utilisation of the worldwide production capacities.

INTENSIFIED COOPERATION WITH DMG MORI SEIKI COMPANY LIMITED

We have also greatly profited from our **Ideas Management System** in the past financial year. Our employees continuously contribute to the improvement and advancement of our company through the employee suggestion system. Our plants, DECKEL MAHO Seebach GmbH, DECKEL MAHO Pfronten GmbH and GILDEMEISTER Drehmaschinen GmbH rank among the top 3 of 126 companies in the industry ranking by the Deutsches Institut für Betriebswirtschaft (DIB – German Institute for Business Administration).

SUCCESS IN INDUSTRY'S RANKING OF IDEAS MANAGEMENT

B . 15 **SUGGESTIONS FOR IMPROVEMENT AT PRODUCTION PLANTS**
NUMBER PER EMPLOYEE



In the **Milling** segment we opened the new XXL Centre at DECKEL MAHO Pfronten in July. With more than 1,000 m² floor space, a height of 16 m and a crane capacity of 100 tonnes, it is the world‘s most modern large machine centre. Here, up to four XXL machines can be assembled simultaneously. A modern air-conditioning system ensures stable ambient conditions with temperature deviations of at most +/– 1°. This project has created an optimal assembly environment for our DMU 600 P portal machine.

DECKEL MAHO Seebach GmbH is the exclusive partner of Porsche motorsports for parts processing. The "Porsche Corner" division, which was established specifically for this purpose, stands for precision, flexibility and the transfer of innovative technologies. Here, for example, complex pump housings and elaborate fastening elements are produced. An HSC 70 *linear* and a DMU 60 eVo FD universal machine currently represent the technological spine of the partnership. Our involvement in motorsports is a great opportunity to demonstrate also in this area the performance of our machines and our vast know-how.

In the **Turning** segment, we have conducted numerous optimisation measures in the past financial year. GILDEMEISTER Drehmaschinen GmbH expanded the tried and proven cluster assembly system for the NEF 600, the CTX beta 800 TC and the CTV 160/250. The new flow production for the manufacturing of spindle boxes was taken into operation for the in-house exhibition at the Bielefeld site within the scope of the group-wide "TAKT" project. This measure led to a reduction of the order processnig time by 40% and an increase of the output quantity by 20%.

The site of GILDEMEISTER Italiana S.p.A. was completely modernised. On the one hand, we built a new assembly hall with more than 1,200 m² of floor space. On the other hand, a new technology centre was established on approx. 1,000 m², where customer-specific demonstrations and solutions are being developed. These elaborate modernisation measures make it possible from now on to manufacture up to 380 single-spindle and multi-spindle machines as well as 100 NLX 2500 at the site.

DMG ECOLINE AG bundles the ECOLINE production plants Famot Sp.z.o.o, DMG Shanghai Machine Tools Co. Ltd. and our plant under construction in Ulyanovsk (Russia).

In Pleszew (Poland) the series production of the ecoMill 70 was started successfully. Furthermore, the machine park in production was modernised. At the site in Shanghai, the turning machine portfolio was expanded in the past year. Besides the ecoTurn 310 and ecoTurn 510, we also produce the ecoTurn 450 here. Following the technology transfer in March 2014 from the European parent plant in Poland, the first prototype was presented in September 2014.

The **Energy Solutions** system business comprises the efficiency analysis for saving energy as well as systems for the generation, storage and use of renewable energy. DMG MORI SEIKI COMPANY LIMITED likewise relies on the energy generation and storage of green energy by means of solar and wind energy in its new building of the Tokyo headquarters. Besides the solar park, a WindCarrier with an energy volume of 10 kWh was installed. Three CellCube FB10-100 with a storage capacity of 300 kWh ensure the uninterrupted power supply even in darkness or lulls.

In **Quality Management**, we have further optimised our quality management system and introduced it worldwide at all production sites. We can ensure an even better quality by means of the pioneering **First Quality** standards, which go far beyond the requirements of ISO 9001. In the development area this means increasing the durability of our machines further through the bundling of development experience – for example, by means of the new spindle generation **speedMASTER** and **powerMASTER** with 18 months or 10,000 hours warranty, or with the magnetic measuring systems of Magnescale, which are resilient to rough environmental conditions such as moisture, oil, dust and vibrations. Not least, permanent continuous training and qualification measures as well as the 100-hour quality check according to strict criteria in realistic scenarios of workshop conditions are fixed parts of our customer-oriented quality strategy “First Quality”. In cooperation with our first-class suppliers, who have many years of experience in mechanical and plant engineering, the defined First Quality Standards have been successfully implemented at their companies and continuously advanced since then. First Quality is therefore a strategic element that we use as the basis for the continuous improvement of our processes and products, consistently from development to installation of the machine at the customer‘s site.

Report on Economic Position

In 2014, the world economy saw further growth on the whole. In the USA, the economy continued its recovery. The major part of the Eurozone is back on track with modest growth, in spite of the negative economic effects from the Ukraine crisis. In Asia, growth has stabilised in the reporting year. The global market for machine tools only had modest growth due to exchange rate effects.

Business Environment

Overall Economic Development

The global economy has continued its upward trend in the reporting year 2014; the effects from the Ukraine crisis and the conflicts in the Near East, however, continue to burden the global economy. According to preliminary calculations by the Institute for World Economics (IfW) at the University of Kiel, global economic growth in 2014 was 3.4% and thus higher than in the previous year (+3.2%).

The economy in **Asia** expanded with 6.6% growth just as strongly, as in the previous year (+6.6%). According to official statistics, the gross domestic product (GDP) in **China** reached a plus of 7.4% (previous year: +7.7%). In **Japan**, growth declined to 0.2% (previous year: +1.5%). In the emerging Asian countries, cyclical growth slowed down in the reporting year. All in all, growth was strongest in Asia, as in the previous year. The IfW forecasts **Europe's** economic growth to rise to 1.3% (previous year: +0.1%). The development was carried most recently primarily by Germany (+1.6%) and Great Britain (+3.0%) – the Ukraine crisis prevented a quicker recovery in Eastern Europe.

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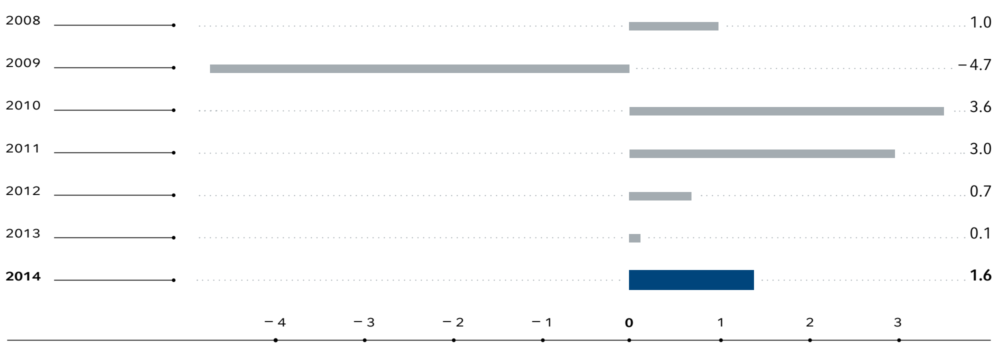
Overall Statement of the Executive Board on the Business Environment

In the **USA**, the economy continued its recovery. The GDP increased by 2.2% (previous year: +2.2%) in the whole year according to the IfW.

The **Eurozone** recorded a mixed economic development overall in the reporting year 2014. Despite the continuously persisting economic insecurities from the effects of the Ukraine crisis, many member states are back on the growth track. Yet, the GDP of the Eurozone is expected record a change rate of merely +0.8% (previous year: −0.4%).

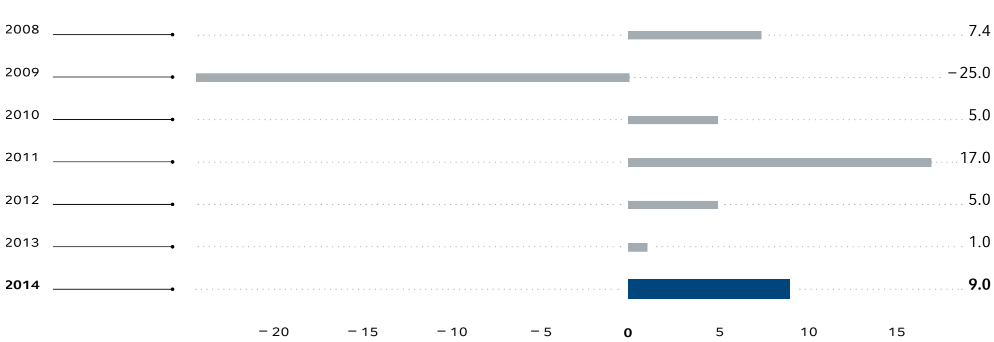
C.01 **GROSS DOMESTIC PRODUCT IN GERMANY**
REAL CHANGES AGAINST THE PREVIOUS YEAR
IN %



Sources: Federal Statistical Office, Wiesbaden; Institute for World Economics (IfW), Kiel; ifo-Institut, Munich

In **Germany** the economy followed a modest upwards trend; according to figures of the Federal Statistics Office, the GDP in 2014 rose slightly by 1.6% (previous year: +0.1%). In this respect the most important pillar of economic growth was private consumption (+1.1%; previous year: +0.8%). Investments in equipment grew by 3.7% and contributed significantly more to economic growth than in the previous year (−2.4%). According to provisional calculations, investments rose in the manufacturing industries by 9.0% (previous year: +1.0%); the following graph shows a multiple year comparison:

C.02 **INVESTMENT IN THE GERMAN MANUFACTURING SECTOR**
NOMINAL CHANGES AGAINST THE PREVIOUS YEAR
IN %



Sources: Federal Statistical Office, Wiesbaden; Institute for World Economics (IfW), Kiel; ifo-Institut, Munich

The DMG MORI SEIKI group's international business is affected by the euro's exchange rate. Of particular importance are the US dollar and the Japanese yen. Compared to the previous year, the **exchange rates** of these currencies changed as follows: The euro shed a lot of value compared to the dollar and closed out the year at USD 1.21 (previous year: USD 1.38). The Japanese yen weakened slightly compared to the euro and closed at an exchange rate of JPY 145.2 (previous year: JPY 144.7).

The average exchange rates in the reporting period indicated an altogether varied development: The average value of the US dollar against the euro was USD 1.33 (previous year: USD 1.33). The average value of the euro against the yen was JPY 140.3 (previous year: JPY 129.7).

At year's end, the euro listed a loss of value of 12.0% against the US dollar compared to the previous year. Compared to the Japanese yen, the euro gained 0.4% in value. The exchange rates have led to lowered prices of our products in the USA and in the markets dependent on the dollar. Moreover, the change in value of the Japanese yen led to a reduction in price for components and machines acquired from Japan. As a result, Japanese suppliers had a competitive advantage in Europe; the machines of our cooperation partner, which we market in Europe, could accordingly be offered at more favourable prices.

Development of the Machine Tool Building Industry

International Development

P. 123 – 131
Forecast Report

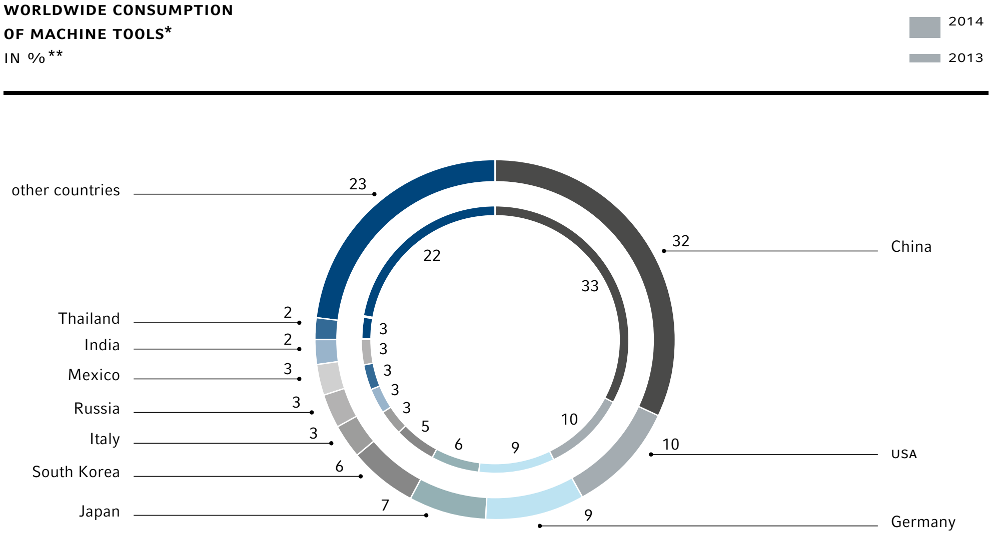
The global machine tools market only had modest growth in the year 2014 according to the information from the German Machine Tool Builders' Association (VDW). **World consumption** rose by 2.9% to € 60.7 billion (previous year: € 59.0 billion). The cause of this is largely an exchange rate effect in Japan and increased production figures in China.

Asia recorded growth of 5.4% (previous year: −20.2%). In North and South America, the development in the year 2014 was likewise negative at −5.8% (previous year −11.5%). In the USA the cosumption was stable (+0.1%). The demand for machine tools in Europe rose by 4.1% (previous year: +1.1%).

Despite a stagnate consumption, most machine tools were once again consumed in **China** in 2014 (+0.3%). At a volume of € 19.4 billion, China had a share of 32% in the world consumption (previous year: € 19.3 billion). We estimate our relevant market share to be € 6.8 billion. The second most important market for machines tools in 2014 was the **USA** with a stable consumption of € 6.1 billion (previous year: € 6.1 billion; +0.1%). In the third largest market, **Germany**, consumption rose in the reporting period by 1.7% to € 5.6 billion.

The strongest growth market in the year 2014, Japan, ranks fourth with a consumption of € 4.4 billion (previous year: € 3.0 billion, +48.9%). This value is strongly distorted by currency fluctuations in the reporting year as well as previous year. As in the previous year, South Korea ranked fifth with € 3.7 billion (previous year: € 3.3 billion, +11.1%). The ten most important consumer markets accounted for 77% of world machine tool consumption in the reporting period; the following diagram presents an overview:

C . 03 **WORLDWIDE CONSUMPTION OF MACHINE TOOLS***
IN %**

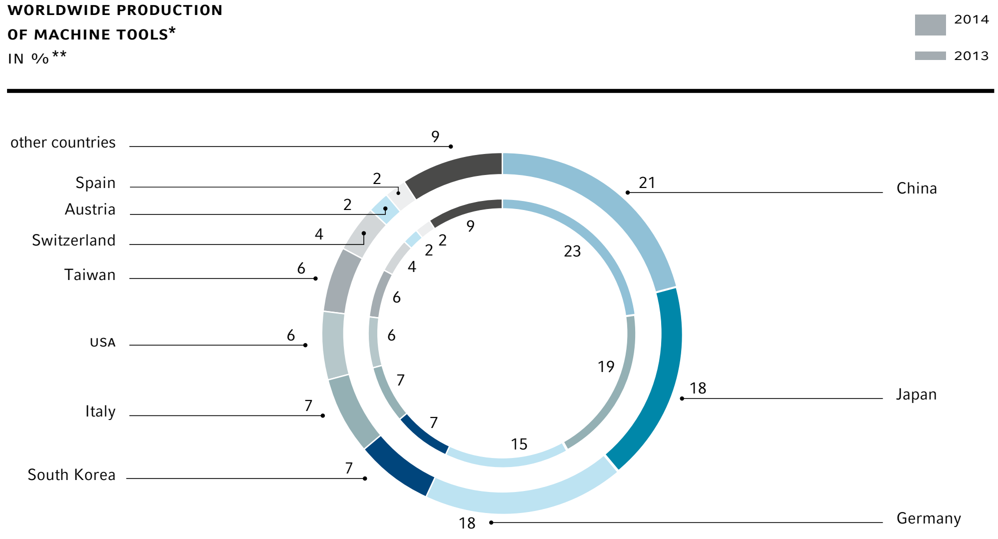


2014: Total € 60.7 BILLION // 2013: Total € 59.0 BILLION

* 2013 figures revised; 2014 figures provisional. Further corrections to the figures cannot be excluded according to VDW information.
** figures rounded up / note 2013: 4th place South Korea, 5th place Japan, 6th place Mexico, 7th place Russia, 8th place Italy.

The VDW also calculated a rise in **global production** of 2.9% or € 1.7 billion to € 60.7 billion (previous year: € 59.0 billion). The world's biggest producer of machine tools in 2014 was China with a volume of € 12.7 billion – the equivalent of 21% of machine tools produced worldwide (previous year: € 13.3 billion, −4.1%). In Japan the production reached € 11.0 billion (previous year: € 9.1 billion, +21.0%) or 18% of global production. Germany at € 10.8 billion (previous year: € 11.1 billion, −3.5%) was once again the third largest producer; this equates to 18% of world production. The ten most important production countries represent a total of 91% of all machine tools (previous year: 91%). In the major markets, the production shares developed as follows:

C . 04 **WORLDWIDE PRODUCTION OF MACHINE TOOLS***
IN %**



2014: Total € 60.7 BILLION // 2013: Total € 59.0 BILLION

* 2013 figures revised; 2014 figures provisional. Further corrections to the figures cannot be excluded according to VWD information.
** figures rounded up / note 2013: 2nd place Germany, 3rd place Japan, 4th place Italy, 5th place South Korea, 9th place Spain, 10th place Austria.

Sources: The basis of the world machine tool statistics is the data published by the VWD (the German Machine Tool Builders' Association) (excluding parts and accessories). This data is requested by the national producers' associations of each individual country and is based on the current actual values or, for the remainder of the year, on careful estimates based on the revised values of the previous year. Status: 11 February 2015

German Machine Tool Industry

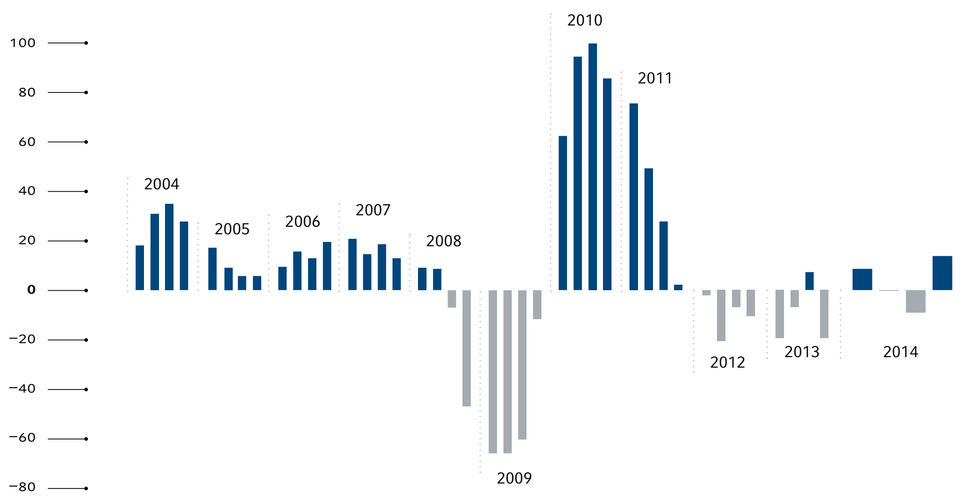
The **ifo business climate index** for trade and industry is the leading indicator for economic development in Germany. According to its survey, the main consumer industries (mechanical engineering, automotive manufacturing and electrical engineering) reported index values slightly below the previous year level. This reflects the presently uncertain economic situation.

In 2014, the German machine tool industry recorded declining sales revenues, but a stable production and increasing order intake. At € 14.8 billion, the **order intake** of plants in Germany remained with a rise of 4% above the level of the previous year (€ 14.2 billion). At the same time, domestic demand rose by 6% (previous year: −7.0%), demand from abroad rose by 4% (previous year: −6.0%). The VDW reports that order intake for cutting machines rose by 4% (previous year: −8.0%). In the forming machines segment, order intake rose by 5% (previous year: −2%). Order intake at foreign plants of German manufacturers is not included in this figure.

Due to export restrictions, **sales revenues** of German machine tool manufacturers fell by −5% compared to the previous year (previous year: +7%).

Over the course of the year, order intake at plants in Germany developed as follows:

C.05 **MACHINE TOOL ORDER INTAKE IN GERMANY PER QUARTER***
REAL CHANGES AGAINST THE PREVIOUS YEAR IN %

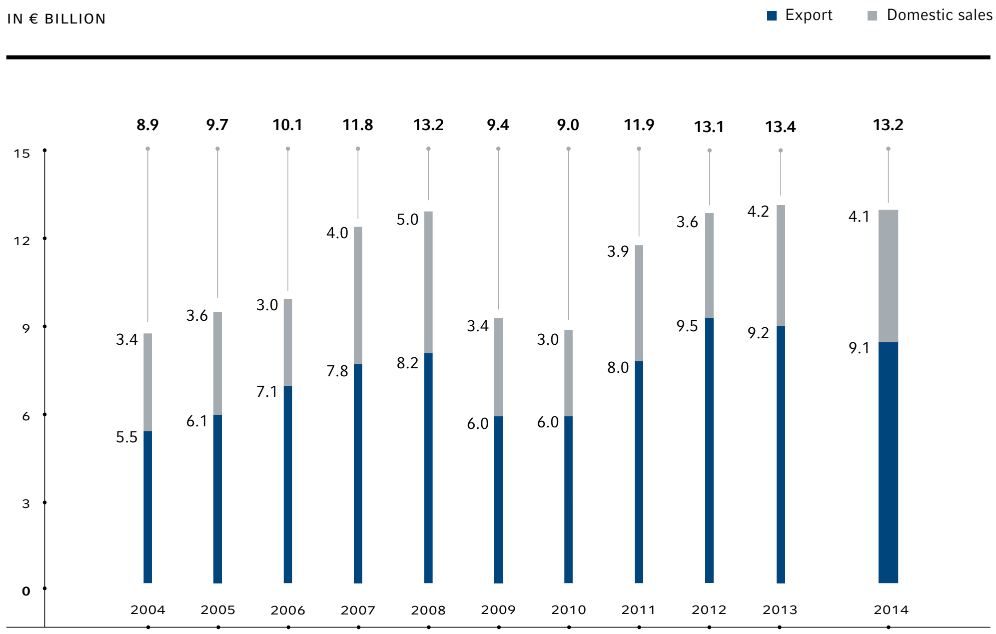


* previous year's figures partly adjusted

The **production** of machines reached a volume of € 13.2 billion and therby € 0.2 billion below the previous year's level.

Machines with a value of € 9.1 billion were exported (previous year: € 9.2 billion), **exports** thus fell by 1% compared to the previous year; the export ratio reached 69% (previous year: 68%). The most important export market for German machines tools was once again China at € 2.3 billion (previous year: € 2.3 billion); this represents 25% of German machine tool exports (previous year: 25%). The USA took second place with an export volume of € 0.9 billion (previous year: € 0.9 million; export share: 10%). Russia was the third most important export market, to which machines valued at € 0.5 billion were supplied (previous year: € 0.5 billion; export share: 5%). The development and composition of German machine tool production is shown in the following multiple year comparison:

C . 06 **GERMAN MACHINE TOOL PRODUCTION**
IN € BILLION



Imports of machine tools rose by € 0.2 billion or 6% to € 3.1 billion (previous year: € 2.9 billion). Accounting for an import share of 30%, every third imported machine tool came from Switzerland, followed by Japan (11%) and Italy (9%) also ranking among the top 3.

Domestic consumption of machines and spare parts reached € 7.2 billion, as in the previous year.

Over the course of the year, the **capacity utilisation** of German machine tool producers fell. The capacity utilisation of producers of cutting machines was 90.1% (previous year: 92.8%).

The extent of the **order backlog** again fell slightly over the course of the year. It was an average of 7.3 months (previous year: 7.5 months). The extent of order backlog is based on calculations and represents an average figure for the industry. The total number of **employees** in German machine tool companies rose on an annual average in total to 71,617 (previous year: 71,383).

Reliable statements on the **profitability** of the German machine tool industry are difficult to make as only a few companies publish the corresponding figures. Therefore, the industry's association has to rely on estimates.

Overall Statement of the Executive Board on the Business Environment

The DMG MORI SEIKI group was able to maintain its competitive position in a challenging market environment. As one of the leading manufacturers of cutting machine tools, we have further increased our **global market share**.

In 2014, the economic development was characterised by insecurities as a consequence of various political conflicts. The economy in Germany moved on a modest upward trend viewed over the entire year. The gross domestic product rose by 1.6% according to the Federal Statistics Office. The international business of the DMG MORI SEIKI group is affected by the euro exchange rates. Our products became cheaper in the dollar-dependent markets that are important for us, since the euro fell strongly against the dollar during the reporting year and ended the year at an exchange rate of USD 1.21. On the other hand the euro rose compared to the yen, which has led to price advantages for Japanese competitors in Europe. These general **economic conditions** have decisively influenced our business.

G P. 72
Trend in regional breakdown in order intake

In our industry, **customer needs** increasingly demand offers that are specifically tailored to the target group – including everything from the entry-level machine to complex technology solutions, as well as comprehensive services. We have oriented our product portfolio and service range more along these lines. This way, we were able to increase our global order intake further in the reporting year, in spite of the market environment becoming increasingly more difficult.

Industry situation and competitive environment: Asia still offers greater growth opportunities for us and we want to share in these opportunities from now on. With a share of 32%, China was again the largest market of the world. Likewise, Europe's share in the global market developed positively. We have strengthened our position in the established markets as a market leader in the machine tool business. The more intensified cooperation with our Japanese partner in the **sales and service segment** as well as in **product development and production** also contributed to this success. Accordingly, we accomplished to further strengthen our traditionally strong **market position** in Germany through our innovative force and our technological lead.

The effects that the various economic factors have on our business are illustrated in the following overview:

C . 07 **GENERAL ECONOMIC FACTORS AFFECTING BUSINESS DEVELOPMENT IN 2014**

Rising gross domestic product	+
Steady business climate index	0
Exchange rate (weaker Euro)	+
Rising capital investment	+
Stagnant machine tool market	0

Degree of influence of the factors: + + = very positive, + = positive, 0 = neutral, – = negative, – – = very negative

Results of Operations, Net Worth and Financial Position

Sales Revenues

The DMG MORI SEIKI group achieved the highest sales revenues in the company history with € 2,229.0 million during the reporting year and surpassed the previous year value by € 174.8 million or 9% (previous year: € 2,054.2 million). In the fourth quarter, sales revenues rose by € 92.9 million or 16% to € 666.6 million (previous year: € 573.7 million).

In our core business of "Machine Tools", we earned sales revenues of € 1,258.4 million (previous year: € 1,220.6 million). It reached € 395.1 million in the fourth quarter (previous year quarter: € 347.0 million).

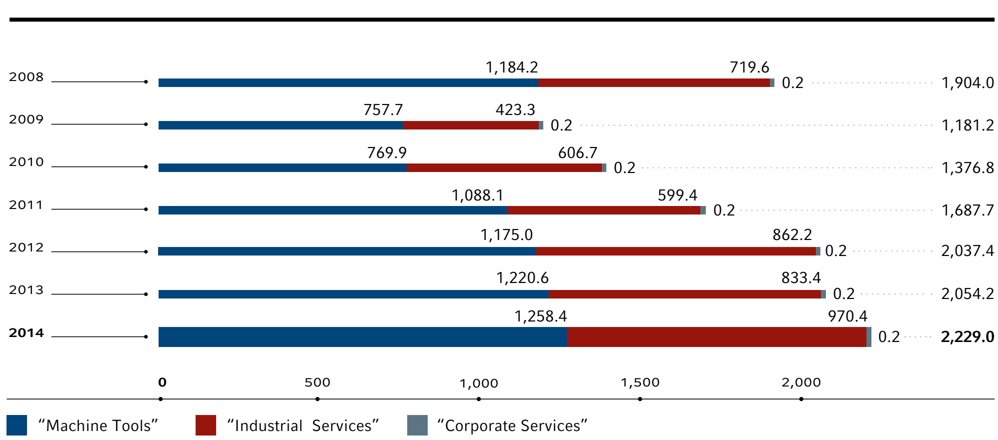
P. 87 – 96
Sales revenues in the segments

The "Industrial Services" division developed positively with an increase of sales revenues by € 137.0 million or 16% to € 970.4 million (previous year: € 833.4 million). Sales revenues in the Services segment rose by € 152.6 million to € 932.7 million (previous year: € 780.1 million). Sales revenues from trade with products of our cooperation partner increased to € 421.8 million (previous year: € 305.1 million). The Energy Solutions division accounted for € 37.7 million (previous year: € 53.3 million). In the fourth quarter, sales revenues in the "Industrial Services" segment amounted to € 271.5 million (previous year quarter: € 226.6 million).

International sales revenues of the group rose by 5% to € 1,449.8 million, domestic sales revenues amounted to € 779.2 million. The export share was 65% (previous year: 67%).

In a multiple year comparison, the segments contributed to group sales revenues as follows:

C . 08 **SALES REVENUES AT THE DMG MORI SEIKI GROUP**
IN € MILLION



Order Intake

In a market environment becoming increasingly more difficult, we accomplished to record the highest order intake volume in the company's history at € 2,331.4 million (previous year: € 2,101.1 million). In the fourth quarter order intake amounted to € 590.6 million (previous year: € 484.5 million).

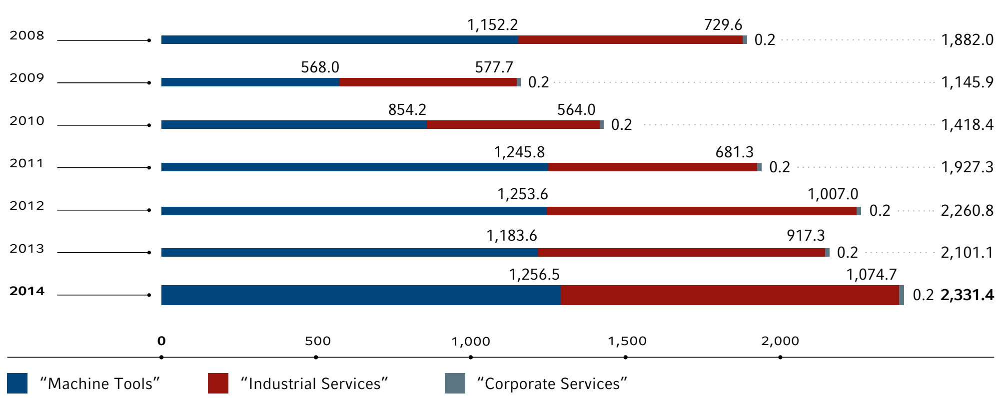
Orders in the "Machine Tools" segment in the reporting period were € 1,256.5 million (previous year: € 1,183.6 million). The "Industrial Services" segment recorded order intake of € 1,074.7 million (previous year: € 917.3 million), of which € 1,031.3 million was accounted for by the order intake in the Services division (previous year: € 875.2 million). In the Energy Solutions division, orders were € 43.4 million (previous year: € 42.1 million).

P. 87 – 96
Order intake in the segments

Domestic orders amounted to € 814.5 million (previous year: € 705.8 million). International orders were € 1,516.9 million (previous year: € 1,395.3 million). Thus the proportion of foreign business was 65% (previous year: 66%).

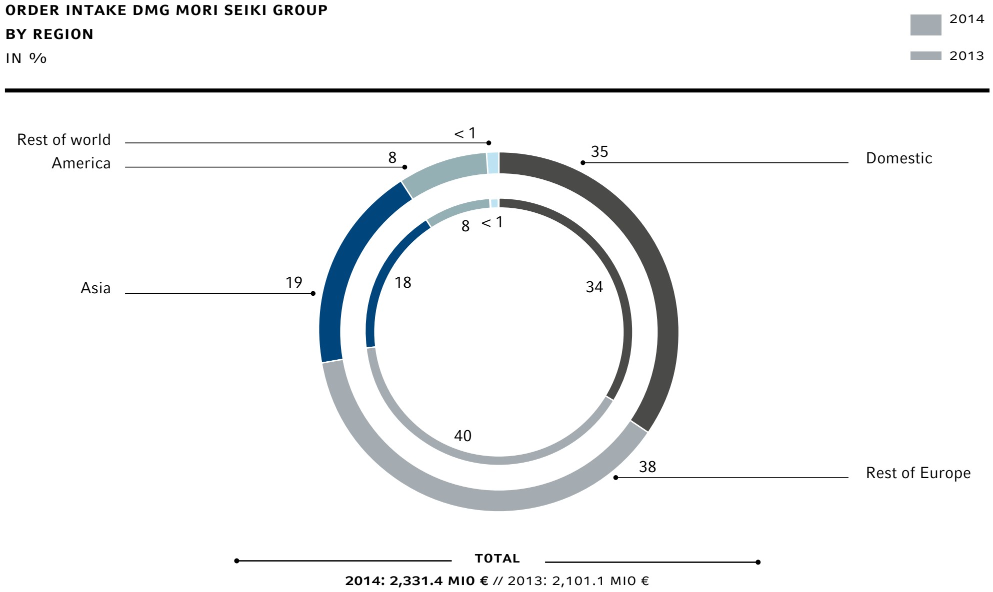
In a multiple year comparison, the segments contributed to group order intake as follows:

C . 09 **ORDER INTAKE DMG MORI SEIKI GROUP**
IN € MILLION



In the individual market regions, the order intake trend was as follows:

C . 10 **ORDER INTAKE DMG MORI SEIKI GROUP BY REGION**
IN %



With 7,673 machines sold, orders were above the previous year's figure (7,029 machines). The machines were delivered to 5,473 different customers. We have raised our **sales prices** in the reporting period across the entire product range by around 3%. The **Global Key Account Management** once again contributed substantially to order intake with a 14% contribution.

Order Backlog

On 31 December 2014, the order backlog at the group was € 1,134.3 million; it was thus € 102.4 million or 10% above the previous year's figure (€ 1,031.9 million).

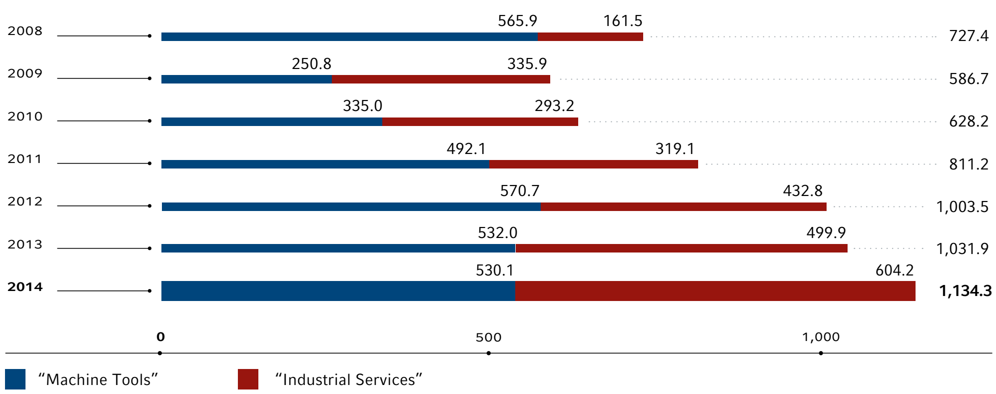
The domestic order backlog was € 312.8 million (corresponding date of the previous year: € 277.5 million). The foreign order backlog rose by € 67.1 million to € 821.5 million (previous year: € 754.4 million); international orders account for 72% of orders in hand (corresponding date of the previous year: 73%).

P. 87 – 96
Order backlog in the segments

The order backlog varied in the individual segments. In "Machine Tools" it amounted to € 530.1 million (31 Dec. 2013: € 532.0 million) and thus remained almost stable in comparison to the previous year. "Industrial Services" had an order backlog as at 31 December 2014 totalling € 604.2 million (previous year: 499.9 million); of which € 591.3 million was accounted for by the order backlog in the Services division (previous year: € 492.7 million). The Energy Solutions order backlog amounted to € 12.9 million (previous year: € 7.2 million).

The following graph shows the trend in order backlog in a multiple year comparison:

C.11 **ORDER BACKLOG AT THE DMG MORI SEIKI GROUP**
IN € MILLION



The “Machine Tools” order backlog results in a calculated production capacity of an average of some five months – a good basic capacity utilisation for the new business year. In this respect, the individual production companies report differences in the level of their capacity utilisation.

DMG MORI with solid order intake at trade fairs

DMG MORI SEIKI AKTIENGESELLSCHAFT took a positive stock at the important autumn fairs, the IMTS in Chicago, the AMB in Stuttgart, the BIMU in Milan, and the MAKTEK in Istanbul, and at the JIMTOF in Japan.

Results of Operations

The DMG MORI SEIKI group was able to improve its key earning figures at 31 December 2014 against the previous year and thus reached the best result in the company's history: The **EBITDA** rose over the whole year by 20% to € 232.5 million (previous year: € 193.9 million); **EBIT** amounted to € 182.6 million (+24%, previous year: € 147.6 million). **EBT** rose by 30% to € 175.3 million (previous year: € 135.0 million) and the **annual profit** reached € 121.1 million (+30%; previous year: € 93.2 million). In EBT, as in the annual profit, we have achieved the highest figures in the company's history.

In the **fourth quarter** EBITDA reached € 86.6 million (previous year: € 71.5 million); EBIT amounted to € 70.9 million (previous year: € 59.3 million). EBT rose to € 68.6 million (previous year: € 55.2 million). Earnings after tax amounted to € 47.4 million (previous year: € 38.1 million).

C.12 **INCOME STATEMENT DMG MORI SEIKI GROUP**

	2014		2013		Changes against previous year	
	€ million	%	€ million	%	€ million	%
Sales revenues	**2,229.0**	**98.5**	**2,054.2**	**99.7**	**174.8**	**8.5**
Changes in finished goods and work in progress	17.2	0.8	−3.8	−0.2	21.0	552.6
Own work capitalised	16.1	0.7	10.6	0.5	5.5	51.9
Total work done	**2,262.3**	**100.0**	**2,061.0**	**100.0**	**201.3**	**9.8**
Cost of materials	−1,190.0	−52.6	−1,086.7	−52.7	−103.3	9.5
Gross profit	**1,072.3**	**47.4**	**974.3**	**47.3**	**98.0**	**10.1**
Personnel costs	−506.1	−22.4	−465.2	−22.6	−40.9	8.8
Other income and expenses	−333.7	−14.7	−315.2	−15.3	−18.5	5.9
EBITDA	**232.5**	**10.3**	**193.9**	**9.4**	**38.6**	**19.9**
Depreciation of fixed assets	−49.9	−2.2	−46.3	−2.2	−3.6	7.8
EBIT	**182.6**	**8.1**	**147.6**	**7.2**	**35.0**	**23.7**
Financial results	−7.9	−0.3	−13.5	−0.6	5.6	41.5
Results of at equity valued companies	0.6	0.0	0.9	0.0	−0.3	33.3
EBT	175.3	7.8	135.0	6.6	40.3	29.9
Taxes on profit	−54.2	−2.4	−41.8	−2.1	−12.4	29.7
Annual profit	**121.1**	**5.4**	**93.2**	**4.5**	**27.9**	**29.9**

P. 79 – 82
Net Worth

Gross revenue rose in financial year 2014 to € 2,262.3 million; it was thus some € 201.3 million or 9.8% above the previous year's figure (€ 2,061.0 million). This rise resulted substantially from an increase in sales revenues of € 174.8 million or 8.5% (previous year: € 2,054.2 million).

P. 57 – 58
Purchasing

The **materials ratio** amounted to 52.6% (previous year: 52.7%). Due to the risen overall performance, the expenditures for materials increased by € 103.3 million or 9.5% to € 1,190.0 million (previous year: € 1,086.7 million). Gross profit rose by € 98.0 million or 10.1% to € 1,072.3 million (previous year: € 974.3 million).

P. 99 – 103
Employees

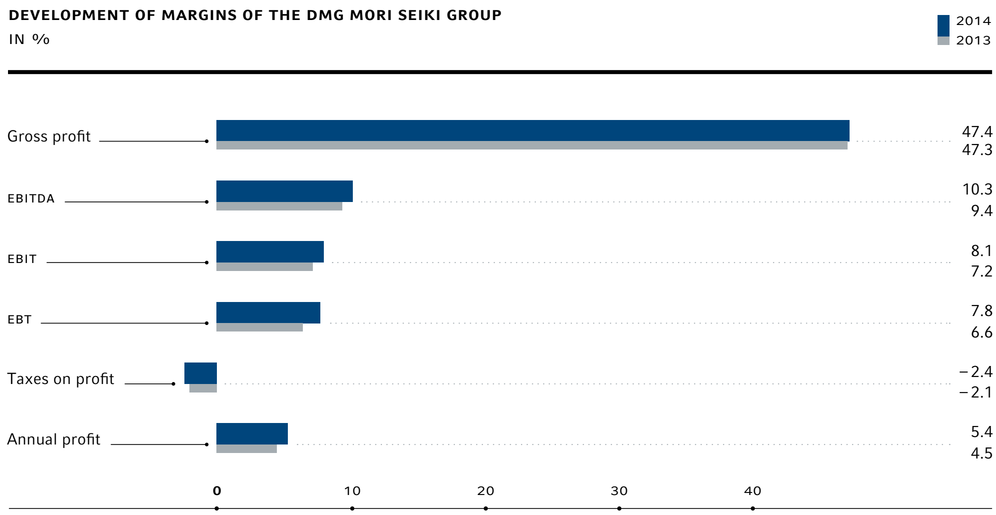
The **personnel expenses ratio** decreased to 22.4% (previous year: 22.6%). Employee expenses rose by € 40.9 million to € 506.1 million (previous year: € 465.2 million).

P. 182 – 185
Notes to the consolidated financial statements

The balance of other expenses and income amounted to € 333.7 million (previous year: € 315.2 million). Other operating expenses rose by € 26.1 million to € 409.5 million (previous year: € 383.4 million). This rise was essentially due to sales-related expenses. Other operating income amounted to € 75.8 million (previous year: € 68.2 million); as in the previous year, this substantially includes the release of provisions (€ 9.1 million; previous year: € 13.0 million) as well as currency gains (€ 26.4 million; previous year: € 18.2 million), which can be seen in conjunction with the currency losses (€ 23.3 million; previous year: € 18.7 million) in other operating expenses.

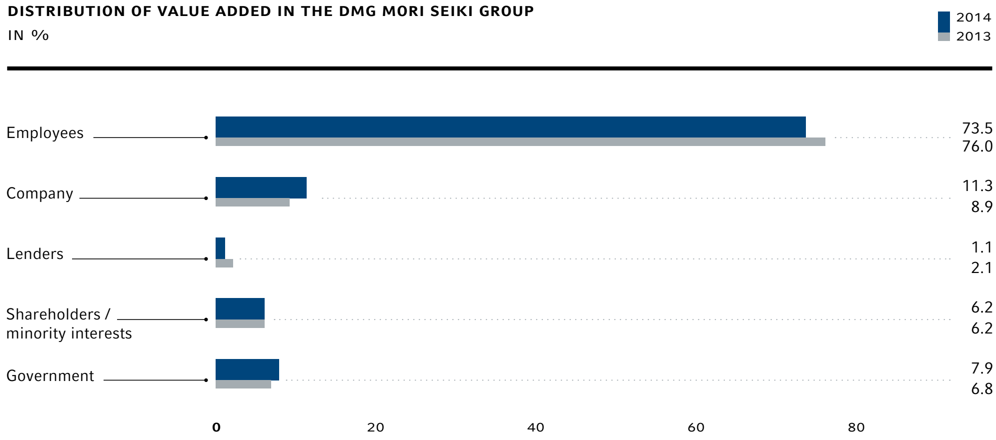
Depreciation rose alongside an increase in capital expenditure to € 49.9 million (previous year: € 46.3 million). The **financial result** amounted to € −7.9 million (previous year: € −13.5 million); meanwhile dividend earnings from the shares held in DMG MORI SEIKI COMPANY LIMITED increased by € 1.0 million to € 2.2 million (previous year: € 1.2 million). In the previous year, an write-down on an investment of € 4.3 million was included in the financial result. The tax ratio improved to 30.9% (previous year: 31.0%); the tax expense increased alongside a rise in earnings to € 54.2 million (previous year: € 41.8 million).

C. 13 **DEVELOPMENT OF MARGINS OF THE DMG MORI SEIKI GROUP**
IN %



The earnings margins, which are determined on the basis of gross revenue for the period, have changed as follows: The gross margin was 47.4% (previous year: 47.3%). The EBITDA margin reached 10.3% (previous year: 9,4%), the EBIT margin 8.1% (previous year: 7.2%) and the EBT margin was 7.8% (previous year: 6.6%). Taking the tax expenses into consideration, the net income margin was 5.4% (previous year: 4.5%).

C.14 **DISTRIBUTION OF VALUE ADDED IN THE DMG MORI SEIKI GROUP**
IN %



In financial year 2014, the **value added** of the DMG MORI SEIKI group amounted to € 689.8 million and therefore rose by € 76.0 million against the previous year (€ 613.8 million).

C.15 **VALUE-ADDED STATEMENT OF THE DMG MORI SEIKI GROUP**

	2014		2013		Changes aginst previous year	
	€ million	%	€ million	%	€ million	%
Source						
Sales revenues	2,229.0	95.3	2,054.2	96.5	174.8	8.5
Other revenues	109.1	4.7	75.0	3.5	34.1	45.5
Operating performance	**2,338.1**	**100.0**	**2,129.2**	**100.0**	**208.9**	**9.8**
Cost of materials	1,190.0	50.9	1,086.7	51.0	103.3	9.5
Depreciation	49.9	2.1	46.3	2.2	3.6	7.8
Other expenses	408.4	17.5	382.4	18.0	26.0	6.8
Purchased materials and services	**1,648.3**	**70.5**	**1,515.4**	**71.2**	**132.9**	**8.8**
Value added	**689.8**	**29.5**	**613.8**	**28.8**	**76.0**	**12.4**
Distribution						
Employees	507.2	73.5	466.2	76.0	41.0	8.8
Companies	77.7	11.3	54.7	8.9	23.0	42.0
Lenders	7.3	1.1	12.6	2.1	−5.3	−42.1
Shareholders / minority interests	43.4	6.2	38.5	6.2	4.9	12.7
Government	54.2	7.9	41.8	6.8	12.4	29.7
Value added	**689.8**	**100.0**	**613.8**	**100.0**	**76.0**	**12.4**

Financial Position

The group's financial position developed positively overall in the reporting period. **Cash flow from operating activities (cash inflow)** in the financial year was € 170.6 million (previous year: € 171.1 million).

Substantial contributions to this cash flow came from earnings before taxes (EBT) of € 175.3 million (previous year: € 135.0 million) and depreciation of € 49.9 million (previous year: € 46.3 million). The rise in trade creditors by € 73.0 million and decrease in other assets by € 4.8 million led to an improvement in cash flow. The increase in trade debtors by € 50.5 million and inventories by € 7.0 million led to a reduction of the cash flow. Payments for taxes on profit and income (€ 48.8 million) and interest (€ 7.6 million) lowered the cash flow.

C.16

CASHFLOW	2014 € million	2013 € million
Cash flow from operating activity	170.6	171.1
Cash flow from investment activity	−145.3	−160.1
Cash flow from financing activity	39.0	189.5
Changes in cash and cash equivalents	61.9	197.8
Liquid funds at the start of the reporting period	371.1	173.3
Liquid funds at the end of the reporting period	433.0	371.1

P. 83 – 84
Investments

The **cash flow from investing activities (cash outflow)** decreased by € 14.8 million to € 145.3 million (previous year: € 160.1 million). Payments made for investments in property, plant and equipment were € 111.5 million (previous year: € 83.9 million) and in intangible assets were € 16.4 million (previous year: € 21.6 million). Payments for investments in financial assets amounted to € −19.2 million (previous year: € −56.3 million) and were substantially accounted for by the participation in DMG MORI SEIKI COMPANY LIMITED's capital increase.

The **free cash flow** was positive at € 86.1 million (previous year: € 67.3 million). The free cash flow is defined as the balance of the cash flow from operating activities and the cash flow from investing activities, while payments entered to financial assets (€ −19.2 million; previous year € −56.3 million) and payments to plant, property and equipment (€ −41.6 million; previous year: € 0 million), which are financed with loans, remain outside of consideration.

C.17

FREE CASHFLOW	2014 € million	2013 € million
Cash flow from operating activity	170.6	171.1
Cash flow from investing activities	−84.5	−103.8
Free cashflow	86.1	67.3

Cash flow from financing activities (cash inflow) was € 39.0 million (previous year: € 189.5 million). The borrowing of long-term loans for the financing of investments in plant, property and equipment resulted in contributions amounting to € 41.6 million (previous year: € 0.0 million). The sale of own shares in 2014 led to contributions in the amount of € 38.6 million. The dividend payment in May 2014 resulted in disbursements amounting to € 39.4 million (previous year: € 20.4 million).

The cash flow in the previous year from financing activities arose in particular from contributions as part of the cash capital increase in the amount of € 223.6 million.

The change in the cash flow as at 31 December 2014 resulted in an increase of liquid funds by € 61.9 million to € 433.0 million (previous year: € 371.1 million); the DMG MORI SEIKI group is therefore in a very good liquidity position at the end of the year.

As at 31 December 2014, surplus funds are recorded in the amount of € 380.8 million (previous year: € 356.4 million).

The **DMG MORI SEIKI group** 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 € 767.8 million. It's material elements are a syndicated credit facility of € 450.0 million with a term until 2016, additional aval lines of € 78.6 million and factoring agreements of € 167.5 million. Factoring remains an important component of our financing mix. In addition to the financing effect, we can also optimise the process of our debtor management. Besides this we still have some long-term loans and short-term bilateral loan commitments to individual subsidiaries with a total volume of € 71.7 million (previous year: € 17.8 million). For its operating activities the DMG MORI SEIKI group requires aval lines in order to have guarantees for pre-payments and warranties issued.

P. 213 – 215
Financial debt

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 considerable costs.

Our financing includes customary agreements on compliance with defined key performance indicators (covenants). The financing is supplemented by off balance sheet operating lease agreements. The sum of future obligations from the operating lease agreements is € 60.9 million (previous year: € 64.2 million).

Through this financing mix we have sufficient finance lines which allows us to make the necessary liquidity available for our business. Strategic financing measures are not planned for 2015 as the seasonally required liquidity can be covered by the financial resources available.

P. 219 – 220
Future financial obligations

The DMG MORI SEIKI group financing takes place 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 employ the liquidity surpluses of subsidiaries cost-effectively within the group.

P. 223 et. seq.
Measurement and financial risks

Net Worth

The assets and capital structure developed as follows in the reporting period:
The **balance sheet total** rose by € 219.8 million to € 2,229.8 million (previous year: € 2,010.0 million). Under equity and liabilities **equity** rose by € 101.7 million to € 1,266.1 million (previous year: € 1,164.4 million). This rise essentially results from net income for the year amounting € 121.1 million. The equity ratio was 56.8% (previous year: 57.9%).

C.18 **BALANCE SHEET OF THE DMG MORI SEIKI GROUP**

	31 Dec. 2014 € million	%	31 Dec. 2013 € million	%	Changes against previous year € million	%
Assets						
Long-term assets						
Fixed assets	810.9	36.4	718.4	35.7	92.5	12.9
Long-term receivables and other assets	69.1	3.1	67.3	3.4	1.8	2.7
	880.0	39.5	785.7	39.1	94.3	12.0
Short-term assets						
Inventories	495.3	22.2	483.8	24.1	11.5	2.4
Short-term receivables and other assets	421.5	18.9	369.4	18.4	52.1	14.1
Liquid funds	433.0	19.4	371.1	18.4	61.9	16.7
	1,349.8	60.5	1,224.3	60.9	125.5	10.3
Balance Sheet total	**2,229.8**	**100.0**	**2,010.0**	**100.0**	**219.8**	**10.9**
Equity and liabilities						
Long-term financing resources						
Equity	1,266.1	56.8	1,164.4	57.9	101.7	8.7
Outside capital						
Long-term provisions	79.6	3.6	66.2	3.3	13.4	20.2
Long-term liabilities	52.8	2.3	14.8	0.8	38.0	256.8
	132.4	5.9	81.0	4.1	51.4	63.5
	1,398.5	62.7	1,245.4	62.0	153.1	12.3
Short-term financing resources						
Short-term provisions	197.0	8.9	192.8	9.6	4.2	2.2
Short-term liabilities	634.3	28.4	571.8	28.4	62.5	10.9
	831.3	37.3	764.6	38.0	66.7	8.7
Balance Sheet total	**2,229.8**	**100.0**	**2,010.0**	**100.0**	**219.8**	**10.9**

P. 83 – 84
Investments

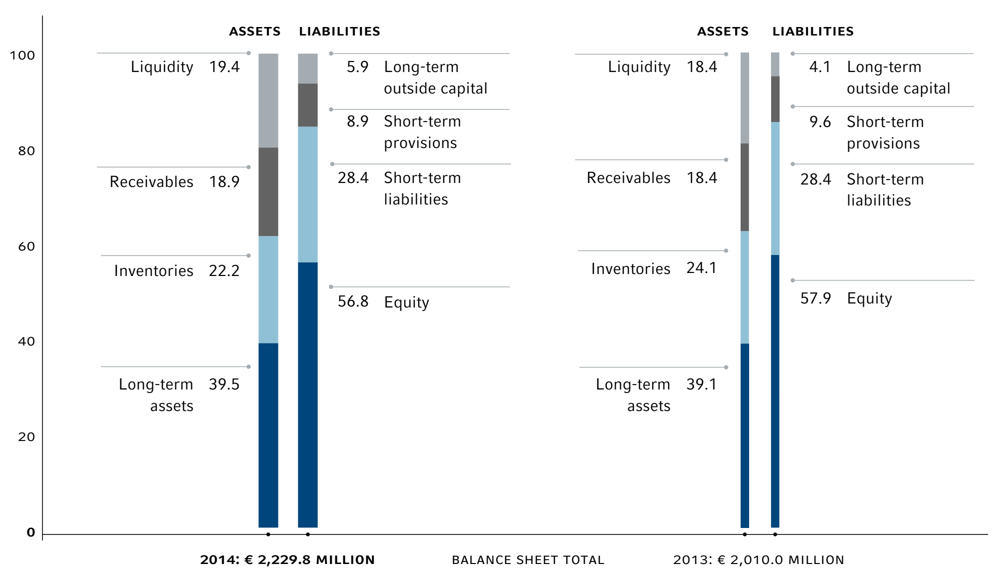
Under **assets, fixed assets** rose by € 92.5 million or 12.9% to € 810.9 million (previous year: € 718.4 million). The intangible assets increased by € 21.2 million to € 214.0 million (previous year: € 192.8 million) and property, plant and equipment by € 77.9 million to € 395.2 million (previous year: € 317.3 million). Financial assets amounted to € 201.7 million (previous year: € 208.3 million). An increase of € 21.9 million was generated by the participation in the capital increase at our cooperation partner. The valuation of the shares of DMG MORI SEIKI COMPANY LIMITED took a contrary effect as at the reporting date.

Long-term trade debtors and other long-term assets rose by € 1.8 million or 2.7% to € 69.1 million (previous year: € 67.3 million). At the same time, deferred taxes amounted to € 53.8 million (previous year: € 48.3 million).

Inventories rose slightly by 2.4% or € 11.5 million to € 495.3 million (previous year: € 483.8 million). Stocks of raw materials and consumables rose slightly by € 1.0 million to € 190.7 million (previous year: € 189.7 million). Stocks of work in progress decreased by € 3.6 million to € 108.1 million (previous year: 111.7 million). Stocks of finished goods and goods for resale rose by € 12.7 million to € 193.3 million (previous year: € 180.6 million). The turnover rate of inventories improved to 4.5 (previous year: 4.2).

Overall, the proportion of inventories in the balance sheet total fell to 22.2% (previous year: 24.1%).

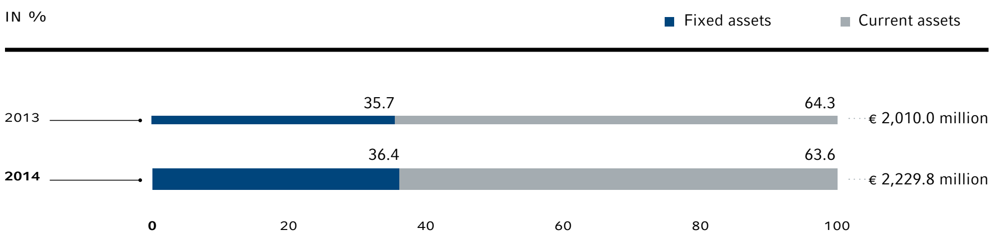
C.19 **ASSETS AND CAPITAL STRUCTURE OF THE DMG MORI SEIKI GROUP**
IN %



Short-term receivables and other assets rose in comparison with the previous year by 14.1% or € 52.1 million to € 421.5 million. In doing so, trade debtors rose by € 59.9 million to € 259.8 million (previous year: € 199.9 million) particularly due to the increased sales revenue. The turnover rate of trade debtors improved to 10.3 (previous year: 10.1). Other assets fell to € 161.7 million (previous year: € 169.5 million).

At the end of the reporting period, **cash and cash equivalents** rose to € 433.0 million (previous year: € 371.1 million) or 19.4% of the balance sheet total (previous year: 18.4%). In the assets structure, the share of long-term assets rose by 0.4 percentage points to 39.5% (previous year: 39.1%).

C.20 **STRUCTURE OF ASSETS**
IN %



Under **equity and liabilities, equity** rose by € 101.7 million or 8.7% to € 1,266.1 million (previous year: € 1,164.4 million). The annual profit in the amount of € 121.1 million and the sale of own shares in the amount of € 38.6 million increased equity, while the dividend payment in May 2014 in the amount of € 39.4 million led to a reduction. The **minority interests share of equity** amounted to € 134.8 million (previous year: € 94.4 million). Due to the increased balance sheet total, the equity ratio thus was 56.8% (previous year: 57.9%). As at the same date in the previous year, we have surplus funds and thus no **gearing**.

Long-term borrowings rose by € 51.4 million to € 132.4 million (previous year: € 81.0 million). The proportion of the balance sheet total rose by 1.8 percentage points to 5.9% (previous year: 4.1%). The long-term provisions rose by € 13.4 million to € 79.6 million. The increase of long-term liabilities of € 38.0 million to € 52.8 million resulted in particular from the borrowing of long-term loans in the amount of € 41.6 million for the financing of plant, property and equipment. Liabilities of € 3.9 million (previous year: € 6.3 million) relate to deferred tax liabilities.

The **long-term financial resources**, comprising equity and long-term borrowings, rose in the reporting period by € 153.1 million or 12.3% to € 1,398.5 million. Long-term fixed assets are financed as to 158.9% (previous year: 158.5%) by funds that are available on a long-term basis.

Short-term financing resources rose to € 831.3 million (previous year: € 764.6 million). Trade creditors rose by € 83.4 million to € 415.2 million (previous year: € 331.8 million). Prepayments received decreased by € 9.1 million to € 139.0 million (previous year: € 148.1 million); the proportion of prepayments amounted to 12.3% (previous year: 14.4%). Short-term provisions rose to € 197.0 million (previous year: € 192.8 million). Short-term financial debt amounted to € 9.8 million (previous year: € 12.7 million). Short-term liabilities were recognised at € 0.8 million in connection with assets held for sale (previous year: € 9.6 million).

The total of fixed assets and inventories of € 1,306.2 million (previous year: € 1,202.2 million) is covered as to 107.1% (previous year: 103.6%) by long-term financing resources. The structure of equity and liabilities shows in a year on year comparison a decrease in the **equity ratio** of 1.1 percentage points to 56.8% (previous year: 57.9%), due to an increased balance sheet total. The proportion of provisions decreased by 0.4 percentage points to 12.5% (previous year: 12.9%). The liabilities ratio rose by 1.5 percentage points to 30.7% (previous year: 29.2%).

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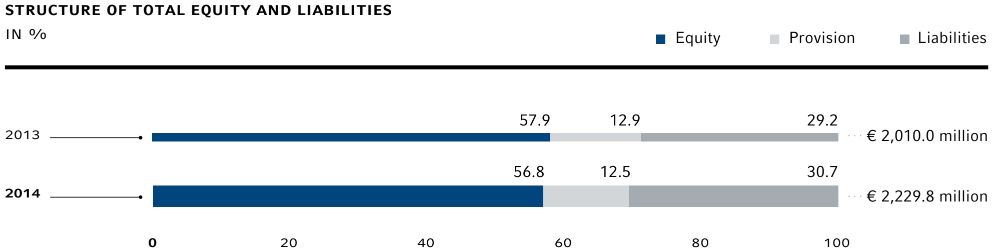
Factoring programme, Operating Leasing

In addition to the assets recognised in the group balance sheet, the group also uses **off balance sheet assets**. These relate substantially to specific leased or rented goods (operating lease). Within the framework of off-balance sheet financial instruments, the group makes use of factoring programmes. Our excellent, long-term relationships of trust with our customers and suppliers are also of special importance; they make it possible for us to have direct access to the relevant markets and render us independent of short-term market fluctuations.

C . 21 **STRUCTURE OF TOTAL EQUITY AND LIABILITIES**
IN %



Investments

Investments in **plant, property and equipment and in intangible assets** amounted to € 136.9 million (previous year: € 106.6 million). The increase compared to the previous year is essentially due to the continuation of our global growth strategy, as announced, as well as far-reaching modernisation measures. Depreciation of fixed assets, taking into account capitalised development costs and finance leases at € 49.9 million, was above the previous year's level (€ 46.3 million).

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Segment Report

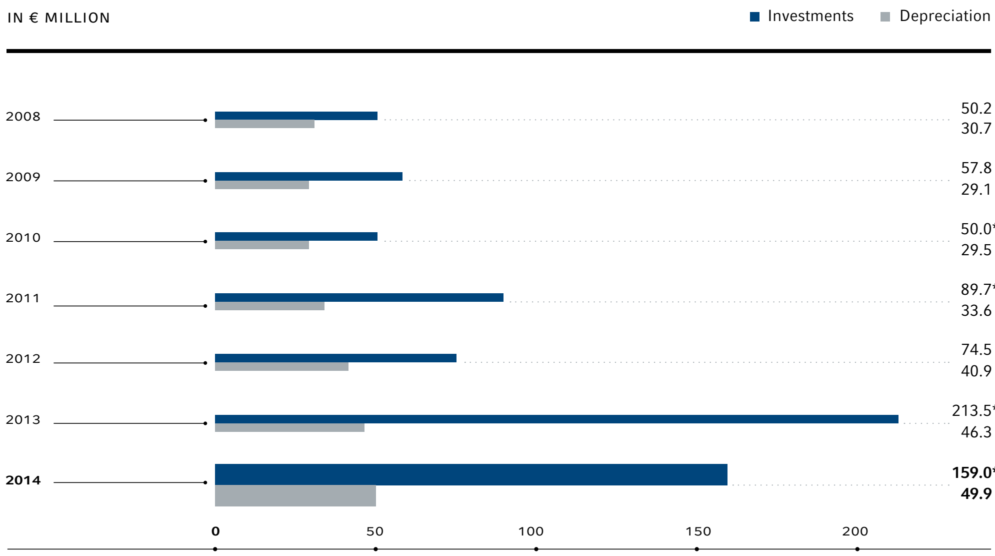
At the centre of the investments in the financial year ended were our large projects that have already commenced. For example, the grand opening on 3 June marked the completion of the modernisation of our production site in Bergamo (Italy), where we have built a new assembly hall and commissioned a new technology centre. Furthermore, we opened the new XXL Center on 8 July in Pfronten, a state-of-the-art large machine centre. In addition, we opened our new global Headquarters Europe in a grand opening ceremony on 15 December in Winterthur (Switzerland). In future, all sales & service activities under the DMG MORI brand will be controlled from this site. Besides the global Headquarters in Tokyo, Winterthur is the second global sales and service centre of DMG MORI. Furthermore, the construction of our modern production plant in Ulyanovsk (Russia) and of our new technology centre in Moscow (Russia) progressed on schedule. Accordingly, we could already celebrate the roofing ceremony on 16 October in Ulyanovsk and expect to open the plant in the fourth quarter of this year.

We have also initiated first steps to increase investments in the system business in 2015 / 2016. We will focus here especially on complete solutions for large series production. Further investment priorities were the provisioning of tools, models and supplies required for production, as well as the development of innovative products.

Additions to financial assets amounted to € 22.1 million and result substantially from the participation in the capital increase of our cooperation partner DMG MORI SEIKI COMPANY LIMITED. The 9.6% participation in the voting share capital of our cooperation partner is thereby kept constant. The total of investments amounted to € 159.0 million (previous year value: € 213.5 million).

C.22 **INVESTMENTS AND DEPRECIATION IN THE DMG MORI SEIKI GROUP**

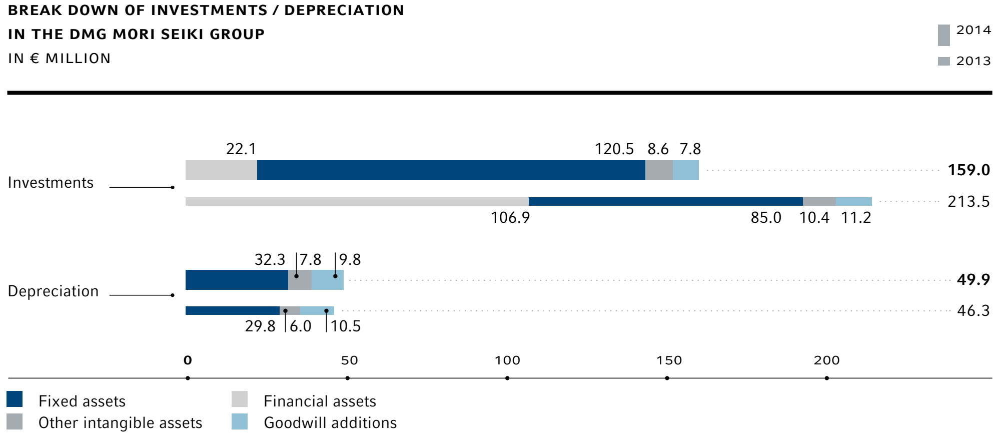
IN € MILLION



* Of which inflow to financial assets 2014: € 22.1 MILLION; 2013: € 106.9 MILLION; 2011: € 14.8 MILLION; 2010: € 11.0 MILLION

C.23 **BREAK DOWN OF INVESTMENTS / DEPRECIATION IN THE DMG MORI SEIKI GROUP**

IN € MILLION



Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT (summary)

The following tables show the Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT in summary. The complete Annual Financial Statements and Management Report are set out in a separate report.

C.24 **BALANCE SHEET OF DMG MORI SEIKI AKTIENGESELLSCHAFT GERMAN COMMERCIAL CODE (HGB)**

	2014 € million	2013 € million
Assets		
Fixed assets		
Shares in affiliated companies	525.6	418.0
Other equity investments	180.1	158.0
Other fixed assets	40.4	38.4
	746.1	614.4
Short-term assets		
Receivables from affiliated companies	474.2	455.0
Other short-term assets	281.5	284.2
	755.7	739.2
Balance Sheet total	**1,501.8**	**1,353.6**
Equity and liabilities		
Equity	**964.8**	**909.8**
Provisions	**47.1**	**46.2**
Liabilities		
Financial liabilities	0.0	0.0
Liabilities to affiliated companies	478.4	383.5
Other liabilities	11.5	14.1
	489.9	397.6
Balance Sheet total	**1,501.8**	**1,353.6**

DMG MORI opens Global Headquarters Europe in Winterthur

In a grand opening on 15 December, we opened our new global Headquarters Europe in Winterthur (Switzerland). In future, all sales & service activities under the DMG MORI brand will be controlled from this site.

The DMG MORI SEIKI AKTIENGESELLSCHAFT balance sheet total increased by € 148.2 million to € 1,501.8 million (previous year: € 1,353.6 million). Essentially, this was due to the increase in equity interests in affiliated companies, and equity investments as of 31 December 2014. The increase in equity investments resulted from the participation in the capital increase of DMG MORI SEIKI COMPANY LIMITED.

The bank balance totalled € 256.3 million (previous year: € 263.3 million). Under equity and liabilities equity rose by € 55.0 million to € 964.8 million (previous year: € 909.8 million). The equity ratio amounted to 64.2% (previous year: 67.2%).

C.25 **INCOME STATEMENT OF DMG MORI SEIKI AKTIENGESELLSCHAFT GERMAN COMMERCIAL CODE (HGB)**

	2014 € million	2013 € million
Sales revenues	15.5	15.3
Other operating income	18.8	11.0
Other expenses	−69.0	−73.0
Income from financial assets	125.4	99.1
Financial result	6.0	10.2
Result from ordinary activities	96.7	62.5
Extraordinary income	−0.2	−0.2
Income taxes	−41.5	−27.0
Net income	**55.0**	**35.2**
Retained profits brought forward	**0.1**	**4.2**
Appropriation to revenue reserves	10.0	0.0
Net profit	**45.1**	**39.5**

Essentially, DMG MORI SEIKI AKTIENGESELLSCHAFT income came from returns from subsidiaries in Germany totalling € 123.2 million (previous year: € 97.9 million), resulting from the profit and loss transfer, and from an equity investment of DMG MORI SEIKI COMPANY LIMITED totalling € 2.2 million (previous year: € 1.2 million).

The financial result was € 6.0 million (previous year: € 10.2 million). The tax expense increased with a raised result from ordinary activities on € 41.5 million (previous year: € 27.0 million).

DMG MORI SEIKI AKTIENGESELLSCHAFT closes the financial year 2014 with net income for the year of € 55.0 million (previous year: € 35.2 million). Taking into account the profit carryforward of the previous year and the appropriation to revenue reserves, net retained profits amount to € 45.1 million (previous year: € 39.5 million).

The Executive Board and the Supervisory Board will propose to the 113th Annual General Meeting on 8 May 2015 that a dividend of € 0.55 per share be distributed for the financial year 2014, a total of € 43.4 million (previous year: € 0.50 or € 38.5 million). Furthermore, it will be proposed to the Annual General Meeting to carry the remaining net retained profits of € 1.7 million forward to new account.

Segment Report

Our business activities comprise the "Machine Tools" and "Industrial Services" segments. "Corporate Services" essentially comprises DMG MORI SEIKI AKTIENGESELLSCHAFT with its group-wide holding functions. The selected machines from our cooperation partner, which we produce under licence, are included in "Machines Tools". The trade in and services for those machines are entered in the accounts under "Industrial Services".

C . 26 **SEGMENT KEY INDICATORS OF THE DMG MORI SEIKI GROUP**

	2014 € million	2013* € million	€ million	Changes 2014 against 2013 %
Sales revenues	**2,229.0**	**2,054.2**	**174.8**	**9**
Machine Tools	1,258.4	1,220.6	37.8	3
Industrial Services	970.4	833.4	137.0	16
Corporate Services	0.2	0.2	0.0	
Order intake	**2,331.4**	**2,101.1**	**230.3**	**11**
Machine Tools	1,256.5	1,183.6	72.9	6
Industrial Services	1,074.7	917.3	157.4	17
Corporate Services	0.2	0.2	0.0	
EBIT	**182.6**	**147.6**	**35.0**	**24**
Machine Tools	93.6	87.7	5.9	7
Industrial Services	123.8	94.1	29.7	32
Corporate Services	−34.9	−33.8	−1.1	

* previous year's figures adjusted

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Explanation of the data segment

"Machine Tools"

The "Machine Tools" segment is our core segment and includes the new machines business of the group with the divisions Turning and Milling, Advanced Technologies (Ultrasonic / Lasertec), ECOLINE, Electronics and DMG MORI Systems.

The **turning** division comprises GILDEMEISTER Drehmaschinen GmbH in Bielefeld, GRAZIANO Tortona S.r.l. and GILDEMEISTER Italiana S.p.A. Our full-line range of turning machines includes six product lines and covers the full range from universal lathes and machining centres to turn-mill centres for 5-axis complete machining, through to production lathes with 4-axis mill-turn centres and vertical lathes. In automatic lathes we offer multispindle and multi-slide machining centres.

The **milling** division includes DECKEL MAHO Pfronten GmbH and DECKEL MAHO Seebach GmbH. Our range in the milling division is consolidated in eight product lines: from universal milling machines to horizontal and vertical machining centres, and from travelling column and HSC precision machines to milling machines and machining centres for 5-axis machining. The Sauer GmbH products in Advanced Technologies with the Ultrasonic and Lasertec lines can be adapted to 5-axis machining centres.

The **ECOLINE Association** offers a broad, global market segment access to turning and milling processing at attractive entry level prices. The four product lines in this increasingly important area are covered by DMG ECOLINE AG, FAMOT Pleszew Sp. z.o.o., DECKEL MAHO GILDEMEISTER Machine Tools Co., Ltd., Shanghai, and also by Ulyanovsk Machine Tools OOO in Russia.

DMG Electronics GmbH combines our activities in control and software development throughout the group. In particular, the entrancements of CELOS and the adaption of our machine portfolio are currently at the centre of our activities. Since 1 January 2014, **DMG MORI Systems GmbH** (formerly: DMG Automation GmbH) is an organisational unit in the machine tool segment. The figures as at 31 December 2013 were adjusted accordingly. The **Systems** division has gained importance and is to be expanded further in the future. Here, the competences in the system business are to be bundled and a new assembly centre for the automotive industry is to be built in Baden-Württemberg. Especially automotive customers are to be supplied in integrated turnkey products with system solutions for large series production starting in 2016.

C . 27 KEY FIGURES
"MACHINE TOOLS" SEGMENT

	2014 € million	2013** € million	Changes 2014 against 2013 € million	%
Sales revenues				
Total	1,258.4	1,220.6	37.8	3
Domestic	444.3	364.5	79.8	22
International	814.1	856.1	−42.0	−5
% International	65	70		
Order intake				
Total	1,256.5	1,183.6	72.9	6
Domestic	452.8	370.3	82.5	22
International	803.7	813.3	−9.6	−1
% International	64	69		
Order backlog*				
Total	530.1	532.0	−1.9	0
Domestic	140.4	131.9	8.5	6
International	389.7	400.1	−10.4	−3
% International	74	75		
Investments	71.0	56.8	14.2	25
Employees	3,520	3,462	58	2
plus trainees	241	218	23	11
Total employees*	3,761	3,680	81	2
EBITDA	126.6	118.1	8.5	7
EBIT	93.6	87.7	5.9	7
EBT	82.1	74.7	7.4	10

* reporting date 31 December
** previous year's figures adjusted

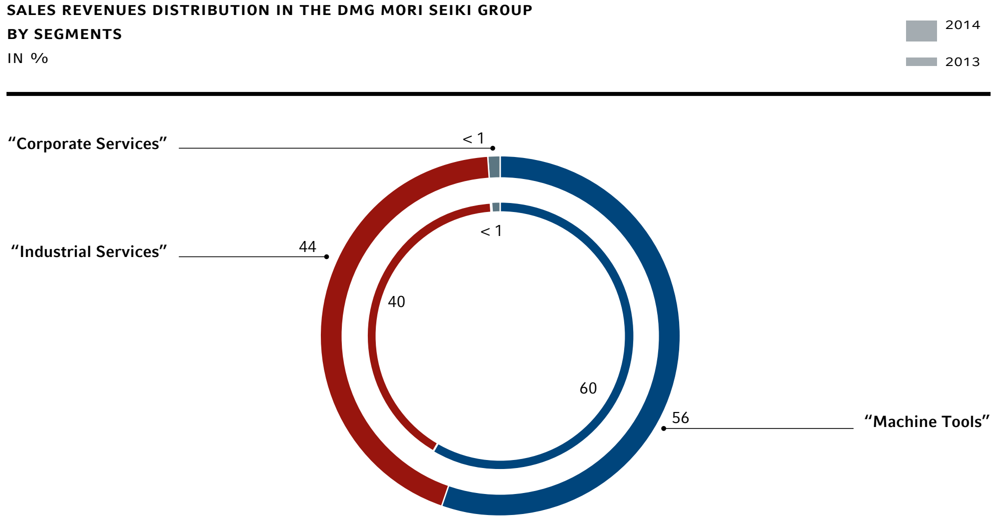
Our core segment "Machine Tools" performed in order intake, sales revenues and earnings in financial year 2014 positively: In the fourth quarter **sales revenues** reached € 395.1 million and exceeded previous year's level (€ 347.0 million) by 14% or € 48.1 million. For the whole year the "Machine Tools" achieved sales revenues of € 1,258.4 million. This corresponds to an increase of 3% or € 37.8 million against the previous year (€ 1,220.6 million). Whereas domestic sales rose by 22% or € 79.8 million to € 444.3 million (previous year: € 364.5 million), international sales fell by 5% or € 42.0 million to € 814.1 million (previous year: € 856.1 million). International sales accounted for 65% (previous year: 70%). The "Machine Tools" segment contributed 56% of sales revenues (previous year: 59%). The turning technology of GILDEMEISTER contributed 12% (previous year: 13%). The milling technology of DECKEL MAHO contributed

35% to sales revenues (previous year: 37%); Ultrasonic / Lasertec accounted for 3% (previous year: 2%). The ECOLINE business contributed 6% (previous year: 8%).

The **sales quantity** of new machines rose compared to the previous year by 9% to 7,396 (previous year: 6,792).

With respect to the total sales revenues of the group, the "Machine Tools", "Industrial Services" and "Corporate Services" contributed as follows:

C . 28 **SALES REVENUES DISTRIBUTION IN THE DMG MORI SEIKI GROUP BY SEGMENTS**
IN %



TOTAL
2014: € 2,229.0 MILLION // 2013: € 2,054.2 MILLION

Order intake in the "Machine Tools" segment in the fourth quarter reached € 276.9 million (previous year's quarter: € 265.9 million). Over the whole year order intake rose to € 1,256.5 million and was thus € 72.9 million or 6% above the previous year's figure (€ 1,183.6 million).

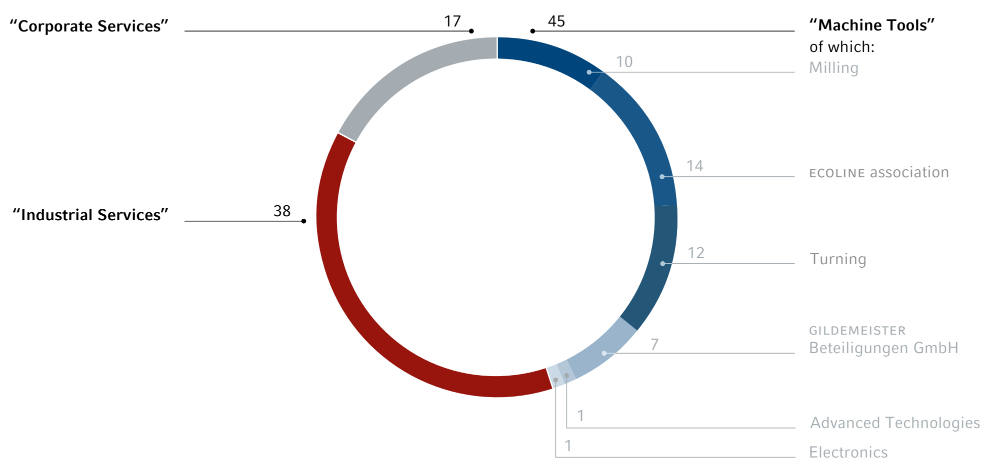
Domestic order intake rose by 22% or € 82.5 million to € 452.8 million (previous year: € 370.3 million). International orders decreased by 1% or € 9.6 million to € 803.7 million (previous year: € 813.3 million); international orders accounted for 64% of orders (previous year: 69%). The percentage of orders in the "Machine Tools" segment was 54% (previous year: 56%).

The **order backlog** as at 31 December 2014 of € 530.1 million was at the previous year's level (€ 532.0 million). The domestic order backlog rose by € 8.5 million to € 140.4 million (previous year: € 131.9 million). International orders recorded 74% (previous year: 75%); they decreased by € 10.4 million or 3% to € 389.7 million (previous year: € 400.1 million).

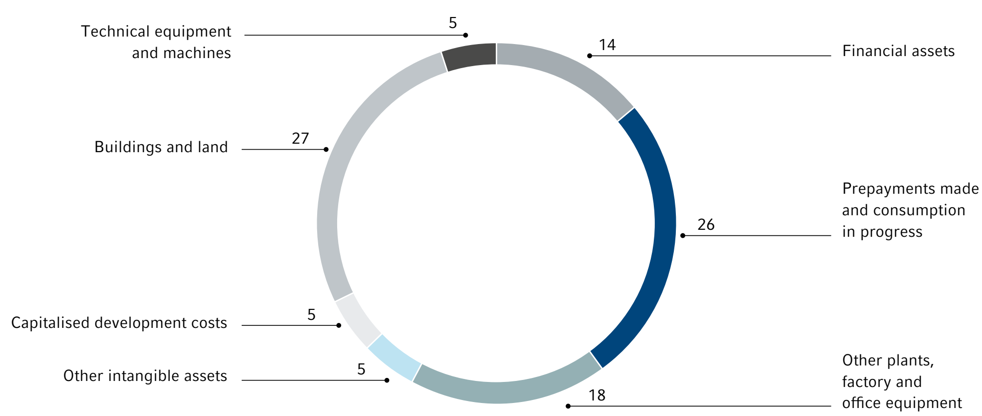
EBITDA reached € 126.6 million (previous year: € 118.1 million). **EBIT** rose to € 93.6 million (previous year: € 87.7 million) and **EBT** improved by 10% to € 82.1 million (previous year: € 74.7 million).

The following diagrams show the amount and distribution of **investments** in the individual segments and business divisions:

C . 29 **SHARE OF INDIVIDUAL SEGMENTS / DIVISION IN INVESTMENTS**
IN %



C . 30 **DISTRIBUTION OF INVESTMENT VOLUME BY TYPE OF INVESTMENT**
IN %



Investments in the **"Machine Tools"** segment amounted to € 71.0 million (previous year: € 56.8 million). We focused on the expansion of our production capacities as well as the modernisation of our production sites. In Pfronten, we opened the new XXL Centre in a grand opening ceremony on 8 July. The state-of-the-art large machine centre enables us to build the DMU 600 P portal machine in an optimal assembly setting. On a floor space of 1,000 square metres, up to four large machines can be assembled simultaneously here, and thereby, up to twelve DMU 600 P per year. We have carried out a general overhaul of our production site in Brembate (Italy) and opened the new assembly hall, the modernised mechanical production area, and the new technology centre on 3 June. Thus, we have created highly modern conditions in Brembate for the production of our single- and multi-spindle turning machines as well as the NLX series of our cooperation partner. The construction of our new production plant in Ulyanovsk (Russia) is progressing as scheduled. Moreover, we have bundled our comprehensive know-how for holistic system solutions in the restructured DMG MORI Systems. We additionally intend to build a new technology centre in Wernau. Furthermore, we are making investments in the modernisation of technical plants and the development of innovative products. The capitalised development costs amounted to € 7.0 million.

The "Machine Tools" segment had 3,761 **employees** at year-end (previous year: 3,680 employees). This represents 52% of the total staff at the group (previous year: 55%). The addition of 81 employees is largely the result from hiring additional personnel at our sites in Pfronten and Ulyanovsk, as well as at DMG MORI Systems GmbH. The personnel ratio in the "Machine Tools" segment was 18.3% (previous year: 17.6%); employee expenses reached € 230.0 million (previous year: € 214.8 million).

"Industrial Services"

The "Industrial Services" segment comprises the business activities of the Services and Energy Solutions divisions.

In the **Services** division we combine the marketing activities and the LifeCycle services for both our machines and those of our cooperation partner. With the aid of the DMG MORI Life Cycle Services, our customers optimise the productivity of their machine tools over their entire life cycle – from commissioning until part exchange as a used machine. The wide range of training, repair and maintenance services offered to our customers ensures the maximum cost-efficiency of their machine tools.

In **Energy Solutions** we focus on the business areas of Cellstrom, Energy Efficiency, Services and Components. We are continuing to expand our activities in the field of storage technology and we intend to share with our perfected vanadium redox technology in the market growth for decentralised storage in future.

C.31 **KEY FIGURES "INDUSTRIAL SERVICES" SEGMENT**

	2014 € million	2013** € million	€ million	Changes 2014 against 2013 %
Sales revenues				
Total	970.4	833.4	137.0	16
Domestic	334.7	311.8	22.9	7
International	635.7	521.6	114.1	22
% International	66	63		
Order intake				
Total	1,074.7	917.3	157.4	17
Domestic	361.5	335.3	26.2	8
International	713.2	582.0	131.2	23
% International	66	63		
Order backlog *				
Total	604.2	499.9	104.3	21
Domestic	172.4	145.6	26.8	18
International	431.8	354.3	77.5	22
% International	71	71		
Investments	60.9	41.9	19.0	45
Employees	3,283	2,937	346	12
plus trainees	7	7	0	0
Total employees *	3,290	2,944	346	12
EBITDA	137.6	107.5	30.1	28
EBIT	123.8	94.1	29.7	32
EBT	119.3	87.9	31.4	36

* reporting date 31 December
** previous year's figures adjusted

In the "Industrial Services" segment, too, we achieved as planned a further increase in our sales revenues, order intake and earnings compared to the previous year. In the fourth quarter, **sales revenues** rose by 20% or € 44.9 million compared to the previous year to € 271.5 million (previous year: € 226.6 million). Sales revenues in the reporting year increased by 16% or € 137.0 million to € 970.4 million in total (previous year: € 833.4 million). While international sales rose by 22% or € 114.1 million to € 635.7 million (previous year: € 521.6 million), domestic sales increased by 7% or € 22.9 million to € 334.7 million (previous year: € 311.8 million). International sales of the segment contributed 66% (previous year: 63%).

The Services division recorded sales of € 932.7 million (previous year: € 780.1 million). Sales revenues in Energy Solutions were € 37.7 million (previous year: € 53.3 million). “Industrial Services” contributed 44% of group sales revenues (previous year: 41%).

Order intake reached € 1,074.7 million and was thus 17% above the previous year’s figure (€ 917.3 million). At the same time, the contribution of Services rose by 18% or € 156.1 million to € 1,031.3 million (previous year: € 875.2 million). The business with the original LifeCycle Services (e.g. repair, maintenance and spare parts) developed positively compared to the previous year, and the orders for machines of our cooperation partner also rose to € 442.6 million (previous year: € 324.9 million). The Energy Solutions division achieved order intake of € 43.4 million (previous year: € 42.1 million). Domestic orders in “Industrial Services” amounted to € 361.5 million (previous year: € 335.3 million). 66% of all orders came from abroad; they rose by 23% or € 131.2 million to € 713.2 million (previous year: € 582.0 million). Within the group, “Industrial Services” accounted for 46% of all orders (previous year: 44%).

The **order backlog** as of 31 December totalled € 604.2 million (previous year: € 499.9 million). **EBITDA** in the “Industrial Services” segment in the reporting period was € 137.6 million (previous year: € 107.5 million). **EBIT** was € 123.8 million (previous year: € 94.1 million). In Services, EBIT in the financial year was € 123.4 million. The Energy Solutions division closed the year positively and reached EBIT of € 0.4 million (previous year: € −17.9 million). Overall, the **EBT** of “Industrial Services” rose to € 119.3 million (previous year: € 87.9 million).

Investments in the **“Industrial Services”** segment amounted to € 60.9 million (previous year: € 41.9 million). The priority here was the construction of our new global Headquarters Europe in Winterthur (Switzerland) and we celebrated its grand opening on 15 December. In the future, we will bundle our competences centrally from there in the areas of application technology, key accounts and marketing, and the worldwide DMG MORI sales and service network will be coordinated there as well. The construction of our new technology centre in Moscow (Russia) continues progressing on schedule. In order to uphold our guarantee of high service quality, we have equipped our service employees with state-of-the-art diagnosis tools and software programs, as well as electronic measuring instruments. Capitalised development costs in the “Industrial Services” segment were € 0.8 million.

The number of **employees** in the “Industrial Services” segment was 3,290 at the end of the year (previous year: 2,944 employees). The percentage of the employees in this segment accounted for 46% (previous year: 44%). In particular, the increase of the number of employees by 346 is due to the bundling of joint sales and service activities with our cooperation partner in the markets of China, Brazil, Canada and Russia, and to the increase of the number of employees in Germany and South Korea.

The personnel expenses ratio in the "Industrial Services" segment was 25.8% (previous year: 26.9%); employee expenses totalled € 250.6 million (previous year: € 224.2 million).

"Corporate Services"

The "Corporate Services" segment essentially comprises DMG MORI SEIKI AKTIENGESELLSCHAFT with its group-wide holding functions. Central functions have been assigned to it, such as group strategy, development and purchasing coordination, management of intra-company projects in the areas of production and logistics, financing, group controlling and group human resources. The holding functions across the group incur expenses and sales revenues.

C.32 **KEY FIGURES "CORPORATE SERVICES" SEGMENT**

	2014 € million	2013 € million	Changes 2014 against 2013 € million
Sales revenues	0.2	0.2	0.0
Order intake	0.2	0.2	0.0
Investments *	27.1	114.8	−87.7
Employees **	115	98	17
EBITDA	−31.8	−31.3	−0.5
EBIT	−34.9	−33.8	−1.1
EBT	−26.2	−27.3	1.1

* 31 Dec. 2014: of which € 22.1 million inflow to financial assets;
31 Dec. 2013: of which € 106.9 million inflow to financial assets
** reporting date 31 December

In the "Corporate Services" segment, both **sales revenues** and **order intake** of € 0.2 million each consisted mainly of rental income like previous year. "Corporate Services" again accounted for less than 0.1% of group sales revenues (previous year: <0.1%). **EBIT** totalled € −34.9 million (previous year: € −33.8 million). The financial result improved in comparison with the previous year to € 8.7 million (previous year: € 6.5 million). **EBT** was € −26.2 million (previous year: € −27.3 million).

P. 96 – 99
Sustainability

P. 95
Corporate Services

Investments in plant, property and equipment and in intangible assets in the **"Corporate Services"** segment amounted to € 5.0 million (previous year: € 7.9 million). We continued modernising our Bielefeld site specifically, and we have consistently advanced the "DMG MORI 15 / 30" programme. For further information see page 98. With investments for raising energy efficiency and modernising the lighting and air-conditioning technology, we have set ourselves the aim to achieve energy savings of 30% by 2015.

Through the participation in the capital increase of our cooperation partner DMG MORI SEIKI COMPANY LIMITED, additions to financial assets resulted in the amount of € 21.9 million. This has kept the 9.6% participation in the voting share capital of our cooperation partner constant. In total, investments amounted to € 27.1 million (previous year: € 114.8 million).

As of 31 December 2014, the Corporate Services segment had 115 **employees** (previous year: 98 employees). This represents 2% of the group workforce (previous year: 1%).

Non-financial Key Performance Indicators

Sustainability

P. 35 – 40
Corporate Governance

On all levels of the DMG MORI SEIKI group, we expect and promote sustainability. We take responsibility for our employees, for society, and for the environment. This is reflected in our innovative products, our activities and the field of renewable energy, as well as in the way we treat our employees. In all we do, we act responsibly and in conformity with all applicable laws. We expect the same code of conduct from our suppliers and our business partners. We understand sustainable development as being a continuous process. Thus we are constantly developing our strategy and seeking an active dialogue with customers, employees and business partners.

Development of energy-saving products

P. 50 – 56
Research and Development

From the DMG MORI SEIKI group's point of view, sustainable environmental protection not only includes technological innovations and the eco-friendly manufacture of machines but also that the machines themselves have environmental characteristics. We are constantly increasing the proportion of our products that have been specifically developed to be energy-saving.

DMG ENERGY SAVING INCREASES ENERGY EFFICIENCY OF MACHINES

In our group, a high value has traditionally been placed on the **energy efficiency of machines**. For several years we have been setting the benchmarks in the industry and in this way have been serving the growing demand of our customers for energy efficient machine tools. Our activities to increase energy efficiency are combined under the DMG ENERGY SAVING label; they extend in an integrated manner over the electronics, control technology and mechanical areas. The combination of increasing productivity and optimising energy consumption has facilitated energy savings of up to 30%. The results of DMG ENERGY SAVING currently find their way into 90% of the high-tech machines in our product portfolio. Due to the very different arrangement of machine tools, reliable comparative analyses with other company's products in the industry are not possible.

Amongst other things, our APP-based control system CELOS can automate energy management for machines via the CELOS "Energy Saving" APP. The integrated energy monitor also provides a record of consumption data, the according energy costs and the carbon dioxide footprint.

At the same time, CELOS paves the way for Industry 4.0. Using CELOS APPs, the operation profile of machine components can be recorded for predictive maintenance. The comprehensive integration of company software in the CELOS platform makes the automated support of the operator possible.

Greenhouse gas emissions and energy consumption per production unit

We co-initiated the **VDW Blue Competence Initiative**. The aim of this initiative is to reduce the energy consumption of production machines in Europe. Before becoming a member, specific ecological criteria have to be met. Our company exceeds these criteria. To further standardise the demands and promote the cause, the DMG MORI SEIKI group is an active member of the ISO 14995 standardisation committee: "Machine tools – Environmental evaluation of machine tools". This committee determines systematic global assessment standards and methods for the energy efficiency of machine tools.

In the serial production of our premium machines, we have implemented the insights gleaned by the r**esearch project "NC+"**, which is funded by the Federal Ministry of Education and Research (BMBF). We prove that by systematically implementing energy-efficient measures in the production and operation of a machine tool, it is possible to reduce energy consumption by up to 30%. There is considerable potential for savings in both cooling units and cooling lubricant pumps. Hence we offer intelligent cooling modules for our machines, which in turn make the machines more competitive. In some cases, these can be retrofitted.

Resource-saving production

In addition to the energy optimisation of our machines, we are also striving to organise our logistics to be as climate-friendly as possible. To keep the CO_2 emissions at our company as minimal as possible, we take account of not only economic but also ecological aspects when transporting operational and auxiliary supplies or spare parts. Thus, in selecting our suppliers we also pay attention as to whether their vehicles are equipped with the up-to-date motor technologies and conform to the latest emission standards.

We are working on actively turning Industry 4.0 into a production strategy. In our production sites, we deploy visual control via shop floor and assembly monitors. These monitor processes and requirements in a transparent and automated manner.

Integrated energy concept

With the introduction of its "DMG MORI 15/30" project in 2013, the DMG MORI SEIKI group took on a pioneering role in the field of sustainable business practices. By committing itself to cutting energy costs by 30% by 2015, the group has set itself an ambitious target. During the reporting year, work continued on implementing measures based on extensive energy efficiency analyses.

In the group headquarters in Bielefeld, for example, extensive work was conducted to modernise the ventilation system, and parts of the lighting system were retrofitted with modern LED technology. These two measures alone cut energy costs at the Bielefeld location by around € 500,000. Group-wide, energy costs at the nine production sites have so far been cut by approx. € 1.2 million. This equates to the energy contained in approx. 10 gigawatt hours, or around 4,500 tonnes of avoided CO_2 emissions.

In this effort, the production sites are supported by the "GILDEMEISTER energy monitor" software, which was developed internally and implemented throughout the group during the reporting year. This software, which is marketed commercially, registers all relevant energy consumption. By means of an intelligent analysis function, it helps to recognise energy saving potential, and determine and implement the necessary measures.

Following on the heels of the Bielefeld, Seebach and Geretsried locations, the new global headquarters for the DMG MORI group in the Swiss town of Winterthur includes a further energy park, which generates around 350,000 kWh annually to meet a proportion of the site's energy needs with renewable energy. At these locations, our customers and employees are also able to charge their electric vehicles with green energy at our electric filling station.

In 2014, the energy parks generated around 1.3 million kilowatt hours of green electricity. By doing so, they avoided approx. 720 tonnes of CO_2 emissions.

We will continue down this path in 2015. In total, we plan to reduce CO_2 emissions by 3,500 tonnes. Once the energy concept has been fully implemented, we expect to cut costs at our production sites by up to € 2.2 million per annum. We will continue to exploit all savings potential.

Furthermore, we plan to implement a group-wide **energy management system to DIN EN ISO 50001 standards** in the coming business year, hereby underscoring our efforts to sustainably reduce our energy consumption.

No manufacturing-related waste production of harmful substances

In order to meet the standards of an environmentally-conscious industrial operation, we purposely avoid the use of any harmful materials and consumables. Therefore **no harmful substances** arise in the production operations. We consider it part of our environmental responsibility that our products have to be always recyclable.

Employees

On 31 December 2014, the group employed 7,166 employees, including 248 trainees, (previous year: 6,722 employees). The number of employees rose by 444.

In the "Machine Tools" segment we undertook recruitments mainly at our sites in Pfronten and Ulyanovsk as well as at the DMG MORI Systems GmbH in Wernau.

The personnel increase in the segment "Industrial Services" resulted largely from bundling DMG MORI sales and service capacities in China, Brazil, Canada and Russia. On top of this, new employees were recruited in our German and South Korean sales and service companies.

At year-end, 3,926 employees (55%) worked at our domestic companies and 3,240 employees (45%) at our foreign companies.

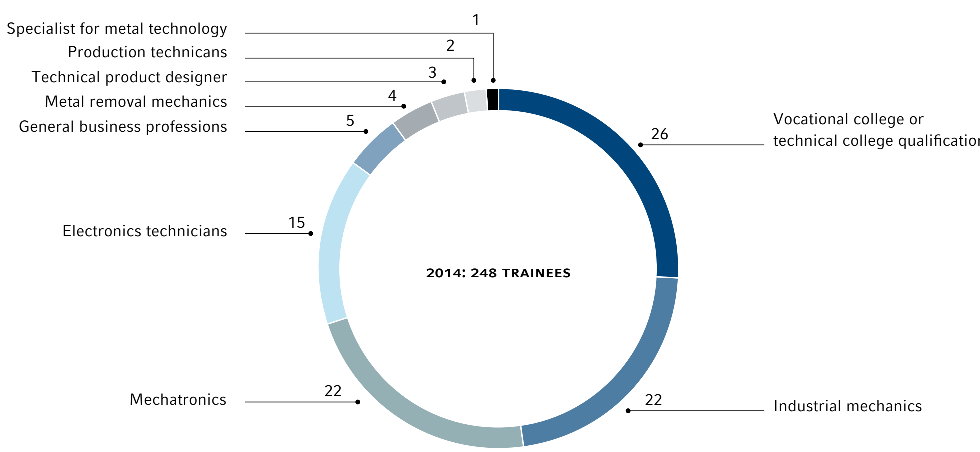
The number of **agency workers** employed throughout the group was 511 at the end of the financial year (previous year: 440).

At the end of December 2014, a total of 248 **trainees** were employed at the group (previous year: 225). At the start of the new training year, 58 trainees were hired (previous year: 48). The vocational training ratio at the domestic companies in the "Machine Tools" segment amounted to 9.2% (previous year: 8.6%). Overall, we offer vocational training in 12 different occupations. Moreover, we offer courses of study in cooperation with regional colleges of advanced vocational education and universities of applied sciences. We are continuously expanding and developing these collaborations.

At the end of the reporting year, a total of 938 women were employed in the group (previous year: 882). As in the previous year the **ratio of women** working for the group totalled 13.1%. In the "Machine Tools" segment, the ratio of women was 10%, in "Industrial Services" it was 16%, and in "Corporate Services" it was 31%.

DMG MORI SEIKI AKTIENGESELLSCHAFT supports the reconciliation of work and family life. We support flexible working times, the use of parental leave by both female and male employees, as well as individual solutions for better reconciliation of work and family life. In an industry that has traditionally been preferred by men, we are making every effort to ensure that the proportion of female employees and most especially the number of female employees in vocational training continues to rise. The proportion of female trainees in the reporting year was 17.7% (previous year: 17.8%). Through projects such as MINT relations, we specifically support girls and women in their interest in scientific and technical careers and strengthen their commitment.

C.33 **TRAINING IN THE DMG MORI SEIKI GROUP**
ALLOCATION BY FIELDS
IN %



In the area of **Human Capital** we have been placing a high value on the skills of our employees for years. The qualifications structure has constantly remained at the high level of previous years. In all, 97% of the workforce has a professional qualification or is currently receiving vocational training (previous year: 97%). Overall 5,344 employees or 75% of the workforce took part in further training courses (previous year: 4,379 employees or 65%). This places us clearly above the industry average of 44%. A key aspect was further training for our domestic and foreign sales and service employees on newly-developed machines. Moreover, skills development courses were held in the fields of information technology, languages and management and working techniques. In total, expenses for vocational and further training amounted to € 14.2 million (previous year: € 10.9 million).

Variable income components reward individual performance and encourage **employee motivation**. Moreover, we have agreed a bonus scheme worldwide, which allows employees to share in the company's success in 2014. Further components of employee motivation are occupational safety and health protection, which are a core element in our value creation system both nationally and internationally. Our certified quality management system sets out the working conditions for every country in which we have production plants as well as sales and service companies.

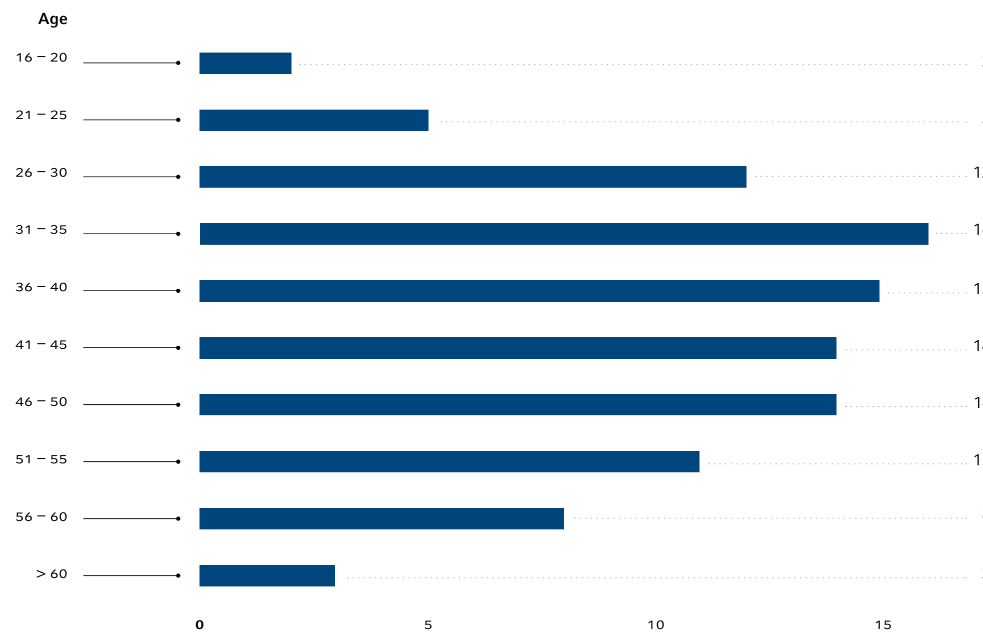
Employee expenses rose by € 40.9 million to € 506.1 million (previous year: € 465.2 million). Of this, wages and salaries accounted for € 432.5 million (previous year: € 393.3 million), social insurance contributions for € 66.5 million (previous year: € 66.5 million) and the costs of retirement pensions for € 7.1 million (previous year: € 5.4 million). As a result of increased total output the personnel expenses ratio decreased to 22.4% (previous year: 22.6%).

DMG MORI Trainees' Soccer Tournament 2014

The DMG MORI Trainees' Soccer Tournament 2014 with teams from Germany, Poland and Italy took place from 4 to 6 July at DECKEL MAHO in Pfronten. Besides the athletic contest, getting to know each other was a central goal for the 180 participants. Dr. Masahiko Mori and Dr. Rüdiger Kapitza personally presented the awards to the best players at the end of the three-day event, in which all teams had fought with a lot of passion and dedication.

Of our employees, 35% are 35 years of age and younger (previous year: 35%); 78% are 50 years of age and younger (previous year: 79%). Our employees' age structure is balanced and is represented as follows:

C.34 **AGE STRUCTURE OF EMPLOYEES IN THE DMG MORI SEIKI GROUP 2014**
IN %



The part-time retirement plan covered 60 employment agreements (previous year: 66), for which we use the block model. The entire period of part-time retirement is divided into equal active and passive phases. In the active phase there were 30 employees and 30 in the passive phase.

Other key performance indicators have changed as follows: In the reporting year as in the previous year there were 190 commuting and operational accidents (previous year: 158); this corresponds – based on the total number of employees – to an percentage of 2.7% (previous year: 2.4%). The sickness rate was 3.3% (previous year: 3.7%) and was thus below the latest industry average of 4.6%. The employee fluctuation rate in the financial year just ended was 8.8% (previous year: 5.9%).

Two employees have been recognised for their 50 years' employment with the company. In addition, 40 employees celebrated 40 years', 87 employees 25 years' and 332 employees 10 years' employment at the company. We would like to thank all our employees who are celebrating their jubilee for their loyalty to the company and their unceasing commitment. At this point we would also like to thank all our employees for their unreserved commitment and performance!

Corporate Communication

The DMG MORI SEIKI group worked with dedication on its corporate communications during the reporting year. This helped to strengthen the public image of the company.

Expenditure in the area of corporate communications totalled € 57.6 million (previous year: € 52.6 million). Of this, € 10.7 million (previous year: € 9.7 million) was spent on joint activities with our cooperation partner, of which we pay half.

DMGMORISEIKI.COM
Events

Specialist trade fairs and exhibitions are a key marketing instrument for the DMG MORI SEIKI group. Here, our experts are able to talk shop with visitors, and products can be experienced "live". During the reporting year, DMG MORI SEIKI sales and service companies participated in 56 trade fairs and exhibitions in Germany and abroad. Of this number, 9 trade fairs were defined as "key trade fairs". Due to their size and market relevance, the DMG MORI SEIKI group placed a special focus on these trade fairs, which included the CCMT in Shanghai, the SIMTOS in Seoul, the Metalloobrabotka in Moscow, the CIMES in Beijing, the IMTS in Chicago, the AMB in Stuttgart, the BIMU in Milano, the MAKTEK in Istanbul and the JIMTOF in Tokyo.

At all key trade fairs, the highlight was our APP-based control system CELOS, and machines in the new DMG MORI design.

At the IMTS in Chicago, the DMG MORI SEIKI group presented for the first time all 40 high tech exhibits in the new design, together with its cooperation partner. In total, DMG MORI registered 10,150 specialist visitors to its stand, which covered a floor space of 3,036 m^2.

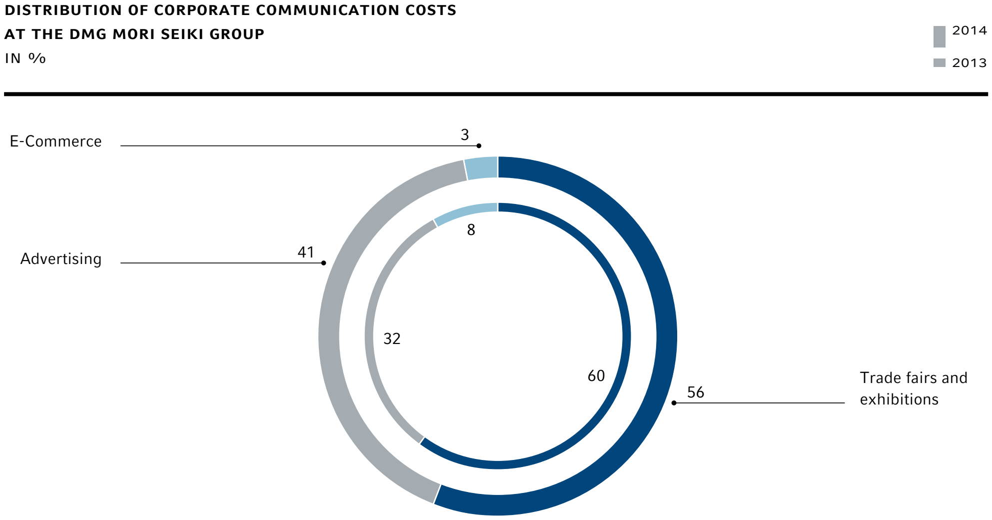
Over the last business year, business at trade fairs developed in a positive manner for the DMG MORI SEIKI group. In total, orders were taken to a total value of € 995.0 million (previous year: € 810.3 million), and 117,559 visitors (previous year: 92,428) from 82,386 companies (previous year: 66,697) were registered.

During the reporting year, our expenditure for trade fairs and exhibitions totalled € 32.2 million (previous year: € 31.7 million). This equated to 56% of the total expenditure for marketing and corporate communications (previous year: 60%).

Advertising in the DMG MORI SEIKI group is primarily concerned with marketing products. Investments in this area totalled € 23.4 million (previous year: € 16.8 million), which equates to 41% of the total expenditure for corporate communication marketing (previous year: € 32%). One focus here is on the DMG MORI journal, which was published twice during the reporting year, with a total circulation of around 1 million copies, in 21 languages. The budget for this totalled € 3.8 million (previous year: € 2.6 million).

Since 2014, DMG MORI has been the exclusive **premium partner of the Porsche team** in the World Endurance Championships (WEC). This commitment to the Porsche team will further intensify the connections, which already exist between Porsche and DMG MORI, through motorsport. DMG MORI has a tradition of involvement in the automotive industry and in racing, and is mainly able to support Porsche by functioning as a technology partner. The partnership between the two companies is integrated in their various marketing activities.

C . 35 **DISTRIBUTION OF CORPORATE COMMUNICATION COSTS AT THE DMG MORI SEIKI GROUP**
IN %



TOTAL
2014: € 57.6 MILLION // 2013: € 52.6 MILLION

Overall Statement of the Executive Board on Financial Year 2014

The DMG MORI SEIKI group closed the business year 2014 as the most successful in the history of the company. In a challenging market environment, we were once again able to increase our order intake, sales revenues and our income compared to the previous year. With sales revenues totalling € 2,229.0 million (previous year: € 2,054.2 million) and earnings before interests and taxes (EBIT) totalling € 182.6 milion (+24%), we have considerably exceeded last year's figures. EBT reached € 175.3 million (+30%) and the EBT margin rose to 7.8% (previous year: 6.6%). The annual profit for the group amounted to € 121.1 million (+30%). Despite the increasingly challenging market situation, we were also able to further increase our order intake in the reporting year, to € 2,331.4 million (previous year: € 2,101.1 million).

At € 86.1 million, the free cashflow was positive (previous year: € 67.3 million). Equity rose to € 1,266.1 million (previous year: € 1,164.4 million). Due to the increased balance sheet total, the equity ratio was 56.8% (previous year: 57.9%). At the end of the reporting period, the net working capital was € 189.5 million (previous year: € 196.8 million). Surplus funds totalled € 380.8 million (previous year: € 356.4 million).

In our industry, customer requirements increasingly demand products and services which are tailored to specific target groups – from entry machines to complex technological solutions and comprehensive customer services. For this reason, we continued to align our portfolio of products and services to these needs during the reporting year. For "Industrial Services", EBT amounted to € 119.3 million. The "Machine Tools" segment contributed € 82.1 million to the group EBT.

P. 106 – 109
Supplementary Report

Overall, the DMG MORI SEIKI group developed according to forecast in the reporting year, and started the new business year according to plan, and with a good number of orders in hand.

DMG MORI and Porsche – tradition, precision and technology leadership with global presence

With the 919 Hybrid model, Porsche returned to the LMP1 class of the FIA World Endurance Championship (WEC) in 2014 after an absence of 16 years. DMG MORI is the exclusive premium partner of the Porsche Team in this return to the top class of the World Sportscar Championship. The new partnership of DMG MORI and Porsche sets the commonalities in tradition, precision and technology leadership with global presence in a new light and proves once more that DMG MORI is a reliable partner.

Supplementary Report

The global economy showed a mixed development on the whole in the first two months of the year. Changes in the exchange rates of the international lead currencies could be the decisive factor for the further course of the cyclical development in 2015. The trend in demand in the German machine tool industry was about previous year's level.

Economic development 2015

In the first two months of the current year, the **overall economic development** was on a changeful course. Early indications suggest a stable industrial production level in the USA, while production seems to have reduced in China and Japan. In the Euro zone, low energy prices and currency effects (the exchange rate of the euro to the dollar fell on average by 5.8% in January) set stimulating impulses for the cyclical development at the moment. The effects from the Ukraine crisis as well as the political disputes surrounding the budget policy of Greece, however, continue to dampen the outlook. All in all, only a hesitant recovery is expected in the Euro zone over the course of the year.

In Germany, the economic situation was most recently improved. The ifo business climate index has risen for the third time in succession; the outlook for the coming business development has brightened. The present economic situation continues to be evaluated positively in the beginning of the year as well. The situation of the German economy is thus increasingly in line with the situation at the start of the previous year.

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Forecast report

Sources: Institute for the World Economy (IfW), Institute for Economic Research (Ifo), Centre for European Economic Research (ZEW)

The **German machine tool industry** benefited at the beginning of the year from the positive expectations of the economy. The level of orders in the beginning of the year was about previous year's level. The range of order backlog is now estimated to last for about 7.0 months.

Corporate situation after the end of the reporting period

The year started off according to plan for the DMG MORI SEIKI group. Order intake in January and February was € 365.3 million (previous year: € 382.4 million). **Sales revenues** rose above the level of the comparable previous year's months and amounted to € 333.8 million (previous year: € 306.3 million). The order backlog of 31 December 2014 to 28 February 2015 rose by € 31.5 million to € 1,165.8 million. As a result of the long time to market in the machine tools business, there will be a time delay before the order backlog increase is first reflected in the sales revenues. The earnings (EBT) in January and February were higher than the previous year's figure. A more detailed statement is premature at the present time.

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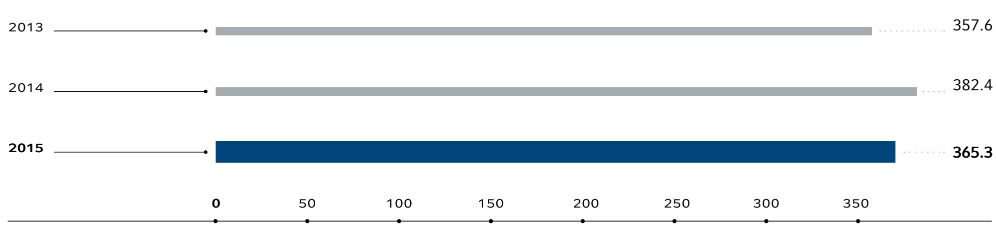
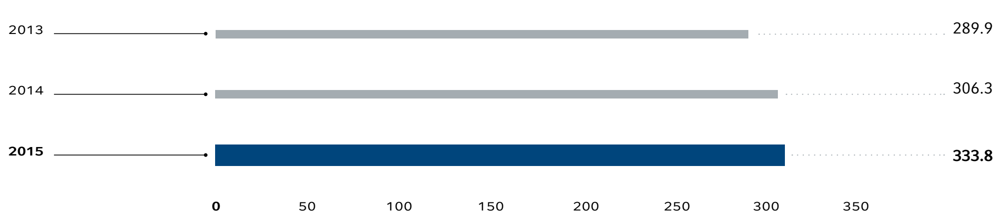
Forecast report

D . 01 **ORDER INTAKE AT THE DMG MORI SEIKI GROUP IN JANUARY AND FEBRUARY 2015**
IN € MILLION



D . 02 **SALES REVENUES OF THE DMG MORI SEIKI GROUP IN JANUARY AND FEBRUARY 2015**
IN € MILLION



Trade fairs and exhibitions are an essential tool in our **marketing campaigns.** We started the new year at the IMTEX in Bangalore, India, from 22 to 28 January. We presented at the largest trade fair in India the trade visitors our product range on a floorspace of 600 m^2.

With order intake of € 177.1 million (previous year: € 167.6 million) and 8,797 international trade visitors, we took positive stock of this year´s open house exhibition in Pfronten, which now took place for the 20th time at **DECKEL MAHO.** 76 high-tech exhibits were presented at the industry highlight, which coverd a floor space of 5,800 m^2.

Our journal appeared in January with a circulation of 500,000 copies. We publish it twice a year in 71 countries and 21 languages to showcase the **DMG MORI** innovations and world premieres to our customers.

In the first two months of the year the main focus of **investments** was placed on making progress on our major construction projects as well as on making production and operations equipment available.

In the first quarter we raised **sales prices** for "Machine Tools" by around 3% depending on the market and product. Due to the average calculated order backlog of around five months in this segment, the positive effect on sales revenues and results will only be evident from the middle of the year.

On **21 January 2015**, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED concluded a **Cooperation Agreement 2015**. It expands the aims of the strategic advancement of the cooperation that has been established already since 2009.

Open House Exhibition Pfronten 2015

With order intake of € 177.1 million and 688 products sold, DMG MORI SEIKI AKTIENGESELLSCHAFT takes positive stock of this year's open house exhibition in Pfronten. Nevertheless, the fiscal year 2015 remains volatile.

As agreed, DMG MORI SEIKI COMPANY LIMITED announced on the same day that it will make a **voluntary public tender offer** for the outstanding shares of DMG MORI SEIKI AKTIENGESELLSCHAFT. DMG MORI SEIKI COMPANY LIMITED originally offered all shareholders of the company € 27.50 in cash per share. With its offer, DMG MORI SEIKI COMPANY LIMITED intended to obtain a shareholding of more than 50% in DMG MORI SEIKI AKTIENGESELLSCHAFT.

On 11 February 2015, the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT received the offer documents from the bidder, DMG MORI GmbH, Stuttgart, which is an affiliated company of DMG MORI SEIKI COMPANY LIMITED. Thereafter, the Executive Board passed on the offer documents to the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT and the groups work council of the company, as the responsible work council.

In the scope of an extraordinary Supervisory Board meeting on **23 February 2015,** the Executive Board and the Supervisory Board discussed the **"Joint Reasoned Opinion by the Executive Board and the Supervisory Board"** of DMG MORI SEIKI AKTIENGESELLSCHAFT in accordance with Section 27 of German Securities Acquisition and Takeover Act (WpÜG) on the voluntary public tender offer from the bidder, DMG MORI GmbH, Stuttgart, to the shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT. The Executive Board and the Supervisory Board respectively resolved the content of the statement, as well as the provision and publication of this joint statement.

On 3 March 2015, DMG MORI SEIKI COMPANY LIMITED and DMG MORI GmbH have announced that they have acquired a total of approximately 12.02% shares of DMG MORI SEIKI AKTIENGESELLSCHAFT for a cash consideration of € 30.00 per each acquired share in off-market transactions. As a consequence of these share acquisitions, the price to be paid in the public tender offer is raised from € 27.50 to € 30.00 per share.

In order to achieve the aims of the tender offer pursued by DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED, the Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT agreed with DMG MORI SEIKI COMPANY LIMITED on 9 March 2015 to reduce the offer condition of achieving a minimum participation from 50% (plus one share) in the public tender offer to 40%. In return, DMG MORI SEIKI COMPANY LIMITED and DMG MORI GmbH agreed, that all shareholders accepting the offer will receive an additional amount of € 0.55 per share. On these grounds, the offer price increases from € 30.00 to € 30.55 per share.

There were no material changes in the first two months of the year to the **legal corporate structure**. No further **equity investments** have been purchased.

Opportunities and Risk Report

Our systematic opportunities and risk management system is an essential part of our corporate management. The DMG MORI SEIKI group compiles and uses opportunities timely without losing sight of risks. This enables us to take appropriate action and initiate any measures necessary in good time.

In its business activities, the DMG MORI SEIKI group is exposed to various opportunities and risks. Our opportunities and risk management assists us in identifying and assessing these timely. The Executive Board and the Supervisory Board are informed regularly about the current risk situation of the group and that of the individual business units.

Opportunities Management System (OMS)

Opportunities are identified and analysed within the opportunities and risk management system. With our marketing information system (MIS) we identify significant individual opportunities: We collect customer data worldwide and evaluate market and competitor data. On this basis, we measure, assess and check all sales and service activities, and other measures for their effectiveness and cost-efficiency. We continuously monitor our markets and can thereby identify any broader economic and industry-specific opportunities early on. In addition, we evaluate trade fair data in detail in order to detect trends and developments in good time. This allows us to draw up short-term and medium-term forecasts for customer orders that are to be expected per machine type and sales region.

General economic opportunities arise for the DMG MORI SEIKI group from the comprehensive working of both established market regions as well as growth markets. Despite presently difficult market conditions around the world and strong insecurities in mechanical engineering, we would like to use the opportunities in the way they are currently presented.

In spite of the difficult economic environment, we are defending our position as market leader in the machine tool business in the established market regions of Germany, Europe and America. Here, we perceive modest opportunities for an improved cyclical growth situation in Germany and parts of Europe following a noticeable cyclical bump during the past year in consequence of the Ukraine conflict. In addition, the presently low oil price has an invigorating effect on the global economy. This expectation of opportunities, however, is tied to high insecurities, which arise from the presently strong volatilities and political uncertainties.

As a reliable basis for our market position, we are consistently strengthening our innovative power, as well as our technological position in the relevant markets and industries. We are therefore able to participate quickly in the arising general economic opportunities, as soon as potentials are presented.

Industry-specific opportunities are taken advantage of with our ECOLINE series through its attractive entry-level prices for innovative technology. As a broad, global market segment, the ECOLINE series offers access to turning and milling. The current four product lines will be further extended in financial year 2015.

Overall, the DMG MORI SEIKI group continues to record a high level of interest in its products in the machine tools business.

Through the effect from currency fluctuations, impulses can arise moreover, which are meanwhile not perceptible in the mechanical engineering industry due to the strong insecurity resulting from cyclical volatilities and the persisting, considerable political uncertainties.

Based on the persistently low exchange rate of the Japanese yen in 2014, we find additional sales opportunities for the machines of DMG MORI SEIKI COMPANY LIMITED, which are sold by us in the scope of the existing cooperation within the Eurozone. These machines can be offered at correspondingly lower prices to the customers.

In the continuously growing market of renewable energies, we take advantage of opportunities, especially in the areas of conceptual design and construction, and respectively technical maintenance and servicing of photovoltaic parks, energy storage and energy efficiency consulting, with our products and services in the Energy Solutions segment. These integrated solutions for the environmentally friendly, CO_2-free supply of energy to industrial operations are also being used successfully by us to supply power to our own production sites. We offer solutions to our industrial customers to optimise their energy management.

Corporate strategic opportunities present themselves to the DMG MORI SEIKI group through a sustained leadership in innovations and technology, as well as through market-leading product quality. To exploit these opportunities we are consistently active in research and development. This gives rise to opportunities to further strengthen our position in numerous markets.

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Research and Development

As a full-liner we are permanently expanding our services. Additionally we generate further opportunities in our “Advanced Technologies” in the field of the Premium series and the ECOLINE series through extended production possibilities or through increasing the product portfolio. In addition, we are tapping new markets in building up new business fields relating to comprehensive automation solutions of DMG MORI Systems. We furthermore equip our machines with the innovative control and operating software CELOS. With its applications, CELOS makes it possible to use the consistent digitalised management, documentation and visualisation of order, process and machine data. As with a smartphone, the user has direct access to the apps. Our customers benefit by increasing the functionality of their machines, which in turn makes their processes more efficient.

At the same time, we continue strengthening our global sales in order to counteract risks: through the permanent, successful cooperation with DMG MORI SEIKI COMPANY LIMITED, we benefit from opportunities also in 2015, which arise from the joint sales, production and development activities. The worldwide implementation of the cooperation in the sales and service division together with DMG MORI SEIKI COMPANY LIMITED was completed operatively in late 2014. In result, all of the sales and service activities around the world are carried out within the scope of the cooperation. We make use of the sales and service synergies created worldwide and we will continue intensifying these even more in the future.

Through DMG MORI Finance GmbH, we offer our customers national and international tailor-made financing solutions.

We carry out flexible sales control on the basis of a number of **operational key indicators**, such as market potential or order intake, which have been identified by our marketing information system (MIS).

Performance-related opportunities arise from the constant enhancement of our processes in the areas of production, technology, quality and logistics. For this purpose, we are currently carrying out a number of projects.

In the area of production, we are consistently reducing throughput times by introducing cluster assembly in a number of our production plants. In this type of assembly a set group of employees work together to build several machines and assume responsibility for the entire assembly process. Opportunities arise in the logistics area through increasing the scale of logistics services to remove forklift trucks from the assembly workshops. This contributes to a consistent reduction in stocks and simplifies the assembly process. In the technology area, use is made of energy-efficient cooling units and cooling lubricant pumps in all the machines produced.

Further opportunities arise through the active inclusion of our suppliers in the value added chain to strengthen their delivery reliability.

With our direct sales and service network, we are able to serve our customers worldwide. This means that we are in close proximity to our customers in 39 countries throughout the world; our customers enjoy the benefits of this and place a high value on being able to reach us directly. Thanks to the extensive research and development work, we are in a position to offer our customers innovations and new developments at regular intervals.

Other opportunities are made use of through capital investment throughout the group in improved building insulation, automatic lighting systems, energy-efficient ventilation systems and other projects designed to improve energy efficiency. In this way, we are reducing our energy consumption in the long-term. In addition, we produce part of our energy requirements ourselves. Besides photovoltaics, we also increasingly rely on geothermal energy in this area. With a larger number of electrically driven vehicles, we are expanding our electrical mobility in everyday use. For this purpose, we have established the necessary supply infrastructure at many of our sites. Under DMG ENERGY SAVING, we consolidate our activities for greater energy efficiency in our machine tools. In this area, we are setting the benchmarks for the industry.

Risk Management System (RMS)

The risk management system is comprised of the early risk identification system, the internal control system (ICS) and the central insurance management.

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

Our early risk identification system consists of five elements:

1. the company-specific Risk Management Manual that defines the system,
2. a central risk management officer, who develops, implements and monitors the present risk management concept, updates the related software systems, and coordinates the measures for risk reduction or risk elimination,
3. local risk officers in any group company, who are responsible for the decentralised recording, analysis and communication of existing risks,
4. area-specific, quarterly risk assessments according to predefined risk fields and an inventory of related measures for risk reduction or risk elimination with a quantitative assessment and prioritisation by means of the value-at-risk dimension,
5. risk reporting at the level of the group and the individual companies with ad-hoc reporting of relevant risks.

The early risk identification system within the DMG MORI SEIKI group is based on the generally accepted COSO framework. The objectives of the risk management system are the complete and reliable recording throughout the group of existing potential risks within the following 12 months, a comprehensive risk summary and evaluation, the retrieval and setting up of effective measures to reduce risk, continuous risk monitoring and comprehensive risk reporting.

The strategy of the existing early risk identification system therefore comprises a group-wide systematic identification, assessment, aggregation, monitoring and notification of existing risks, and the belonging measures for risk reduction or rather elimination. These risks are identified in an IT-supported, standardised periodic process in the individual business units every quarter. The identified risk potentials are analysed and assessed in a gross approach and in consideration of the maximum risks and probabilities of occurrence, in order to then coordinate or develop in supplementation the measures for risk reduction or risk elimination. Based on the existing net risks after measures were taken, reporting is provided by the affiliates of the group to the group Risk Management Division.

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

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

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

Potential maximum stress arising from the overall risk situation of the group is simulated by means of quantitative methods (Monte Carlo simulation). Besides the expected value at risk, the result of the Monte Carlo simulation represents a key risk control figure.

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

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

The internal control system (ICS) of the DMG MORI SEIKI group is an integral part of the group-wide risk management system.

The existing internal control system of the DMG MORI SEIKI group serves to minimise or eliminate the controllable risks in day-to-day business processes.

The aim of our ICS is to ensure the consistent implementation of strategic and operative directives from the Executive Board within DMG MORI SEIKI AKTIENGESELLSCHAFT and at all affiliates of the group, the achievement of operative efficiency targets, and compliance with all legal requirements, standards and value at our group.

In addition, the internal accounting control system serves the purpose of ensuring the completeness, correctness and reliability of our consolidated financial statements according to IFRS, and the local financial statements, as well as the books underlying them. It covers all organisational, control and monitoring structures to ensure the legally compliant recording, processing and consideration of business matters, and their subsequent adoption in the relevant financial statements.

Within our ICS, building on an annually updated analysis and the documentation of significant business processes, the controllable risks are recorded and eliminated through the definition of the structural and procedural organisation, as well as suitable control activities or the risks are reduced to an appropriate level. Our ICS meanwhile includes both preventive as well as detecting control activities, which also includes authorisations and releases, plausibility checks, reviews and the four-eyes principle, etc. in different variations. In addition, a suitable design of the structural and procedural organisation of business processes ensures an appropriate separation of functions.

This is supported by the existing internal guidelines and instructions as a part of the ICS.

The accounting-related internal accounting system comprises, in supplementation, the principles, procedures and measures for ensuring the propriety of the group reporting. For this purpose, we analyse new laws, accounting standards and other public notices with respect to their effect on the consolidated financial statements. We standardise relevant regulations throughout the group in accounting-related guidlines, for example, those contained in the accounting manual. These accounting-related guidelines and the financial statements calendar, which apply throughout the group, form the basis for the preparation of the financial statements. The local companies are responsible for compliance with the relevant regulations and in this respect are supported and monitored by the group accounting department. In addition, there are local regulations that each has to be harmonised with the group accounting. Consolidation is carried out centrally by the group accounting department. As required, the DMG MORI SEIKI group 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 effectiveness of the ICS is judged on the basis of annual self-assessments by the responsible affiliates of the group and the central departments of DMG MORI SEIKI AKTIENGESELLSCHAFT. The results of the self-assessments are reported to the Executive Board and the Supervisory Board.

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

As a further component of the risk management, the DMG MORI SEIKI group has a central insurance management in place. The group-wide insurance strategy is determined for economically appropriate and insurable risks, while this strategy is implemented at the operating level.

General economic risks arise for the DMG MORI SEIKI group, particularly from the cyclical development and great insecurity in the markets. The global cyclical development in the fourth quarter of 2014 was characterised by a slight recovery from the strongly negative effects in consequence of the sanctions imposed by the European Union and the USA in connection with the Ukraine conflict. At the same time, the cyclical development was carried by a modestly improving development in Germany and Europe, a good economic situation in the USA, and the positive impulses from Asia.

In Germany, the cyclical situation has slightly improved again since the third quarter. Low yet stable growth is expected for 2015.

In Europe, the cyclical development is heavily split. While especially Great Britain shows a good cyclical development, the situation in France and Italy is characterised by a marked economic bump. In addition, the present development also indicates a continuously tense budget situation in France, Italy, Greece and a few additional EU countries. A revival of a deficit crisis in 2015 represents a significant risk for the cyclical development in the Euro zone. The further growth perspectives in Europe and their spill-over effects on the global economy furthermore depend quite essentially on the implementation of necessary structural reforms in numerous countries within the Euro zone that are required so as to improve competitiveness. In this regard, there are considerable risks for countries like France, Italy and Greece due to absent reform dynamics.

The economy in China is stabilising following a noticeable decline. It is expected that this development will continue in 2015 as well.

Russia, in consequence of the Ukraine crisis and the existing international sanctions, records a very substantial decline in growth. Further risks are created from recognisable problems in the public budget due to the strongly lowered oil price. The Russian rouble has lost massively in value compared to the euro and the US dollar during 2014. Support measures to stop currency devaluation succeeded only to limited extent. In 2015, significant cyclical risks may occur due to an additional downturn in the real economy and financial problems.

The present cyclical development in the USA is stable at a raised level. It is expected that this development will continue in 2015 as well.

The growth development in India is noticeably improved again.

A globally felt economic decline would generally have a significant influence on the global market for machine tools and would lead to a substantial reduction of the order intake and achievable margins. Furthermore, the high volatility in the cyclical development and the markets in combination with intense insecurity regarding the development of political crises are taking negative effect. We counteract these risks with a continuous monitoring of the cyclical development and necessary measures as applies.

Moreover, changes in the exchange rates due to political or economic crises can impact our future competitive situation (economic currency risk). Especially a potential devaluation of the US dollar, Chinese renminbi, Russian rouble, Indian rupee, Brazilian real and the Turkish lira might lead to a price increase of our products in the affected countries as well as in the dollar-dependent markets, whereby our competitive position might be influenced negatively. We counteract this risk through international sourcing as well as an increasingly regionalised production. In addition, we see ourselves exposed to the risk of increased administrative expenses at the Winterthur site, Switzerland, caused by the currently significant value increase of the Swiss franc.

We presently perceive the probability to be low that losses will occur due to general economic risks (0% – 20%).

Industry-specific risks exist in the form of intense competition with existing and new competitors and in increased pressure on prices in the markets for machine tools. Through the low exchange rate of the Japanese yen in 2014, Japanese suppliers have gained additional competitive advantages in Europe whilst our competitiveness on the Japanese market lessens. We counteract these with a technological lead and a focus on our customers and markets.

From projects already completed in the “Energy Solutions” segment, risks may still arise for the group, based on its role as the former general contractor. There are still some issues with respect to licensing regulations. In addition, general operator risks may result from the ongoing operation of solar parks for some customers.

Overall, we consider the probability of occurrence of losses from industry-specific risks as slight.

Sales related risks arise from our products being exposed to persisting price competition in the international markets. We counteract this risk through cost reductions, improved manufacturing and procurement processes, and by optimising product start-ups. We consider losses from the above risks to be slight.

From the general economic, industry-specific and sales related risks, cumulative expected risks result in the amount of € 23.2 million with a low probability of occurrence.

Corporate strategic risks lie mainly in false estimations of future market development and in possible misjudgements in technological developments. We counteract these risks through intensive monitoring of the market and competition, regular strategy discussions with customers and suppliers, a comprehensive trade fair presence in all of the important markets and through constant enhancement of MIS, our early warning system. We estimate any possible losses arising out of corporate strategic risks at around € 13.9 million with a low probability of occurrence.

Procurement and purchasing risks are those that we are particularly exposed to due to price increases for materials in the machine tools business.

Further risks exist in possible supplier shortfalls and quality problems. We counteract these risks through the standardisation of structural parts and components as well as through international sourcing with a minimum of two suppliers for essential materials. We quantify potential losses from the procurement and purchasing risk at € 10.2 million with a low probability of occurrence.

Production risks such as production ineffectiveness, poor utilisation rate and potential quality related risks are subject to permanent control by means of key performance indicators for assembly and manufacturing progress, throughput times and throughput continuity, for example the profit margin per machine type and the turnover rate of raw materials and consumables as well as of other inventories. In principle, we avoid incalculable production projects so that we consider these risks to be manageable and controllable. We strive to counteract plagiarism with our innovations-focused product strategy, which safeguards our technological lead.

We counteract risks of technical work safety with a consistent application and implementation of statutory work safety regulations and the highest certified technical standards at all sites. Regarding the implementation, we conduct all legally mandated reviews and voluntary audits.

We counteract environmental risks with a complete implementation of statutory environmental standards, appropriate and safe storage of hazardous goods as well as environmentally conscious disposal of hazardous goods and other wastes. Furthermore, we aim at ensuring an efficient use of resources to spare scarce environmental resources in our internal business processes.

The potential risks from the production risk field are estimated at a value of € 16.8 million with a low probability of occurrence.

In the area of **research and development**, there are risks based on possible budget exceedances, failed developments, increased start-up costs for new products, and delayed market launch of innovations. We counteract this risk through development partnerships with the DMG MORI SEIKI COMPANY LIMITED, customers, suppliers and universities. Here, too, we avoid incalculable research and development projects so that we consider these risks to be manageable and controllable. We estimate any possible losses arising out of research and development risks at around € 3.0 million with a low probability of occurrence.

Personnel risks: Due to our continuous need for highly qualified management staff and employees, risks may arise through not being able to attract and retain these employees in sufficient numbers and this may restrain the group's development. We counteract these risks through intensive programmes to offer vocational training, attract new employees, increasing the qualifications of existing employees and through performance-related remuneration with a profit-based incentive scheme, as well as through deputising arrangements that cushion the loss of specialists and managers, and through early successor planning. The necessary availability at any one time of highly qualified managers and staff could also be negatively affected by a high rate of illness. We counteract this risk in particular through a preventive occupational health care scheme.

On the basis of the above-mentioned measures, we consider the probability of occurrence of estimated losses of about € 6.7 million as slight.

IT risks exist due to the increasing networking of our systems, parts of which are highly complex. IT risks may arise from network failure or from data being falsified or destroyed through user and program errors or through external influences. In addition, we are subject to the risks of organised data espionage. We counteract these information technology risks through optimum security arrangements for our IT environment, regular investment in our hardware and software, by the use of virus scanning programs, firewall systems and by controlling access and authorisations. Possible losses arising out of this area amount to € 1.9 million at the current time and are manageable. We consider the probability of occurrence as slight.

Financial risks result inter alia from our international activities in the form of currency-related risks that we assess and hedge by means of our currency strategy. At the present time, we expect currency related risks in the amount of around € 2.1 million. The essential components of the DMG MORI SEIKI group financing are a syndicated loan, which comprises a cash and aval tranche and is firmly 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 group is considered sufficient. In principle, we bear the risk of bad debt, which may result in value adjustments or in individual cases may even result in default. Possible losses from financial risks, including currency-related risks, amount in total to € 17.8 million. The probability of occurrence of any loss is low. Please refer to the description of financial risks in accordance with IFRS 7 in the notes to this report.

Other risks arise out of operating activities. Legal risks grow in particular out of possible warranty claims due to customer complaints from the sale of machine tools and services, which cannot always be completely prevented by our efficient quality management. To maintain the existing risks at a manageable and calculable level, the DMG MORI SEIKI group limits warranty and liability obligations both in terms of scope and in time. Insofar as deferred tax assets have not been impaired on loss carryforwards or interest carry forwards, we assume the usability of this potential tax reduction on taxable income. We assume that the tax and social insurance declarations submitted by us are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. Should there be additional charges, or should it not be possible to use loss and interest carryforwards, this could adversely impact the net assets, financial position and results of operations of the DMG MORI SEIKI group.

Overall, we have calculated any possible losses arising out of tax risks at € 9.5 million with a low probability of occurrence.

SWOT Analysis

The main strenghts, weaknesses, opportunities and risks of DMG MORI SEIKI group are summarised and presented following the criteria of a swot analysis (strenghts, weaknesses, opportunities, threats) as follows:

E . 01

SWOT ANALYSIS OF THE DMG MORI SEIKI GROUP

Company specific

Strengths	Weaknesses
• high innovative strength, • customised range of services over the entire life cycle of the machine (full service supplier), • worldwide direct sales and services network to gain market shares, • presence in the long-term growth markets in Asia and Russia, • extensive analyses of the market and competition data through the Marketing Information System (MIS) • independent production company in the growth markets of China and Russia, • long-term sound financial framework and sound equity base, • offer of custom financing solutions for customers through DMG MORI Finance, • consistent market and customer focus through highly-integrated multi-channel marketing, • large and diverse customer base, • modern product range focused on customer needs, • full product range for turning and milling in the high-precision area, • range of affordable machines in the extensive ECOLINE series • global sourcing through tapping into new procurement markets, • profitable service business, • modular products / standard parts concept, • high production flexibility, • highly-integrated control and software products to provide the customer with comprehensive process support, • increase in machine functionality with CELOS.	• global presence requires extensive management resources, • high readiness costs through reserved capacity in the production area, • low margin products as part of the full-line range, • high star-up costs for a number of new products, • logistics and quality demands through global purchasing activities, • funds tied up in inventories through long throughput times in part for innovative machines.

Market specific

Opportunities	Risks
• Increased customer benefits through extending the product portfolio and improved regional availability through the cooperation with the DMG MORI SEIKI COMPANY LIMITED, • on-going process of concentration in the industry, for which the DMG MORI SEIKI group is well positioned, • expansion of production capacity in Russia, • focusing on growth industries, such as aerospace, automotive, medical technology and power engineering, • promising future market of energy storage which the DMG MORI SEIKI group is serving with the vanadium redox flow CellCube big battery, • inception of new business fields in the market for comprehensive automation solutions together with DMG MORI Systems, • fast use of local market opportunities through global presence.	• dependency on volatile machine tools market, • cyclical risks in Europe, Asia and the USA • competition risks from currency exchange rate fluctuations • instability of national economy in crisis regions.

Overall Statement of the Executive Board on the Risk Situation

The Executive Board rates the existing risks as being controllable and does not consider the continuation of business at the DMG MORI SEIKI group to be threatened in today's perspective. Compared to the last reporting for the third quarter 2014, the risks have slightly increased overall. The Executive Board counteracts the risk development by means of a continuously updated business development supervision and holding meetings of the Board as well as status meetings at regular intervals. The total risk of the DMG MORI SEIKI group is determined by a risk simulation procedure, a so-called Monte Carlo simulation. This allows the reciprocal effects of risks to be taken into account. The simulation encompasses both individual risks of group companies as well as any possible deviances of a positive and negative nature from planning measures. Risks associated with special purpose entities in the Energy Solutions division are centrally included and entered in the simulation under a+f GmbH. Once the overall risk position has been determined, the equity requirement is calculated that can bear any possible risk-related losses based on a pre-defined probability, that is to say, the confidence level. The equity of the DMG MORI SEIKI group exceeds the overall risk position determined at a probability level of 97.5%.

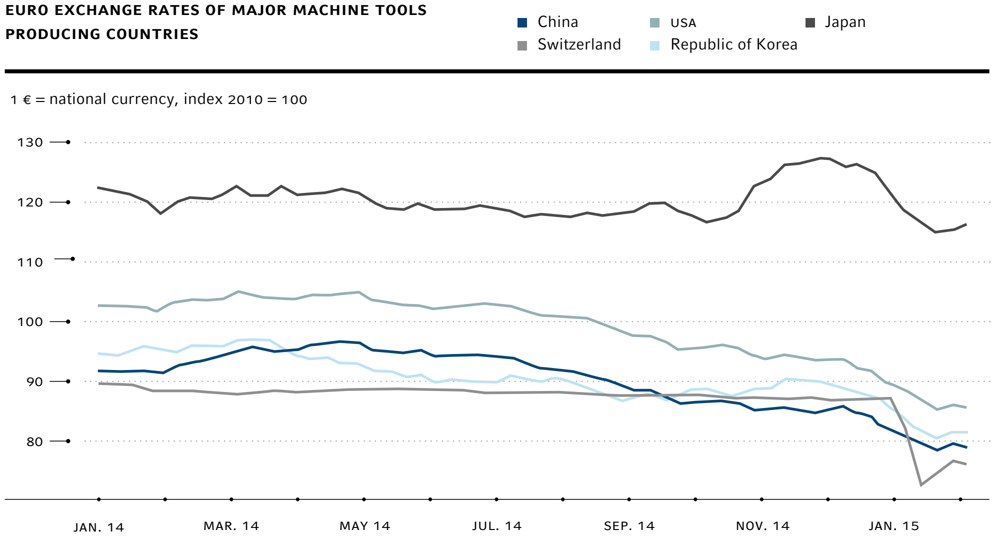
Forecast Report

Economic experts forecast a rise in gross domestic product for 2015 of 3.7%. But exchange rate fluctuations represent a high uncertainty factor. The VDW expects consumption of machine tools to grow worldwide by 7.3%. For Germany growth of 3.5% is expected. Taking the macro-economic uncertainties into account, we believe this is pitched too high.

Future Business Environment

The **overall economic development** in 2015 will be increasingly volatile. For the current year, the Institute for the World Economy (IfW) is forecasting growth in global gross domestic product of 3.7%; for 2016, it is assuming a gain of 3.9%. Economic experts assume that energy prices will remain at a low level – especially in the developed industrialised countries. However, the present geopolitical conflicts continue to represent a burden on the economic development. Furthermore, exchange rate fluctuations in the international lead currencies may lead to increased volatility in economic growth in the future.

F . 01 EURO EXCHANGE RATES OF MAJOR MACHINE TOOLS PRODUCING COUNTRIES



Source: European Central Bank (Europäische Zentralbank), February 2015. Basis = weekly averages

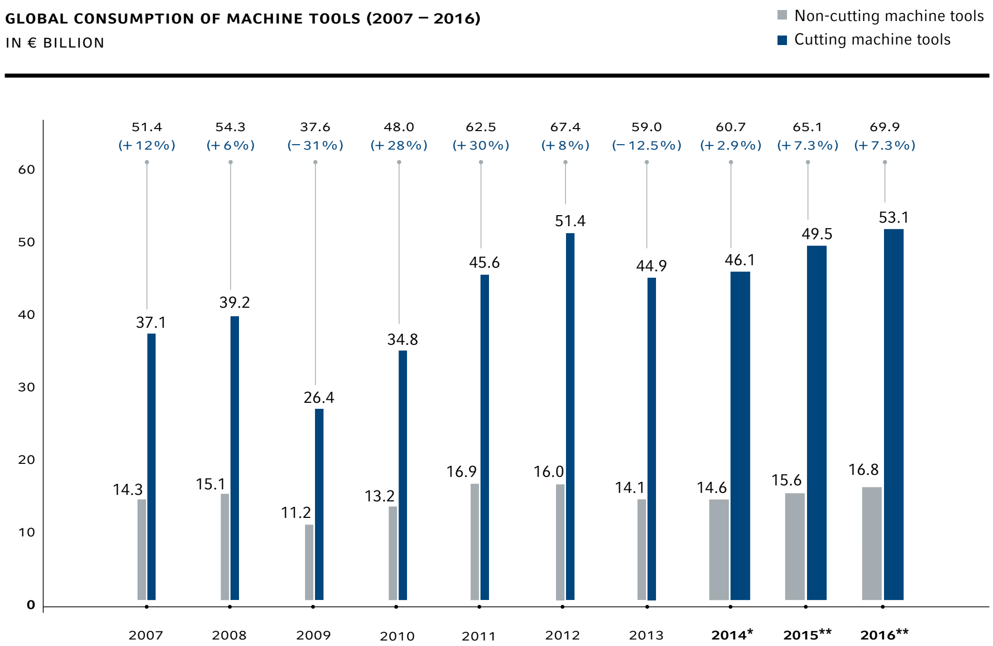
Asia will be the strongest growth region again in the current year with probable growth of 6.6%. **China** will retain its role as the driver of the world economy with growth of 7.0% in 2015 and of 6.7% in 2016; in the medium-term, however, the pace of growth is expected to slow down. Growth of the Japanese economy will amount to just 0.8% in 2015 and 1.2% in 2016 according to preliminary calculations. In the **USA**, further stabilisation of economy should lead to a persisting revitalisation of the cyclical development. According to IfW estimates, gross domestic product will grow by 3.2%, for 2016 growth of 3.5% is expected. **Europe** will probably continue to be burdened by the Ukraine crisis in the current year. The example of Greece also shows that the disparities within the Euro zone grow continuously. Thus, economic researchers anticipate that the gross domestic product of the euro countries will rise only hesitantly by 1.2% in 2015 and it will grow by 1.5% in 2016. But exchange rate fluctuations represent a high uncertainty factor.

Germany will presumably profit from a substantial increase in private consumption and rising corporate investments within the forecast period. In the current year, growth of 1.7% and in 2016 of 1.9% is forecast.

For the **machine tool market worldwide** growth is once again expected in 2015. The current forecasts of the VDW and the British economic research institute, Oxford Economics, expect worldwide **productive capacity** and **market volume** to grow in value terms by 7.3% each. Experience shows that these forecasts will be corrected substantially during the course of the year. Growth in consumption of 9.5% is expected for China, whereas for the USA and Japan at 7.5% and 7.0%, respectively, considerably lower rates of growth are forecast. South Korea (+9.9%) will also most likely number among the strongest growth markets in 2015. For 2016, the VDW is forecasting a rise in consumption of 7.3% (as at October 2014).

Current statements on the development of the **industry's profitability** and of **prices and wages** are not available. The **world machine tool consumption** and the **market potential** are reflected in the following diagram:

F . 02 **GLOBAL CONSUMPTION OF MACHINE TOOLS (2007 – 2016)**
IN € BILLION



* Figures provisional
** Estimate of the VDW and Oxford Economics
Source: World machine tools statistics of the VDW 2014. Preliminary edition, status: February 2015
Oxford Economics Global Machine Tool Outlook, status: October 2014

The **German machine tool industry** started the year 2015 with careful positive expectations of the **sector's economic activity**. The Association is anticipating a rise in production of 3.4% and in consumption of 3.5%. For 2016, forecasts are assuming an increase in consumption of 3.6%; risk factors that might counteract this increase continue to be the Ukraine crisis, the conflicts in the Middle East, the price development for raw materials and energy, the exchange rate developments, and the general political conditions.

Source: "Global Machine Tool Outlook", Oxford Economics

Future Development of the DMG MORI SEIKI group

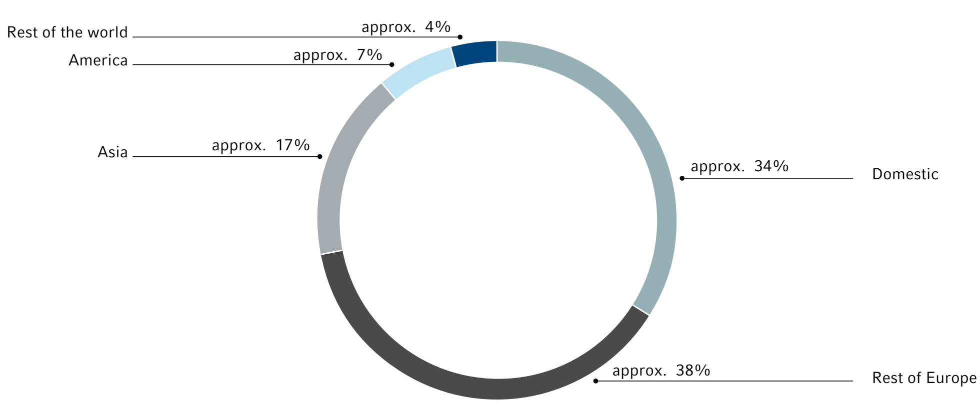
The **DMG MORI SEIKI group** intends to intensify its international market presence. Together with our cooperation partner, DMG MORI SEIKI COMPANY LIMITED, we will continue expanding our production capacities specifically in the strategically important markets. In Russia, the construction of our production plant in Ulyanovsk and of our new technology centre in Moscow continue according to schedule. With **DMG MORI Systems GmbH**, we have taken initial steps to bundle our shared competences in the system and automation solution division worldwide. In Baden-Württemberg, we will build a new assembly centre for this purpose, from where we will supply system solutions for large-scale production, in particular to our customers in the automotive industry, beginning in 2016.

Besides the growth markets such as South Korea, we perceive **future sales markets** to be foremost the Southeast Asian countries, where invigorated demand for machine tools is anticipated. In the USA as well, we intend to participate in the unchanged high demand for machine tools through the established sales structure of our cooperation partner. In parallel, Europe will continue to be a key market for us, where we will concentrate on increasingly penetrating smaller markets.

At the start of 2015, **order intake** developed slightly below the previous year's figures. For the first quarter of 2015, we are expecting order intake of around € 580 million (previous year: € 601.2 million). For the current financial year, we are planning order intake of around € 2.4 billion. We see potential in our innovations as well as in cooperation projects. We are also anticipating growth in "Industrial Services".

The **order backlog** will rise to around € 1.2 billion as at 31 March 2015 (31 Dec. 2014: € 1,133.7 million).

F . 03 **EXPECTED DISTRIBUTION OF SALES REVENUES 2015 OF THE DMG MORI SEIKI GROUP BY REGIONS**
IN %



For the first quarter 2015 we are expecting sales revenues above the previous year's figure (1st quarter 2014: € 505.1 million). For financial year 2015, we are planning sales revenues of around € 2.25 billion.

In the first quarter of 2015, the **results** will be below those of the previous year's quarter. For the entire year, we are planning EBIT of around € 165 million as well as EBT of around € 160 million.

For financial year 2015, we are planning for a **materials ratio** that is stable for the most part. In light of the continued high investment volume, which, in comparison to the previous year, is to be financed largely from own funds, and also based on the profit forecasts, we are planning with a positive **free cash flow** between € 10 and € 20 million. Our **financing structure** should essentially remain unchanged and we are aiming once again for a net financing surplus by year-end. Our goal is to moderatly improve the net working capital.

In the financial year 2015, our financing framework will cover the necessary **liquidity**. We will thereby have sufficient leeway within the credit lines for financing. In respect of the market interest rates, we expect a slightly increasing level. We estimate the effects on our interest result and capital costs to be rather insignificant from the current perspective.

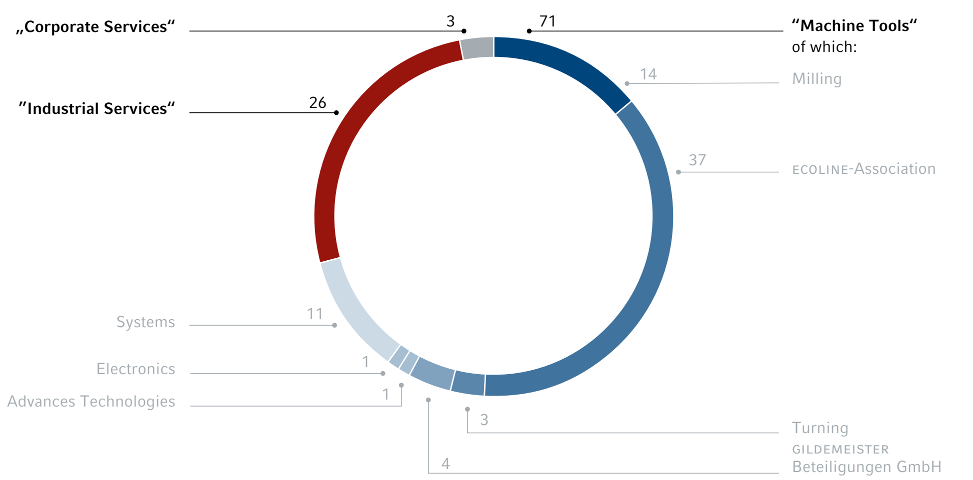
For financial year 2015, we are planning **investments** in property, plant and equipment and in intangible assets of around € 140 million; these concern in particular the completion of the large-scale projects already started in 2014. The planned volume of investments will be higher than the level of depreciation. We will continue to focus on the expansion of our production capacities in the strategically important markets as well as on the development of innovative products.

In the **"Machine Tools" segment**, we intend to invest about € 99 million. We are focussing on the completion of our new, state-of-the-art production plant in Ulyanovsk (Russia). On a useable area of around 21,000 square metres, we will build the machines of the ECOLINE series in a highly modern production environment. Furthermore, we will increasingly invest in the area of holistic system solutions. In Wernau near Stuttgart, we will begin construction of a new technology centre for this purpose, and bundle our competences there in the fields of technology, machine tools and automation solutions. Besides the targeted modernisation of our production plants, we will from now on also integrate the development of innovative products as one of our key fields of our investment activities.

In the **"Industrial Services" segment**, investments of around € 37 million are planned. The focus is on the targeted expansion of our global sales and service presence together with our cooperation partner. We will continue with the already started construction of our new technology centre in Moscow (Russia) as scheduled. In Seoul (Korea), we are likewise planning the construction of a new technology centre. To ensure our service quality, we will equip our service technicians with state-of-the-art tools and measuring instruments in the future as well. In Energy Solutions, we will maintain our investment focus on the development of products relating to everything about generation and storage of regenerative energies.

In the **"Corporate Services" segment**, we want to invest around € 4 million. We will steadily continue with the fundamental modernisation measures at our Bielefeld site. In this context, the focus is on increasing energy efficiency as well as modernising the production halls. The investment structure remains balanced: all segments are considered in the investment. There are no identifiable risks arising out of planned investments according to current estimates.

F . 04 **SHARE OF THE INDIVIDUAL SEGMENTS / BUSINESS AREAS IN PLANNED INVESTMENTS IN TANGIBLE ASSETS AND IN INTANGIBLE ASSETS**
IN %



As a certified member of the German Machine Tool Builders‘ Association Blue Competence initiative, the DMG MORI SEIKI group pursues the aim of sustainability in its business dealings and in reducing the energy requirement of our high-tech machines by up to 30%. We will also continue to successively reduce energy consumption at our sites with our corporate programme "DMG MORI 15 / 30". To do so, we are systematically implementing energy concepts, tailored to each respective location, in order to reduce the **energy consumption** at all production sites. In this respect, the successful implementation of the new energy park at the global headquarters Europe in Winterthur, serves as an excellent example. Here we generate around 45% of the electricity needed at the site, thus demonstrating how sustainable energy management can be turned into a competitive edge with the help of products from the area of Energy Solutions. In the current year, we plan to expand our market share in Energy Solutions for small and medium sized companies (SMEs) and industrial systems customers. This involves pressing ahead with the systematic linking of energy audit and monitoring up to generating, storing and "e-mobility" applications. Already this year, the Federal government must pass laws to enforce the new energy efficiency guideline issued by the European Union. All non-SMEs will hereby be required to conduct energy efficiency audits. We took an early stand here with our corporate programme **"DMG MORI 15 / 30".** The systematic implementation of the necessary changes for reducing energy costs at all production sites will be brought to completion. On the market side, we will be offering solutions, created by our certified "Energy Efficiency" and based also on these new legal requirements, to our industrial systems customers.

We are planning to adjust the number of **employees** in the financial year 2015, as dependent on the business development. In the scope of the expansion of our production sites in Wernau and Ulyanovsk, we are planning to hire new staff. The costs of personnel will increase due to wage and salary increases and respectively, conclusion of labour agreements.

In the area of **research and development**, we will continue to pursue our innovations-based strategy to increase customer benefits together with our cooperation partner in the current financial year. The success of our cooperation will be presented by us, inter alia, in the course of the trade fair EMO in Milan. The continuous innovation and integration of our product programme forms the basis for a sustainable company development. Together with our partner DMG MORI SEIKI COMPANY LIMITED, we will develop components and produce them in our plants. The volume of expenses for research and development in the current financial year will probably be around € 48 million. In total, around 15% of the workforce at the plants will be working in the area of research and development on further extending our technological lead.

GROUP PLANS
18 WORLD PREMIERES

In the **"Machine Tools" segment**, we are planning 18 world premieres for the current financial year. In the area of turning technology, we will present the second generation of our Turn & Mill complete machining centres. In milling technology, we will further expand the fourth generation of the successful DUOBLOCK series. In the ECOLINE segment, we are planning to present new machines for the growing entry markets.

In the **"Industrial Services" segment**, we will work on further optimising our extensive range of LifeCycle Services. Our activities are aimed, amongst others, at developing complex services to improve the productivity of our installed machine tools as well as at development products to increase planning certainty for scheduled services. In the Energy Solutions division, we are especially pushing ahead with the technological development of our energy storage technology as well as of our energy efficiency software.

In **purchasing** attention will be placed on expanding our global supply partnerships with respect to our own production in Russia as well as on joint activities with our cooperation partner. In this respect, the specific objective is to optimise material costs worldwide. A coordinated global purchasing strategy and uniform quality standards at both companies should render it possible to achieve joint improvements with respect to quality, costs and the ability to supply.

Within the framework of the value added chain, we will further drive sustainability. "Green Purchasing" within the meaning of reduced energy and water consumption, CO_2 emissions and also minimum wages and human needs in workplace design will be scrutinised in the cooperation with our suppliers and will attract more focus. Moreover, in reporting year 2015 enhancements in the area of purchasing information systems are planned.

FURTHER ROLLOUT OF THE "TAKT" PROJECT

In the **production and logistics** area, we will consistently advance the measures of the group-wide "TAKT" project in 2015. Here, the priority is on increasing productivity and reducing inventories.

At our Pfronten plant, the increasing integration of our suppliers in the structure of the production system is in the foreground. The components are to be delivered synchronised with the production cycle and in the corresponding lot sizes, so that a just-in-sequence supply will lead to a reduction of inventories. At the Seebach plant, we are planning to realign and centralise the module assembly. Productivity in pre-assembly will thereby further increase and ensure a highly precise supply to final assembly. We are also including the production launch of the new DMC 1150 V and DMC 1450 V in the planning, which will be produced directly in cluster assembly. This concept will also be expanded more in Bielefeld and implemented for the CTX beta 800 TC and the CTX beta 2000 TC. To increase the energy efficiency of our production halls, we continue with the modernisation measures concerning the lighting and air-conditioning technology at the site.

At our production site in Pleszew (Poland), the modernisation of production machines in the production area is of prime importance. Furthermore, we are starting with the series production of the ecoMill 600 / 800 and 1100 in flow production and of the ecoTurn 350 in cluster assembly.

In the financial year 2015, the **legal corporate structure** of the group is not expected to change materially.

Overall Statement of the Executive Board on Future Business Development 2015

We expect an increased volatile situation in the **financial year 2015 overall**. On the one hand, economic experts assume that energy prices will remain low around the world – in particular in the industrialised countries. On the other hand, the economic impact of geopolitical conflicts may have a negative effect on the economies of individual countries, as the fall of the rouble in recent months has shown, for example. In addition, changes in exchange rates between leading international currencies could lead to greater fluctuations in economic growth, as can currently be seen with Swiss francs. The example of Greece shows that the disparities within the Euro zone grow continuously. Therefore, we expect that volatility in the markets will increase and all of these developments will in turn impact the machine tool industry.

The German Machine Tool Builders' Association (VDW) and Oxford Economics currently forecast a 7.3% rise in global machine tools consumption. Taking the macro-economic situations as described above into account, we believe this is pitched too high. Experience shows that these forecasts will be corrected downwards during the course of the year.

In the "Industrial Services" and "Machine Tools" segments we are expecting increases in order intake. For the entire year, we are expecting order intake of around € 2.4 billion. On the basis of our continued sound order backlog, we are consequently planning sales revenues of around € 2.25 billion. The materials expenses ratio should remain steady for the most part. On these conditions and on the assumption that the global market will develop in line with our expectations, we are planning an EBIT of around € 165 million and an EBT of around € 160 million. Together with our cooperation partner, DMG MORI SEIKI COMPANY LIMITED, we are well positioned in the global market to grasp all business opportunities that arise. In this, we will benefit from the synergies generated in particular by the sales, service, product development, production and purchasing divisions. Thanks to the reciprocal use of production sites, we are able to produce "in the market, for the market" and hence reduce import costs and logistics costs. Together we will continue to channel our energies into expanding global markets. For the financial year 2015, we are planning **investments** in property, plant and equipment and intangible assets of around € 140 million; these concern in particular the completion of the large-scale projects already started in 2014. In light of the continued high investment volume, which, in comparison to the previous year, is to be financed largely from own funds, and also based on the profit forecasts, we are planning with a positive free cash flow between € 10 and € 20 million. In addition, we are planning to pay a dividend.

Other Disclosures

Concluding Statement of the Executive Board on the Dependency Company Report

As a shareholder, DMG MORI SEIKI COMPANY LIMITED holds a share in DMG MORI SEIKI AKTIENGESELLSCHAFT in the amount of 24.33% at 31. December 2014, as a result of which it is expected to have a (factual) majority vote at future Annual General Meetings. Hence in the financial year 2014, there exists in the opinion of the Executive Board a relationship of dependency between DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED as defined by Section 17(1) of the German Stock Corporation Act (AktG).

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

Therfore, the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT has, in accordance with Section 312 of the AktG, prepared a report on the relations of the company to affiliated companies in the financial year 2014.

At the end of the report on the relations of the company to affiliated companies in the financial year 2014, the Executive Board has made the following declaration in accordance with Section 312(3) of the AktG: "For all the legal transactions and measures detailed in the report on the relations of the company to affiliated companies in the 2014 financial year, according to the circumstances known to us at the time each legal transaction was made or measure taken, we received suitable compensation for all legal transactions detailed in the report, and were not disadvantaged by any of the measures taken. During the reporting period, no measures were omitted."

CONSOLI-DATED FINANCIAL STATEMENTS

Consolidated Income Statement
of DMG MORI SEIKI AKTIENGESELLSCHAFT
for the period 1 January to 31 December 2014

G . 01

	Notes	2014 € K	2013 € K
Sales revenues	6	2,229,013	2,054,219
Changes in finished goods and work in progress		17,149	−3,771
Own work capitalised	7	16,140	10,530
Total work done		**2,262,302**	**2,060,978**
Other operating revenues	8	75,817	68,223
Operating performance		**2,338,119**	**2,129,201**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		1,041,502	944,892
Cost of purchased services		148,524	141,785
		1,190,026	1,086,677
Personnel costs	10		
Wages and salaries		432,540	393,338
Social security contributions, pensions and other benefits		73,605	71,894
		506,145	465,232
Depreciation	11	49,883	46,345
Other operating expenses	12	409,436	383,348
Operating result		**182,629**	**147,599**
Financial income	13		
Interest receivables		1,233	1,170
Other income		2,737	1,380
		3,970	2,550
Financial expenses	14		
Interest payable		9,683	9,229
Interest expense from pension provisions		1,114	1,259
Other financial expenses		1,065	5,511
		11,862	15,999
Financial result		−7,892	−13,449
Share of profits and losses of at equity-accounted investments	15	576	864
Earnings before taxes		175,313	135,014
Income taxes	16	54,248	41,809
Annual profit		**121,065**	**93,205**
Profit share of shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT		110,575	85,077
Profit share attributed to minority interests	17	10,490	8,128
Earnings per share pursuant to IAS 33 in €	18		
Undiluted		1.41	1.33
Diluted		1.41	1.31

Consolidated Statement of Other Comprehensive Income of the DMG MORI SEIKI Group for the period 1 January to 31 December 2014

G . 02

	Notes	2014 € K	2013 € K
Annual profit		**121,065**	**93,205**
Other comprehensive income			
New calculation of benefit-oriented pension plans		−7,870	−985
Income taxes		2,188	286
Sum of items never reclassified to income statement		−5,682	−699
Differences from currency translation		−6,905	−9,526
Hedging of net investments		−2,385	0
Changes in market value of hedging instruments	38	−3,344	972
Change in the fair value measurement of available-for-sale assets	21	−30,270	51,925
Income taxes	29	1,238	−969
Sum of items which are reclassified to the income statement		**−41,666**	**42,402**
Other comprehensive income for the period after taxes		**−47,348**	**41,703**
Total comprehensive income for the period		**73,717**	**134,908**
Profit share of shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT		61,956	128,135
Profit share attributed to minority interests		11,761	6,773

Consolidated Cash Flow Statement of

DMG MORI SEIKI AKTIENGESELLSCHAFT

for the period 1 January to 31 December 2014

G . 03

CASH FLOW FROM OPERATING ACTIVITIES	Notes	2014 € K	2013 € K
Earnings before taxes (EBT)		175,313	135,014
Depreciation		49,883	46,345
Financial result	14	7,892	13,449
Change in long-term provisions		5,526	7,745
Other income and expense not affecting payments		2,228	−6,387
Change in short-term provisions	32	−9,217	−4,572
Income from the disposal of fixed assets		650	119
Income tax refunds		151	465
Income taxes paid		−48,848	−38,868
Interest received		968	752
Interest paid		−7,565	−8,352
Dividends received	13	2,150	1,229
Changes in asset and liabilities items			
Inventories	24	−7,031	173
Trade debtors	23, 25	−50,496	25,498
Other assets not from investments or financing activity		4,832	260
Trade creditors		72,996	−148
Other liabilities not from investments or financing activity		−28,826	−1,677
	40	**170,606**	**171,045**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		1,789	1,648
Amounts paid out for investments in tangible assets		−111,548	−83,884
Amounts paid out for investments in intangible assets		−16,376	−21,560
Cashflow from the takeover of control of subsidiaries		2,729	−6,738
Amounts paid out for the disposal of financial assets		−21,884	−49,554
		−145,290	**−160,088**
CASH FLOW FROM FINANCING ACTIVITY			
Deposit from cash capital increase	30	0	223,607
Payments for the costs of the cash capital increase	30	0	−12,146
Payments for the cost of the non-cash capital increase	30	−174	−388
Deposits / payments for borrowing / for repayment of financial debt	33	39,974	−4,134
Deposit from minority shareholders		0	3,000
Payments received from the sale of own shares		38,555	0
Dividends paid		−39,409	−20,427
	40	**38,946**	**189,512**
Changes affecting payments		64,262	200,469
Effects of exchange rate on financial securities		−2,415	−2,648
Cash and cash equivalents as at 1 January	27	371,149	173,328
Cash and cash equivalents as at 31 December	27	**432,996**	**371,149**

Consolidated Balance Sheet as at 31 December 2014
of DMG MORI SEIKI AKTIENGESELLSCHAFT

G . 04

ASSETS	Notes	31 Dec. 2014 € K	31 Dec. 2013 € K
Long-term assets			
Goodwill	19	135,173	121,510
Other intangible assets	19	78,808	71,307
Tangible assets	20	395,232	317,341
Equity accounted investments	22	46,780	46,094
Other equity investments	21	154,934	162,195
Trade debtors	23	479	2,864
Other long-term financial assets	23	13,066	13,305
Other long-term assets	23	1,681	2,758
Deferred taxes	29	53,810	48,290
		879,963	**785,664**
Short-term assets			
Inventories	24	495,297	483,840
Trade debtors	25	200,638	169,667
Receivables from at equity accounted investments	25	10,359	4,087
Receivables from related parties	25	46,128	23,476
Receivables from associated companies	25	2,685	2,695
Other short-term financial assets	26	72,770	68,566
Other short-term assets	26	51,298	45,986
Income tax receivables		400	4,463
Cash and cash equivalents	27	432,996	371,149
Long-term assets held for sale	28	37,275	50,452
		1,349,846	**1,224,381**
BALANCE SHEET TOTAL		**2,229,809**	**2,010,045**

EQUITY AND LIABILITIES	Notes	31 Dec. 2014 € K	31 Dec. 2013 € K
Equity			
Subscribed capital	30	204,927	200,234
Capital provision	30	498,485	480,383
Revenue provisions	30	427,982	389,442
Total equity of shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT		**1,131,394**	**1,070,059**
Minority interests' share of equity	30	134,757	94,382
Total equity		**1,266,151**	**1,164,441**
Long-term debts			
Long-term financial debts	33	42,395	2,018
Pension provisions	31	47,805	38,421
Other long-term provisions	32	31,825	27,813
Trade creditors	34	0	0
Other long-term financial liabilities	34	3,190	4,046
Other long-term liabilities	34	3,285	2,387
Deferred taxes	29	3,851	6,287
		132,351	**80,972**
Short-term debts			
Short-term financial debts	33	9,761	12,657
Tax provisions	32	36,289	34,467
Other short-term provisions	32	160,725	158,283
Payments received on account		139,020	148,118
Trade creditors	35	301,298	260,646
Liabilities to at equity accounted investments	35	668	270
Liabilities to related parties	35	82,519	48,401
Liabilities to associated companies	35	30,724	22,460
Other short-term financial liabilities	35	35,503	34,840
Other short-term liabilities	35	34,000	34,858
Liabilities in connection with assets held for sale	36	800	9,632
		831,307	**764,632**
BALANCE SHEET TOTAL		**2,229,809**	**2,010,045**

Development of Group Equity
of DMG MORI SEIKI AKTIENGESELLSCHAFT
for the period 1 January 2013 to 31 December 2014

G . 05

	Subscribed capital € K	Capital provison € K	Revenue provisions* € K	Difference from currency translation € K	Changes in the value of available for-sale-assets € K	Market valuation of financial derivates € K	Shareholders equity of DMG MORI SEIKI AKTIEN-GESELLSCHAFT € K	Minority interest share of equity € K	**Total € K**
As at 01 Jan. 2013	151,744	257,177	290,419	8,852	−5,480	560	703,272	84,609	787,881
Effects due to changes in accounting methods			−12,526				−12,526		−12,526
As at 01 Jan. 2013 adjusted	151,744	257,177	277,893	8,852	−5,480	560	690,746	84,609	775,355
Total comprehensive income									
Annual profit			85,077				85,077	8,128	93,205
Other comprehensive income									
Differences from currency translation				−8,171			−8,171	−1,355	−9,526
Change in fair value of derivative financial instruments (after taxes)						686	686		686
New revaluation of benefit-oriented plans			−699				−699		−699
Change in fair value of available-for-sale assets					51,242		51,242		51,242
Other comprehensive income for the period after taxes			**−699**	**−8,171**	**51,242**	**686**	**43,058**	**−1,355**	**41,703**
Total comprehensive income for the period			**84,378**	**−8,171**	**51,242**	**686**	**128,135**	**6,773**	**134,908**
Transactions with owners									
Capital increase from authorised capital	40,047	183,560					223,607		223,607
Capital increase in kind	8,443	48,403					56,846		56,846
Transaction costs		−8,757					−8,757		−8,757
Deposits from minority shareholders								3,000	3,000
Dividend for the financial year 2012			−20,427				−20,427		−20,427
Sum of transactions with owners	**48,490**	**223,206**	**−20,427**				**251,269**	**3,000**	**254,269**
As at 31 Dec. 2013	**200,234**	**480,383**	**341,753**	**681**	**45,762**	**1,246**	**1,070,059**	**94,382**	**1,164,441**

See accompanying explanations regarding equity and minority interest share of equity in the Consolidated Financial Statements page 201 et seq.

* Adjusted due to first-time adoption of IAS 19 (rev. 2011)

	Subscribed capital € K	Capital provison € K	Revenue provisions € K	Difference from currency translation € K	Changes in the value of available for-sale-assets € K	Market valuation of financial derivates € K	Shareholders equity of DMG MORI SEIKI AKTIEN-GESELLSCHAFT € K	Minority interest share of equity € K	Total € K
As at 01 Jan. 2014	200,234	480,383	341,753	681	45,762	1,246	1,070,059	94,382	1,164,441
Total comprehensive income									
Annual profit			110,575				110,575	10,490	121,065
Other comprehensive income									
Differences from currency translation				−8,176			−8,176	1,271	−6,905
Hedging of net investments				−2,385			−2,385		−2,385
Change in fair value of derivative financial instruments (after taxes)						−2,361	−2,361		−2,361
New revaluation of benefit-oriented plans			−5,682				−5,682		−5,682
Change in fair value of available-for-sale assets					−30,015		−30,015		−30,015
Other comprehensive income for the period after taxes			**− 5,682**	**− 10,561**	**− 30,015**	**− 2,361**	**− 48,619**	**1,271**	**− 47,348**
Total comprehensive income for the period			**104,893**	**− 10,561**	**− 30,015**	**− 2,361**	**61,956**	**11,761**	**73,717**
Transactions with owners									
Total capital contribution / withdrawals to owners								28,614	28,614
Sale of own shares	4,693	18,102	15,993				38,788		38,788
Dividend payment for financial year 2013			− 39,409				− 39,409		− 39,409
Sum of transactions with owners	**4,693**	**18,102**	**− 23,416**				**− 621**	**28,614**	**27,993**
As at 31 Dec. 2014	**204,927**	**498,485**	**423,230**	**− 9,880**	**15,747**	**−1,115**	**1,131,394**	**134,757**	**1,266,151**

See accompanying explanations regarding equity and minority interest share of equity in the Consolidated Financial Statements page 201 et seq.

Consolidated Fixed Asset Movement Schedule
as at 31 December 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT
(Part of the notes)

G . 06 **ACQUISITION AND PRODUCTION COSTS**

Intangible assets	
Goodwill	
Assets arising from development	
Industrial property and similar rights	
Tangible assets	
Land and buildings	
Technical equipment and machinery	
Other equipment, factory and office equipment	
Construction in progress	
Financial assets	
Investments in associates accounted for at equity	
Other equity investments	
Securities	
Total fixed assets	

DEPRECIATION

	As at 1 Jan. 2014 € K	Other changes € K
Intangible assets		
Goodwill	0	0
Assets arising from development	80,259	−18
Industrial property and similar rights	63,067	339
	143,326	**321**
Tangible assets		
Land and buildings	107,871	346
Technical equipment and machinery	50,146	818
Other equipment, factory and office equipment	132,714	364
Construction in progress	0	0
	290,731	**1,528**
Financial assets		
Investments in associates accounted for at equity	−1,855	−577
Other equity investments	7,384	0
Securities	6	0
	5,535	**−577**
Total fixed assets	**439,592**	**1,272**

As at 1 Jan. 2014 € K	Other changes € K	Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2014 € K
121,510	671	12,992	0	0	0	135,173
112,217	70	0	7,754	−1,555	941	119,427
102,416	606	5,652	8,621	−5,558	2,266	114,003
336,143	**1,347**	**18,644**	**16,375**	**−7,113**	**3,207**	**368,603**
284,575	1,290	0	43,433	−1,329	27,778	355,747
71,794	831	0	7,691	−2,386	16,107	94,037
188,999	239	170	28,759	−6,528	5,764	217,403
62,704	−6,218	0	40,665	−315	−52,856	43,980
608,072	**−3,858**	**170**	**120,548**	**−10,558**	**−3,207**	**711,167**
44,239	0	0	109	0	0	44,348
169,576	−29,209	0	21,949	0	0	162,316
9	−1	0	0	0	0	8
213,824	**−29,210**	**0**	**22,058**	**0**	**0**	**206,672**
1,158,039	**−31,721**	**18,814**	**158,981**	**−17,671**	**0**	**1,286,442**

Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2014 € K	NET BOOK VALUE As at 31 Dec. 2014 € K	As at 31 Dec. 2013 € K
0	0	0	0	0	135,173	121,510
0	9,783	−1,016	0	89,008	30,419	31,958
0	7,759	−5,551	0	65,614	48,389	39,349
0	**17,542**	**−6,567**	**0**	**154,622**	**213,981**	**192,817**
0	10,489	−576	0	118,130	237,617	176,704
0	4,536	−2,210	0	53,290	40,747	21,648
0	17,316	−5,879	0	144,515	72,888	56,285
0	0	0	0	0	43,980	62,704
0	**32,341**	**−8,665**	**0**	**315,935**	**395,232**	**317,341**
0	0	0	0	2,432	46,780	46,094
0	0	0	0	7,384	154,932	162,192
0	0	0	0	6	2	3
0	**0**	**0**	**0**	**4,958**	**201,714**	**208,289**
0	**49,883**	**−15,232**	**0**	**475,515**	**810,927**	**718,447**

Consolidated Fixed Asset Movement Schedule
as at 31 December 2013 of DMG MORI SEIKI AKTIENGESELLSCHAFT
(Part of the notes)

G.06 **ACQUISITION AND PRODUCTION COSTS**

Intangible assets	
Goodwill	
Assets arising from development	
Industrial property and similar rights	
Tangible assets	
Land and buildings	
Technical equipment and machinery	
Other equipment, factory and office equipment	
Construction in progress	
Financial assets	
Investments in associates accounted for at equity	
Other equity investments	
Securities	
Total fixed assets	

DEPRECIATION

	As at 1 Jan. 2013 € K	Other changes € K
Intangible assets		
Goodwill	0	0
Assets arising from development	70,032	−7
Industrial property and similar rights	57,412	−51
	127,444	**−58**
Tangible assets		
Land and buildings	98,895	−184
Technical equipment and machinery	51,232	−293
Other equipment, factory and office equipment	122,761	−1,270
Construction in progress	0	0
	272,888	**−1,747**
Financial assets		
Investments in associates accounted for at equity	−991	−864
Other equity investments	3,046	0
Securities	1	0
	2,056	**−864**
Total fixed assets	**402,388**	**−2,669**

As at 1 Jan. 2013 € K	Other changes € K	Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	**As at 31 Dec. 2013 € K**
119,521	−8	1,997	0	0	0	121,510
101,077	−14	0	11,188	−483	449	112,217
91,444	−215	0	10,372	−432	1,247	102,416
312,042	**−237**	**1,997**	**21,560**	**−915**	**1,696**	**336,143**
267,956	−1,231	3,001	6,867	−712	8,694	284,575
72,285	411	0	3,475	−5,159	782	71,794
174,967	−1,449	566	15,760	−5,634	4,789	188,999
20,854	−576	0	58,908	−521	−15,961	62,704
536,062	**−2,845**	**3,567**	**85,010**	**−12,026**	**−1,696**	**608,072**
6,634	0	0	37,605	0	0	44,239
48,343	51,925	0	69,308	0	0	169,576
4	0	0	5	0	0	9
54,981	**51,925**	**0**	**106,918**	**0**	**0**	**213,824**
903,085	**48,843**	**5,564**	**213,488**	**−12,941**	**0**	**1,158,039**

					NET BOOK VALUE	
Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	**As at 31 Dec. 2013 € K**	**As at 31 Dec. 2013 € K**	As at 31 Dec. 2012 € K
0	0	0	0	0	121,510	119,521
0	10,464	−230	0	80,259	31,958	31,045
0	6,049	−343	0	63,067	39,349	34,032
0	**16,513**	**−573**	**0**	**143,326**	**192,817**	**184,598**
1	9,661	−502	0	107,871	176,704	169,061
0	4,103	−4,874	−22	50,146	21,648	21,053
358	16,068	−5,225	22	132,714	56,285	52,206
0	0	0	0	0	62,704	20,854
359	**29,832**	**−10,601**	**0**	**290,731**	**317,341**	**263,174**
0	0	0	0	−1,855	46,094	7,625
0	4,338	0	0	7,384	162,192	45,297
0	0	5	0	6	3	3
0	**4,338**	**5**	**0**	**5,535**	**208,289**	**52,925**
359	**50,683**	**−11,169**	**0**	**439,592**	**718,447**	**500,697**

Segmental Reporting in the Consolidated Financial Statements 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT
(Part of the notes)

G . 07 **SEGMENTATION BY BUSINESS SEGMENTS**

	"Machine Tools" 2014 € K	2013* € K	Changes against previous year € K	%	"Industrial Services" 2014 € K	2013* € K	Changes against previous year € K	%
Sales revenues with other segments	856,655	802,817	53,838	6.7	113,892	98,980	14,912	15.1
Sales revenues with third parties	1,258,412	1,220,653	37,759	3.1	970,391	833,362	137,029	16.4
EBIT	93,635	87,638	5,997	6.8	123,763	94,151	29,612	31.5
Financial result	−11,541	−12,897	1,356	10.5	−4,617	−6,425	1,808	28.1
thereof interest receivable	1,449	1,343	106	7.9	10,170	10,728	−558	−5.2
thereof interest payable	−12,955	−14,283	1,328	9.3	−14,239	−16,764	2,525	15.1
Share of profit for the period of at equity-accounted investments	0	0	0	0.0	120	237	−117	−49.4
EBT	82,094	74,741	7,353	9.8	119,266	87,963	31,303	35.6
Carrying amount of at equity-accounted investments	0	0	0	0.0	1,941	1,821	120	6.6
Segment assets	978,224	931,128	47,096	5.1	1,508,171	1,302,917	205,254	15.8
Investments	71,031	56,850	14,181	24.9	60,882	41,858	19,024	45.4
Scheduled depreciation	32,943	30,463	2,480	8.1	13,874	13,378	496	3.7
Employees	3,761	3,680	81	2.2	3,290	2,944	346	11.8

* Previous year's figures adjusted, see accompanying explanations in notes under segmental reporting page 235 et seq.

G . 07 **INFORMATIONS ON GEOGRAPHICAL AREAS**

	Germany 2014 € K	2013 € K	Changes against previous year € K	%	Rest of Europe 2014 € K	2013 € K	Changes against previous year € K	%	North America 2014 € K	2013 € K	Changes against previous year € K	%
Sales revenues with third parties	878,069	850,256	27,813	3.3	886,185	801,917	84,268	10.5	113,944	88,499	25,445	28.8
Long-term assets	267,169	257,107	10,062	3.9	301,040	233,371	67,669	29.0	17,792	1,049	16,743	1,596.1

"Corporate Services"		Changes against previous year		Transition		Group		Changes against previous year	
2014	2013			2014	2013	2014	2013		
€ K	€ K	€ K	%	€ K	€ K	€ K	€ K	€ K	%
15,559	15,090	469	3.1	−986,106	−916,887	0	0	0	0.0
210	204	6	2.9	0	0	2,229,013	2,054,219	174,794	8.5
−34,882	−33,815	−1,067	−3.2	113	−375	182,629	147,599	35,030	23.7
8,266	5,873	2,393	40.7	0	0	−7,892	−13,449	5,557	41.3
17,666	23,416	−5,750	−24.6	−28,004	−34,274	1,281	1,213	68	5.6
−11,342	−13,596	2,254	16.6	27,596	33,988	−10,940	−10,655	−285	−2.7
456	627	−171	−27.3	0	0	576	864	−288	−33.3
−26,160	−27,315	1,155	4.2	113	−375	175,313	135,014	40,299	29.8
44,839	44,273	566	1.3	0	0	46,780	46,094	686	1.5
1,389,407	1,285,126	104,281	8.1	−1,713,198	−1,568,251	2,162,604	1,950,920	211,684	10.9
27,069	114,781	−87,712	−76.4	0	0	158,982	213,489	−54,507	−25.5
3,066	2,504	562	22.4	0	0	49,883	46,345	3,538	7.6
115	98	17	17.3	0	0	7,166	6,722	444	6.6

Asia		Changes against previous year		Other		Changes against previous year		Transition		Group		Changes against previous year	
2014	2013			2014	2013			2014	2013	2014	2013		
€ K	€ K	€ K	%	€ K	€ K	€ K	%	€ K	€ K	€ K	€ K	€ K	%
314,096	278,592	35,504	12.7	36,719	34,955	1,764	5.0	0	0	2,229,013	2,054,219	174,794	8.5
21,349	18,711	2,638	14.1	3,368	2,752	616	22.4	−1,505	−2,832	609,213	510,158	99,055	19.4

Notes to the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the Fiscal Year 2014

Accounting Principles of the Financial Statements

1 APPLICATION OF REGULATIONS

The consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the fiscal year 1 January 2014 to 31 December 2014 were prepared at the end of the reporting period with mandatory use of the International Financial Reporting Standards (IFRS), as adopted by the European Union and their interpretation by the International Accounting Standards Board (IASB), London, Great Britain, applicable on the reporting date. The Notes to the Consolidated Financial Statements include further explanations pursuant to Section 315a of the German Commercial Code (HGB).

The following disclosures include statements and comments that, pursuant to the IFRS, must be included as notes to the consolidated financial statements along with the income statement, the consolidated statement of other comprehensive income for the reporting period, the balance sheet, the development of group equity and the statement of cash flows.

To enable a clearer and more comprehensible presentation, individual items have been combined in the income statement and in the balance sheet; these are shown separately in the notes to the financial statements with further disclosures.

The consolidated financial statements are drawn up in euros. The reporting currency is the euro. Unless otherwise specified, all amounts are shown in thousand euro (K).

DMG MORI SEIKI AKTIENGESELLSCHAFT with its registered office in Bielefeld, Gildemeisterstraße 60, is the parent company of the DMG MORI SEIKI group and is a listed company under German law. As a leading manufacturer of cutting machine tools worldwide, DMG MORI SEIKI group offers innovative machine technologies, expert services, needs-based software products and energy solutions. The Consolidated Financial Statements and the group Management Report of DMG MORI SEIKI AKTIENGESELLSCHAFT for the close of the reporting period as at 31 December 2014, will be available through the electronic Federal Gazette (Bundesanzeiger) and the Commercial Register, and are also available from our website www.dmgmoriseiki.com.

DMGMORISEIKI.COM

The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT released the Consolidated Financial Statements and the group Management Report on 23 February 2015 for submission to the Supervisory Board. The Supervisory Board is responsible for inspecting the Consolidated Financial Statements and for stating its approval of the Consolidated Financial Statements.

2 CONSOLIDATION PRINCIPLES

Accounting for subsidiaries purchased is carried out in accordance with the acquisition method. The transferred consideration of share acquisition corresponds to the fair value of the assets surrendered, the equity instruments issued and the liabilities incurred or assumed at the date of the transaction. Furthermore, they include the fair value of any assets or liabilities recognised, which arise out of a contingent consideration agreement.

Costs related to the acquisition are recognised as an expense when they accrue. Within the scope of a merger, identifiable assets, liabilities and contingent liabilities will be measured at fair value at the time of acquisition at initial consolidation.

The group decides on an individual basis with respect to each company acquisition as to whether the minority interests in the company acquired are recognised at fair value or by means of a pro rata interest in the net assets of the company acquired. Goodwill is recognised at the value that arises from the surplus of the acquisition costs, from the amount of the minority interests' share in the company acquired as well as from the fair value of any previously held equity interests as of the acquisition date above the equity interest of the group in the net assets measured at fair value. Should the acquisition costs be less than the net asset value measured at fair value of the subsidiary acquired, the difference in amount shall be recognised in the income statement directly after re-evaluation.

IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets" provide for amortisation of goodwill only if a valuation adjustment requirement was determined. Any shares in the equity of the subsidiaries that the parent company is not entitled to are recognised as shares of minority interests within equity.

Any reciprocal receivables and payables between the companies included in the Consolidated Financial Statements are set off against each other. Intercompany profits from intragroup deliveries and services are eliminated; deferred tax debits and deferred tax credits from consolidation transactions recognised in the income statement are included. Intragroup sales revenues are, as in any intragroup income, set off against the related expenses without being recognised in the income statement.

The consolidation methods applied were unchanged in comparison with the previous year.

3 ACCOUNTING AND EVALUATION PRINCIPLES

All annual financial statements of the companies that were included in the Consolidated Financial Statements were prepared at the close of the reporting period of the Consolidated Financial Statements and in accordance with group uniform accounting and valuation principles. For this purpose, those accounts that were prepared in accordance with local regulations were adjusted to the group standardised accounting and valuation principles of DMG MORI SEIKI AKTIENGESELLSCHAFT to the extent that they do not comply with IFRS and the deviations in the valuation are significant. The accounting and measurement principles applied correspond to those principles applied in the previous year.

Changes in accounting and valuation methods due to new standards

In the financial year 2014, the following new and revised standards, as well as IASB / IFRIC interpretations, had to be applied for the first time:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Transition Guidance
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 27	Separate Financial Statements
Amendments to IAS 28	Investments in Associates and Joint Ventures
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

The DMG MORI SEIKI group has applied the following new and revised IFRS starting 1 January 2014 that are relevant to the consolidated financial statements:

IFRS 10 – Consolidated Financial Statements

In this standard, the term “control” is newly and comprehensively defined. If a company controls another company, then the parent company has to consolidate the subsidiary. According to the new concept, control exists if the potential parent company has the power to make decisions for the potential subsidiary because of voting rights or other rights, and it participates in positive or negative variable returns from the subsidiary and these returns can be influenced through its power of decision making. The first-time application of IFRS 10 had no influence on the consolidated financial statements of the DMG MORI SEIKI AKTIENGESELLSCHAFT.

IFRS 11 – Joint Arrangements

IFRS 11 contains new regulations for joint arrangements. According to the new concept, a decision has to be made as to whether a joint operation or a joint venture exists. A joint operation exists if the parties to the jointly-directed arrangement have direct rights to the assets and obligations for the liabilities. The individual rights and obligations are balanced pro rata in the consolidated financial statement. A joint venture, in contrast, gives the parties rights to the net assets of the arrangement. These rights are accounted for using the equity method in the consolidated financial statement; the option to proportionally include shares in consolidated financial statement thus no longer applies.

Since the DMG MORI SEIKI group until now has already taken into account the joint companies at equity in the consolidated financial statement, the first-time application of IFRS 11 in connection with the amended IAS 28 did not lead to a change of the consolidated income statement structure.

IFRS 12 – Disclosure of Interests in Other Entities

This standard regulates the disclosure obligations regarding interests in other entities. The required disclosures are much more comprehensive than the disclosures mandated by IAS 27, IAS 28 and IAS 31.

The DMG MORI SEIKI AKTIENGESELLSCHAFT has complied with the additional disclosure obligations.

Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guidance

The amendments include clarification and additional relief during the transition to IFRS 10, IFRS 11 and IFRS 12. This means that adjusted comparatives require only one comparative period to be restated. Moreover, mandatory notes disclosures of comparatives for periods before the first-time adoption of IFRS 12 relating to unconsolidated structured entities are no longer required.

The DMG MORI SEIKI AKTIENGESELLSCHAFT has made use of the relief from the transitional regulations.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities

The changes include definitions of investment companies and exclude such companies from the area of application of IFRS 10.

Accordingly, investment companies do not consolidate the companies they control on their IFRS consolidated financial statements; this exception from the general principles should not be seen as a right to choose electively. Instead of full consolidation, they are to calculate the shareholdings they own for investment purposes at fair value and recognise periodic value fluctuations in profit or loss.

The changes do not affect the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

Amendments to IAS 27 – Separate Financial Statements

As part of the adoption of IFRS 10, the regulations for the principle of control and requirements for preparing consolidated financial statements have been removed from IAS 27 and ultimately dealt with in IFRS 10 (see statements on IFRS 10). As a result, in the future, IAS 27 will only contain regulations regarding the accounting of subsidiaries, joint ventures and associates in IFRS-separate financial statements.

The changes do not affect the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

Amendments to IAS 28 – Investments in Associates and Joint Ventures

During the adoption of IFRS 11, amendments to IAS 28 were also made. IAS 28 regulates – as before – the use of the equity method. However, the area of application was considerably expanded through the approval of IFRS 11, since from now on not only equity investments in associated companies have to be appraised using the equity method, joint companies (see IFRS 11) do as well. The use of proportional consolidation for joint companies thus no longer applies.

A further amendment affects accounting according to IFRS 5, if only a part of a shareholding of an associated company or a joint venture is intended to be sold. IFRS 5 is to be applied to the part being sold and the rest of the shares to be retained are to be accounted for as before according to the equity method until the sale of the aforementioned share.

Since the DMG MORI SEIKI AKTIENGESELLSCHAFT until now has already taken into account the joint companies at equity in the consolidated financial statements, the application of IFRS 11 in connection with the amended IAS 28 did not lead to a change of the consolidated income statement structure.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

This amendment to IAS 32 clarifies which requirements exist for offsetting financial instruments. In this amendment, the meaning of the current right to offset is explained; it is also clarified as to which procedures with gross settlement as net settlement can be considered in terms of the Standard.

The changes do not affect the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets

A consequence of the amendment of IFRS 13 was the introduction of new disclosure requirements for the goodwill impairment test for 2013 pursuant to IAS 36: the recoverable amount of cash generating units were to be disclosed, regardless of whether actual impairments were made. Since these notes disclosures were introduced unintentionally, they were deleted again for 2014 with the amendment of May 2013.

On the other hand, this amendment results in additional disclosure if an impairment actually occurs and the recoverable amount is measured on the basis of fair value.

The DMG MORI SEIKI AKTIENGESELLSCHAFT has complied with the additional disclosure obligations in accordance with the amendment in its consolidated financial statements.

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting

As a result of this amendment, derivatives remain designated, despite a novation of a hedge instrument from a central counterparty, as hedge instruments in continuing hedge relationships under certain conditions in line with statutory requirements.

The change do not affect the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

New accounting regulations

For the following new or revised standards and interpretations, the use of which are mandatory in future financial years, are not planned to be applied early by the DMG MORI SEIKI group. Unless otherwise specified, the effects on the consolidated financial statements are currently being reviewed.

a) These have already received EU endorsement

IFRIC 21	Levies
Amendments to IFRS 2011 – 2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40

IFRIC 21 – Levies

IFRIC 21 is an interpretation of IAS 37. The interpretation explains when a present liability occurs by a levy imposed by governments and when a provision or liability is to be applied. However, the interpretation specifically does not include fines and other penalties arising from public contracts and outflows within the scope of other IFRS, such as IAS 12. According to IFRIC 21, a liability is to be recognised for levies, if an obligation event is the activity which triggers the levy. This obligating event which triggers the liability arises from the wording of the standard used. Its wording is essential in determining the accounting.

The amendments first need to be applied to financial years which start on or after 17 June 2014.

Amendments to IFRS 2011 – 2013

As part of the "Annual Improvement Project", changes to four standards were made. The adjustment of wordings in individual IFRS standards is meant to clarify existing regulations. The standards affected are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

The amendments first need to be applied to financial years which start on or after 1 January 2015.

b) EU Endorsements are still pending

Furthermore, the following standards and interpretations were issued by IASB and not yet recognised by the European Union:

IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 2010 – 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
Amendments to IFRS 2012 – 2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34

IFRS 9 – Financial Instruments

IFRS 9, issued in July 2014, replaces the existing guidelines of IAS 39 – "Financial Instruments: Recognition and Measurement". IFRS 9 contains revised guidelines to categorise and evaluate financial instruments, including a new model of expected loan defaults to calculate the impairment of financial assets and new general accounting regulations for hedging transactions. It also replaces the guidelines for the recognition and de-recog-nition of financial instruments of IAS 39.

IFRS 9 – subject to adoption into EU law – first needs to be applied to financial years which start on or after 1 January 2018.

IFRS 14 – Regulatory Deferral Accounts

This standard is, within the scope of a comprehensive project, initially just an interim solution to ease the transition to IFRS accounting for rate-regulated companies until IASB issues valid regulations for all those who do their accounting according to IFRS.

Rate regulations especially exist in companies which have considerable market power – for example in transport or utility companies (electricity, water, gas). These regulations can, for example, lead to a situation that due to an increase or decrease in quantities in the current business year, that companies must decrease the prices or have the right to increase rates in the following year. As to whether these rights or obligations fulfil the definition of assets or liabilities pursuant to IFRS is being discussed today in the literature due to the lack of specific IFRS regulations, but for the most part these rights and obligations seem not to fulfil the definition. In order to close this regulatory gap, IASB has initiated a comprehensive project whose conclusion is only to be expected in several years.

The interim standard now allows first-time IFRS users to also recognise regulatory deferred income in IFRS financial statements. The requirement is that these balance sheet items have already been recognised in previous financial statements pursuant to national accounting regulations.

The new standard – subject to adoption into EU law, which is still pending – first needs to be applied to financial years which start on or after 1 January 2016.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether to recognise revenue, when to recognise revenue and how much revenue to recognise. It replaces existing guidelines to recognise revenue, including IAS 18 “Revenue”, IAS 11 “Construction contracts” and IFRIC 13 “Customer loyalty programmes”.

According to IFRS 15, the amount of revenue to be recognised is the amount which is expected in exchange for the transfer of goods or services to the customer. As to the timing or time frame, the transfer of risk and rewards (“risk and reward approach”) will no longer be in the foreground; the point of transfer of control of the goods or services (“control approach”) to the customer is now definitive. In future, the user is to determine in five steps when and in what amount revenue is to be realised.

In the first step, IFRS 15 is applied to the contract. Under certain conditions, contracts are to be combined.

In the second step, the individual performance obligations are to be determined. This means that the contractual promises of performance are to be identified and checked whether they are distinct according to the standard. Non-distinct promises of performance are to be combined until a distinct performance bundle is present.

In the third step, the transaction price is determined. Variable price components such as discounts and important financing components are to be taken into account, among other things.

In the fourth step, the transaction price is allocated to the individual performance obligations. The allocation is made on the basis of the relative stand-alone selling prices. A distinction is made between stand-alone selling prices which are observable and those which have to be estimated using a suitable method.
In the fifth step, the point in time revenue is recognised is dependent on the point of transfer of control. Depending on certain criteria, revenue is recognised either at a point in time or over time for each performance obligation.

The standard also provides for comprehensive disclosure requirements regarding the nature, amount, timing and uncertainty of revenue and cash flows.

The new standard – subject to adoption into EU law – first needs to be applied to financial years which start on or after 1 January 2017. Premature application is allowed.

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

These amendments address a known inconsistency between the regulations of IFRS 10 and those of IAS 28 (2011) when selling assets to an associated company or a joint venture and / or when contributing assets to an associated company or joint venture.

According to IFRS 10, a parent company is to recognise the full amount of the profit or loss from the sale of a subsidiary in the income statement. In contrast, the IAS 28.28 in current use demands that the disposal profit during sales transactions between an investor and its at equity accounted shareholding – whether it be an associated company or joint venture – only be recognised in the amount of the investor‘s stake of this company. In future, the entire profit or loss arising from a transaction is only to be recognised if the sold or contributed assets constitute a business operations as defined by IFRS 3. This is regardless of whether the transaction is arranged as a “Share or an Asset Deal”. In contrast, if the assets do not constitute a business operations, then only a partial income recognition is allowed.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception

The amendments serve to clarify various issues relating to the application of the consolidation exception pursuant to IFRS 10 when the parent company fulfils the definition of „investment entity“. According to this, parent companies are also exempt from preparing consolidated financial statements if the ultimate parent does not consolidate its subsidiaries, but measures them at fair value in accordance with IFRS 10.

Regarding the accounting of subsidiaries of an investment entity, the following distinction will now be made: subsidiaries which are themselves investment entities are to be measured at fair value – following the general guidelines of the “investment entity exception”. In contrast, subsidiaries which are themselves not investment entities, but perform services which relate to the parent company‘s investment activities, are to be seen as an extension of the parent company‘s activities and thus are to be consolidated.

Lastly, the issue has been clarified regarding investors who do not fulfil the definition of an investment entity and who apply the equity method to an associated company or joint venture: they are now able to maintain the fair value measurement that is applied by the holding company on its holdings of subsidiaries.

The amendments also provide for investment entities which measure all their subsidiaries at fair value to make the obligatory disclosures regarding the investment entities pursuant to IFRS 12.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations

IFRS 11 contains regulations regarding the financial recognition and income statement recognition of joint ventures and joint operations. Although joint ventures are to be accounted for using the equity method, the diagram of joint operations in IFRS 11 is comparable to proportionate consolidation.

With the amendment of IFRS 11, the IASB regulates the accounting of the acquisition of an interest in a joint operation which constitutes a business operations as defined in IFRS 3 “Business Combinations”. In such cases, the buyer should apply the principles regarding the accounting of business combinations according to IFRS 3. In these cases, the disclosure requirements of IFRS 3 also apply.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IAS 1 – Disclosure Initiative

These amendments relate to various reporting issues. The issue, that notes disclosures are only necessary if their content is significant, has been clarified. This also applies explicitly if IFRS requires a list of minimum reporting statements. Also, explanations on aggregation and disaggregation of items in the balance sheet and in the statement of comprehensive income are to be listed. Moreover, the issue has been clarified as to how holdings in other comprehensive income of at equity accounted companies are to be presented on the statement of comprehensive income. Finally, the perception of a normal order of presentation‘ of the notes was removed, making it easier for entities to provide more individualised and holistic corporate information.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation

With these changes, the IASB provides further guidelines to determine acceptable methods of depreciation and amortisation. Revenue-based depreciation methods are thus not permitted for tangible assets and only permitted for intangible assets in certain exceptional cases (refutable presumption of inappropriateness).

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants

According to IAS 41, all biological assets have until now been measured at fair value through profit or loss, deducting estimated sales costs. This also applies to so-called bearer plants such as grapevines, rubber trees and oil palms, whose assets are harvested over several periods without being sold as agricultural products themselves. According to the amendments, bearer plants are in future to be accounted for as tangible assets in accordance with IAS 16, since their use is comparable. Their fruits, however, are to be accounted for in accordance with IAS 41 in future. During first-time use of the amendments, accountants can make use of special relief. To simplify at the point of transition, bearer plants may thus be measured at fair value.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

These amendments clarify the requirements that relate to how contributions from employees or third parties linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

The amendments – subject to adoption into EU law, which is still pending – first need to be applied to financial years which start on or after 1 July 2014.

Amendments to IAS 27 – Equity Method in Separate Financial Statements

With this amendment, the equity method is again permitted as an accounting option for holdings in subsidiaries, joint ventures and associated companies in separate financial statements of an investor. The existing options to valuate to acquisition costs or in accordance with IAS 39 / IFRS 9 remain. Since 2005, the use of the equity method for holdings in separate financial statements (of the parent company) was no longer permitted under IAS 27.

The IASB made the amendment to IAS 27 in response to complaints of users, including the high expenditure to produce a fair value measurement at every closing date, especially by non-stock exchange listed associated companies.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Improvements to IFRS 2010 – 2012

As part of the "Annual Improvement Project", changes to seven standards were made. The adjustment of wordings in individual IFRS standards is meant to clarify existing regulations. Moreover, there are amendments which affect notes disclosures. The standards affected are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

The amendments – subject to adoption into EU law, which is still pending – first needs to be applied to financial years which start on or after 1 July 2014 or the amendments to IFRS 2 and IFRS 3 on transactions which take place on or after 1 July 2014.

Improvements to IFRS 2012 – 2014

As part of the "Annual Improvement Project", changes to four standards were made. The adjustment of wordings in individual IFRS / IAS standards is meant to clarify existing regulations. The standards affected are IFRS 5, IFRS 7, IAS 19 and IAS 34.

The amendments – subject to adoption into EU law – first need to be applied to financial years which start on or after 1 January 2016.

Use of estimates and assumptions

Preparing the Consolidated Financial Statements in accordance with IFRS requires that assumptions are made and estimates are used that have an effect on the amount and the statement of the assets and liabilities, the disclosure of contingent liabilities at the close of the reporting period and income and expenses during the reporting period.

When using accounting and valuation methods, the Executive Board is required to make the following estimates, which significantly influence the amounts in the financial statement.

Impairment of goodwill

The group reviews goodwill at least once a year for impairment and whenever there is an indication to do so. This requires an allocation of goodwill to the cash-generating units as well as the higher of the two values of fair value less sales costs and the value in use of the cash-generating units, to which the goodwill is allocated. To assess the value in use, the company management must assess the foreseeable future cash flow of the cash generating unit and, moreover, select an appropriate discount rate in order to determine the cash value of this cash flow. As of 31 December 2014, the carrying amount of goodwill totalled € 135,173 K (previous year: € 121,510 K).

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Intangible assets

Pension provisions

Expenses from benefit-oriented pension plans are determined on the basis of actuarial calculations. The actuarial calculations take place on the basis of assumptions with respect to discount interest rates, future wage and salary increases, the mortality rate and future pension increases. Corresponding to the long-term focus of these plans, such assessments are subject to significant uncertainties. As of 31 December 2014, provisions for pension obligations amounted to € 47,805 K (previous year: € 38,421 K).

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Provisions for pensions

Intangible assets arising from development

Intangible assets arising from development are capitalised according to the accounting and valuation method presented on page 188 et seq. To determine the amounts to be capitalised, the company management must make assumptions as to the amount of expected future cash flow from intangible assets, the interest rates to be applied, and the period of accrual of expected future cash flow that the intangible assets generate. As of 31 December 2014, intangible assets arising from development had a carrying amount according to the best possible assessment of € 30,419 K (previous year: € 31,958 K).

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Intangible assets

Assumptions and estimates are additionally required for value adjustments for doubtful debts (see Notes Disclosure 25) as well as for contingent liabilities and other provisions (see Notes Disclosure 32); moreover, they are required for determining the fair value of long-lasting fixed assets (see Notes Disclosure 20) and intangible assets (see Notes Disclosure 19), determining the net disposal value of inventories (see Notes Disclosure 24), as well as for the assessment of deferred taxes on tax losses carried forward (see Notes Disclosure 29).

The main assumptions on which the respective estimates are based are commented upon for the individual items in the Income Statement and Balance Sheet.

In individual cases the actual values may differ from the assumptions and estimates made, requiring a significant adjustment in the book value of the assets or liabilities concerned. Pursuant to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, changes will be taken into account at the time of their discovery and recognised in the income statement. The previous year’s amounts need not be adjusted and are comparable.

Accounting and valuation methods

The application of specific IFRS is included in the explanatory notes on individual statement of financial position items. In principle, the following accounting and valuation methods have been applied:

Intangible and tangible assets

USEFUL ECONOMIC LIFE OF ASSETS

Software and other intangible assets	1 to 5 years
Intangible assets arising from development	2 to 10 years
Office and factory buildings	10 to 50 years
Technical equipment and machines	2 to 30 years
Factory and office equipment	1 to 23 years

Development costs that are directly attributable to the development of identifiable individual machine tools, services or software solutions, which lie within the group’s power of disposition, are recognised pursuant to IAS 38 “Intangible Assets” if it is probable that the use of the asset is associated with a future economic benefit, the production is technically feasible and the cost of the asset can be reliably measured. They were accounted for at acquisition or production costs, reduced by regular depreciation on a straight-line basis corresponding to their useful life, plus borrowing costs, as long as they are for qualified assets. Production costs include all costs that can be directly and indirectly attributed to the development process and necessary portions of development-related overheads. Capitalised development costs are depreciated on a straight-line basis from the start of production over the expected product life cycle. Research costs are recognised as expense in the period in which they accrue.

Pursuant to IFRS 3 “Business Combinations”, scheduled depreciation is not applied to goodwill, but is tested for impairment annually and whenever there is any indication to test for impairment. If a value adjustment requirement is determined, goodwill is depreciated.

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Borrowing costs

Tangible assets were measured at acquisition or production costs, reduced by scheduled depreciation. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled. Depreciation was carried out using the straight-line method in accordance with useful life. A re-measurement of tangible assets pursuant to IAS 16 "Property, Plant and Equipment" was not carried out. No property was held as a financial investment pursuant to IAS 40 "Investment Property".

The production costs of internally-generated assets include all costs that can be directly attributed to the manufacturing process and the necessary portions of production-related overheads. This includes production-related depreciation, prorated administration costs and prorated costs of social contributions. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled. Costs of repair are immediately recognised as expense.

Lease agreements, for which a significant share of the risks and opportunities that are associated with the lease object remain with the lessor, are classified as operating leases. In connection with an operating lease, payments (net after taking incentive payments into account that have been made by the lessor) are recognised on a straight-line basis for the period of the lease agreement in profit and loss.

The group leases certain property, plant and equipment (lease objects). Lease agreements for property, plant and equipment for which the group bears the significant risks and the benefits from the ownership in the lease object are classified as finance leases. Assets under finance leases are recognised at the start of the term of the lease agreement at the lower of fair value of the lease object and cash value of the minimum lease payments. A lease liability of the same amount is recognised as a liability under long-term liabilities. Each lease payment is divided into an interest portion and a repayment portion, so interest is continuously paid on the lease liability. The interest portion of the lease payment is recognised as an expense in the income statement. Property, plant and equipment held under a finance lease are depreciated over the shorter of the two following periods: the economic useful life of the asset or the term of the lease agreement.

Impairment

Pursuant to IAS 36 "Impairment of Assets", the assets of the DMG MORI SEIKI group, with the exception of assets as defined by IAS 36.2, are tested for signs of impairment at the close of every reporting period. If such signs exist, the fair value of the assets will be estimated and, if required, adjusted accordingly. This adjustment will be recognised in the income statement. An impairment test for individual assets is only possible if recoverable amounts can be allocated to the individual asset. If this is not possible, the recoverable amount of the cash-generating unit pertaining to the asset must be determined (asset's cash-generating unit).

Pursuant to IAS 36 “Impairment of Assets”, goodwill has to be tested for impairment at least once a year and whenever criteria are met for an impairment test. DMG MORI SEIKI AKTIENGESELLSCHAFT carried out an impairment test on 31 December 2014. In the impairment test, the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount of the cash-generating unit is the higher of the asset’s fair value less costs to sell and its value in use.

In the DMG MORI SEIKI group the recoverable amount equals the value in use and was determined as the present value of future cash flows. The future cash flows were derived from the planning of the DMG MORI SEIKI group. The calculation of cash values for estimated future cash flow is based primarily on assumptions as to future sales prices or volume and costs. The assumed development of sales revenue and overall performance is primarily determined on the basis of the expected order intake for machine tools. The expenses are planned according to the expected increase in costs.

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Forecast Report

Planning is based on a detailed planning period, counting on increasing cash flows, extending up to the financial year 2017. A growth rate of 1% was assumed for the period following the detailed planning period, which is in line with general expectations of future business development.

For purposes of impairment testing, the cash-generating unit “Machine Tools” was allocated goodwill in an amount of € 44,311 K (previous year: € 39,072 K) and the cash-generating unit “Industrial Services” was allocated goodwill in an amount of € 90,862 K (previous year: € 82,438 K). The goodwill in the cash-generating unit “Machine Tools” increased compared to the previous year due to the integration of DMG MORI Systems as of 1 January 2014. The increase of goodwill in the cash-generating unit “Industrial Services” resulted from the business combinations in Canada, Brazil and Russia.

The cash flows determined were discounted at a pre-tax weighted average cost of capital rate (WACC) of 11.3% (previous year: 11.9%) for the cash-generating units “Machine Tools” and 10.7% (previous year: 11.3%) for “Industrial Services”. The WACC was derived from the application of the “Capital Asset Pricing Model” (CAPM). If the recoverable amount of a cash-generating unit is lower than its carrying amount, the value of goodwill allocated to the cash-generating unit will, initially, be reduced at an amount equal to the remaining balance. As in the previous year, in financial year 2014 there was no need for impairment.

During sensitivity testing of the cash-generating units “Machine Tools” and “Industrial Services”, a long-term reduction in the EBIT margin of 1%, a reduction in the long-term growth rate of 1% or a rise in the weighted average cost of capital (WACC) before tax of 1% would not lead to a need for impairment on the allocated to the cash-generating units.

Associates

Associates are entities over which the group can exercise significant influence but cannot exercise any control. Significant influence is basically assumed to be if the DMG MORI SEIKI group has a share of at least 20% to 50% of the voting rights either directly or indirectly. Interests in associates are accounted for using the equity method of accounting and at cost upon acquisition. The group’s interest in associated companies includes the goodwill which arose from the acquisition (after taking into account cumulative impairments).

The interest of the group in the profit and loss of associates is recognised from the acquisition date in the income statement. Changes to reserves are to be recognised proportionately in revenue reserves. Accumulated changes after acquisition are offset against the book value of the equity investment. If the share in losses of the group in an associate corresponds to the group’s interest in the associate, including other unsecured receivables, or exceeds the interest, the group does not recognise any other losses unless it has entered into obligations on behalf of the associate or has made payments on behalf of the associate.

At every balance closing date, the group reviews whether there is reason to believe that impairment loss has to be taken into account when accounting for the investment in associates. In these cases, the difference between the book value and the recoverable amount is determined to be an impairment and recorded as part of the “Share of profits and losses of equity accounted investments” in the income statement.

Unrealised profits from transactions between group companies and associated companies are eliminated in accordance with the part of the group‘s holding of the associated company. Unrealised losses are likewise eliminated, unless the transaction provides evidence of an impairment of the asset transferred. The accounting and measurement methods of associates were – insofar as necessary – changed in order to ensure uniform accounting throughout the group.

Jointly-controlled entities (joint ventures) are likewise accounted for at equity pursuant to IFRS 11.24. Unrealised gains or losses from transactions with joint ventures are eliminated proportionately within the scope of consolidation insofar as the underlying assets are significant.

Equity investments

Equity investments recognise interests in enterprises, over which DMG MORI SEIKI AKTIENGESELLSCHAFT does not exercise any significant influence.

Equity investments for which a quoted price is available are classified as "available for sale" and are measured at this value. Equity investments for which there is no active market are classified as "available for sale" and recognised at the cost of acquisition. There is no active market for these enterprises; therefore it is assumed that the book value corresponds to the fair value.

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Financial instruments

Inventories

Valuation of inventories was carried out at the acquisition or production costs or the lower net selling price. Pursuant to IAS 2 "Inventories", elements of the production costs include production material, manufacturing labour, prorated materials and production overheads. Expenses for administration and expenses arising in the social contribution area are included insofar as these are allocated to production. The proportion of overheads is evaluated on the basis of ordinary employment. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are met. When determining the net selling price, inventory risks arising from the period of storage and reduced usability were recognised through appropriate reductions in values. If the causes that led to a reduction in value no longer exist, a revaluation will be carried out.

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Borrowing costs

Lower values at the close of the reporting period, arising from a reduction in prices on the sales market, were recognised. Raw materials and consumables as well as merchandise were primarily assessed by the average cost method.

There were no orders at the close of the reporting period that would have required accounting in accordance with IAS 11 (Construction Contracts).

Receivables and other assets

Receivables and other assets were recognised in the balance sheet at their amortised acquisition cost less impairment. Long-term non-interest bearing receivables have been discounted. Impairments in the form of individual value adjustments make adequate allowance for the expected risk of deficit. Specific cases of losses lead to de-recognition of the respective receivables. Within the scope of individual impairments, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, impaired. The calculation of impairment for doubtful receivables is based to a large extent on estimates and assessments of individual receivables, which, in addition to credit worthiness and late payment of the respective customer, also take into account the current economic development and previous cases of deficits. Impairments of trade debtors are carried out in some cases using value adjustment accounts. The decision to account for deficit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. Reclassification among the individual categories of financial assets was not carried out either in financial year 2014 or in the previous year.

Within the scope of factoring agreements, selected trade debtors are sold on a revolving basis to banks. Factoring is a standard financial instrument in the industry and an additional component of the financing portfolio. As of 31 December 2014, factoring agreements were concluded with a total volume of € 167.5 million (previous year: € 172.8 million). As of the balance sheet date, receivables with a volume of € 156.8 million (previous year: € 167.1 million) were sold. Trade debtors sold under these arrangements are excluded from accounts receivable at the time of sale insofar as the risks and rewards have been substantially transferred to the acquirer and the transmission of the cash flows related to those receivables is assured.

Long-term assets held for sale

As defined in IFRS 5, long-term assets or groups of assets and liabilities must be classified as held for sale, if their carrying amounts are recovered principally through a sale transaction rather than through continuing use. These assets are measured at the lower of their carrying amount and fair value less costs of sale and recognised separately in the balance sheet under short-term assets or liabilities.

Income and expenditure relating to long-term assets held for sale are recognised in the income statement under other operating revenues or other operating expenses.

Cash and cash equivalents

Cash and cash equivalents include, in addition to liquid funds in the narrowest sense, cheques, cash in hand and money on account at banks, as well as short-term financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortised cost.

Deferred taxes

Pursuant to IAS 12 “Income Taxes”, deferred taxes are assessed in accordance with the statement of financial position oriented liability method. For this purpose, deferred tax assets and liabilities were basically recognised for all temporary accounting and valuation differences between the IFRS balance sheet valuations for group purposes and the tax valuations (temporary differences), and with respect to consolidation processes recognised in the income statement. Deferred tax assets for future tax reduction claims arising from tax-loss carry forwards were also reported in the balance sheet. However, deferred tax assets for all deductible temporary differences and for tax-loss carry forwards were only recognised to the extent that it is probable that future taxable income will be available against which the temporary differences or unused tax losses can be utilised. The deferred taxes were calculated on the basis of income tax rates that, pursuant to IAS 12, "Income Taxes", apply on the evaluation date or have been enacted in the individual countries in accordance with the legal status on that date. Deferred tax assets and liabilities were balanced out only to the extent that an offset is legally permissible. Deferred tax assets and liabilities were not discounted in accordance with the provisions contained in IAS 12, "Income Taxes".

Provisions and liabilities

Provision for pensions is determined according to the projected unit credit method pursuant to IAS 19 (rev. 2011) "Employee Benefits". Under this method, not only those pensions and pension rights known or accrued at the close of the reporting period are recognised, but also expected future increases in pension payments and salaries by estimating the relevant factors impacting such payments. Calculation is based on actuarial reports of independent experts taking into account demographic and financial calculation principles. The provisions for benefit-based plans recognized on the balance sheet correspond to the cash value of the defined benefit obligation (DBO) at the reporting date, less the fair value of pension plan assets.

Actuarial profits and losses, which are based on experience-based adjustments and changes of actuarial assumptions, are recognised in the period they occurred in other comprehensive income and accumulated in equity. Retroactive service cost is immediately recognised through profit or loss.

The DMG MORI SEIKI group contributes to contribution-oriented plans, either due to statutory or contractual obligations or voluntary contributions to public or private pension plans. The DMG MORI SEIKI group has no further payment obligations beyond the payment of contributions. The contributions are recognised under personnel costs as they are due. Paid prepayments of contributions are recognised as assets, for which exists a right to repayment or reduction of future payments.

Pursuant to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, other provisions were only made in the case of an existing present obligation to third parties arising from an event in the past, the use of which is probable and if the anticipated amount of the required provision can be reliably estimated. In this case, the probability of occurrence must exceed 50%. In each case the most probable amount of performance was recognised. The calculation is carried out using the best estimate of the amount required to settle the obligation at the close of the reporting period. The amount of performance also included future cost increases. Provisions with a remaining term of more than one year were discounted before taxes, at a rate which reflects the specific risks of the obligation.

The provision for the long-term incentive (LTI) as a variable remuneration component for members of the Executive Board is determined initially at fair value at the date of granting and is re-measured at the end of the reporting period. Any expense or revenue resulting from this is recognised in profit or loss as employee expense and is spread over the term of the program and booked as provisions.

Financial liabilities are recognised at amortised cost by applying the effective interest rate method. Transaction costs are also taken into account in determining acquisition costs.

Liabilities were recognised at their amortised costs. Liabilities from finance leases were recognised in other liabilities at the cash value of the future lease payments. Customer prepayments were recognised under liabilities with the amount received.

Selected suppliers of the DMG MORI SEIKI group finance trade debtors against individual subsidiaries in advance on the basis of reverse factoring agreements concluded with individual subsidiaries and factoring companies. Through these agreements, the subsidiaries involved are basically guaranteed longer payment periods. The reverse factoring agreement leads neither under civil law nor pursuant to the provisions of IFRS to a reclassification of the trade liabilities to another type of liabilities, as due to the contractual arrangement, no novations exist under the law of obligations. As of 31 December 2014, a total of € 18,930 K (previous year: € 20,840 K) trade creditors had been purchased through the respective factoring company.

Financial instruments

A financial instrument is an agreement, which at the same time constitutes a financial asset for one company and a financial liability or equity instrument for another company. Financial assets include in particular cash and cash equivalents, and trade debtors and other originated loans and receivables as well as derivative and non-derivative financial instruments held for trading. Financial liabilities generally substantiate claims for repayment in cash or other financial liabilities. This includes, in particular, borrowers' notes and other securitised liabilities, liabilities to banks, trade creditors, liabilities from financial leasing arrangements and other original financial instruments.

The accounting of financial instruments takes place pursuant to IAS 39 ("Financial Instruments: Recognition and Measurement"). Financial instruments are assessed in principle as soon as DMG MORI SEIKI group becomes a contractual partner in the financial instrument arrangement. Within the group, all dealings for cash are accounted for at the settlement date irrespective of their classification. The settlement date is the date on which an asset is delivered to or through the enterprise. The trading day, on the other hand, is the date on which the company has already entered into the obligation to purchase or sell an asset. Derivative financial instruments are accounted for at the trading date. Financial instruments entered as financial assets and financial liabilities are, as a rule, reported as unbalanced; they are only balanced insofar as a offset claim exists and it is intended to bring about settlement on a net basis.

Financial assets are measured at fair value on initial recognition. At the same time, the directly attributable transaction costs must be taken into account for financial assets, which, as a result of measurement at fair value, do not affect net income. The fair values recognised in the balance sheet generally correspond to the market prices of the financial assets. If these are not directly available through recourse to an active market, they are calculated by applying recognised valuation models and on the basis of standard market parameters. In financial year 2014 and in the previous year, financial asset conditions were not re-negotiated.

In accounting, IAS 39 differentiates between financial assets in the categories "loans and receivables", "available for sale", "held to maturity", and "at fair value through profit and loss". The latter, pursuant to the Standard, is once again subdivided into the subcategories "held for trading" and "for initial recognition to be measured at fair value" (the so-called "fair value option"). Use has not been made of this option neither for financial assets nor for financial liabilities.

Assigned to the category "held to maturity" are non-derivative financial assets with a fixed or defined payment and a fixed term, which the DMG MORI SEIKI group intends to and may hold until maturity.

The "available for sale" category represents for the DMG MORI SEIKI group the residual amount of original financial assets, which fall under the application of IAS 39 and have not been assigned to any other category. Measurement takes place in principle at fair value. Any gains or losses from measuring at fair value are recognised in equity in other comprehensive income. This does not apply if it involves a permanent or significant impairment, which is recognised in profit or loss. Only upon the divestiture of the financial assets are the accumulated profits and losses in equity recognised from the measurement at fair value in the income statement. The fair value of non-listed equity instruments and options on share purchase is assessed in principle according to the discounted cash flow method. If the fair value cannot be sufficiently and reliably measured, the shares are measured at purchase price (if necessary, less impairment). In the financial year 2014, changes in the value of financial assets held for sale in an amount of € −30,270 K (previous year: € 51,925 K), were recognised in equity not affecting income and no changes in value arose that were recognised in the income statement. Deferred tax assets of € 255 K (previous year deferred tax liabilities: € 683 K) on the value change were recognised in equity not affecting income. The change resulted primarily from the change in value in shareholding of DMG MORI SEIKI COMPANY LIMITED.

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Other equity investments

The “loans and receivables” category of the DMG MORI SEIKI group contains trade debtors, other original financial assets, and cash and cash equivalents. In principle, assets in this category are measured applying the effective interest method at amortised cost. Non-interest bearing loans and non-interest bearing receivables are discounted on their cash value.

Assets “held for trading” are measured at fair value. This includes, in addition to securities in short-term assets for which there is an active market, derivative financial instruments, which are not included in an effective hedging arrangement according to IAS 39 (“Financial instruments: Recognition and Measurement”) and thus have to be compulsorily classified as “held for trading”. Any profit or loss resulting from subsequent measurement is recognised in the income statement.

Conversion of financial instruments to other measurement categories did not occur either in the financial year 2014 or in the previous year.

Financial liabilities are measured at fair value on initial recognition. For all financial assets not subsequently measured at fair value, the transaction costs directly attributable to the acquisition are also assessed and amortised over the term. Within the scope of subsequent measurement, IAS 39 differentiates between the category “financial liabilities at amortised cost” and the category “held for trading”.

Derivative financial instruments

The hedging of risk items from currency and interest rate fluctuations is carried out through the use of derivative financial instruments such as foreign exchange future contracts and interest rate swaps. The hedging covers financial risks of posted underlying transactions, interest rate swaps risks out of future interest rate changes and, in the case of currency risks, also risks from pending supply and service transactions.

Pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, all derivative financial instruments are recognised at fair value at their initial measurement. The subsequent measurement is also carried out at fair value. If there is no quoted price on an active market, then the fair value of derivatives corresponds to the cash value of estimated future cash flows. The fair value of foreign exchange future contracts is calculated on the basis of the foreign exchange reference rate applicable at the close of the reporting period, taking into account the forward discounts and mark-ups for the respective residual term of the contract compared to the contracted forward exchange rate. Interest swaps are measured at fair value through the discounting of future expected cash flows. In doing so, the market interest rates applicable for the remaining term of the contract are taken as a basis.

Changes in the value of financial instruments, which are not intended as hedging instruments within hedge accounting, are immediately recognised in the income statement. Provided a hedging instrument meets the requirements for hedge accounting, depending on the hedge type – it is valuated as follows:

Fair Value Hedge

Changes in the fair value of hedging instruments that hedge risk arising from changes in the fair value of recognised assets or liabilities are recognised together with the change in fair value of the hedged underlying transaction in the income statement. Fair value hedges were not made in the reporting year.

Cashflow Hedge

Changes in the fair value of hedging instruments that have been concluded to hedge cash flow fluctuations, are recognised directly in other comprehensive income for the effective portion of the hedging instrument, taking into account deferred tax effects. The ineffective portion of the change in fair value is recognised in the income statement. Amounts accumulated in equity are booked to the statement of comprehensive income as soon as the hedged underlying transaction affects the income.

The risk of rising expenditure on interest for re-financing is limited by concluding interest rate swaps.

Foreign exchange future contracts and currency options are used to hedge future cash flows from expected incoming payments on the basis of present order intake. Payment is expected within a period of up to one year. Derivative financial instruments are neither held nor issued for speculative or trading purposes. However, derivatives are measured as for held for trading if the pre-conditions for a cash flow hedge are not fulfilled.

Government grants

Government grants are recognised at fair value, if it can be assumed with reasonable certainty that the grant will be made and the group fulfils the necessary conditions to receive the grant. Government grants for costs are recognised in the period in which the related costs, which the grants are intended to compensate, were incurred. Government grants for investments are recognised as deferred income within other liabilities. They are amortised on a straight line basis over the expected useful life of the related assets in the income statement under other operating income.

Borrowing costs

According to IAS 23.5, borrowing costs are to be capitalised if exist so-called qualified assets, i.e. those that take a substantial period of time to get ready for their intended use or sale. At the DMG MORI SEIKI group, a period of more than twelve months is considered a substantial period of time. Borrowing costs in financial year 2014 that arose from the development assets amounted to € 77 K (previous year € 113 K); those which can be directly attributed to the acquisition, construction or production of a qualifying asset amounted to € 267 K (previous year: € 6 K). The borrowing cost rate amounted to 2% (previous year: 3%). Other borrowing costs were therefore directly recognised as expense in the period.

Sales Revenues

Pursuant to the criteria laid down in IAS 18 “Revenues”, sales revenues arising from the sale of goods are recognised at the time of transfer of the relevant risks and rewards, if a price has been agreed or can be determined and it can be assumed that such a price will be paid. In the sale of goods this is regularly the time when the delivery takes place and the risk has been transferred to the customer. Moreover, the DMG MORI SEIKI group must reliably determine the amount of the sales revenues and be able to assume the collectability of the receivable. Sales revenues from services are recognised when the services are rendered. Recognition in accordance with the percentage of completion method is not carried out, since the requirements of IAS 11 are not met. Interest income is recognised on a specific period of time basis taking into account the effective interest rate. Dividends are recognised at the point in time when the right to receive payment occurs. Interest and dividends are itemised in the financial result.

Charges for deliveries and services billed to the customer and reduced by any sales deductions, contract penalties and discounts are shown in the sales revenues.

4 CONSOLIDATION GROUP

NUMBER OF FULLY CONSOLIDATED COMPANIES	31 Dec. 2014	31 Dec. 2013
National	30	30
International	66	62
Total	**96**	**92**

At the close of the reporting period, the DMG MORI SEIKI group, including the DMG MORI SEIKI AKTIENGESELLSCHAFT, comprised 102 companies (previous year: 99). In addition to DMG MORI SEIKI AKTIENGESELLSCHAFT 95 subsidiaries (previous year: 91) were included in the consolidated financial statements as part of the full consolidation process. Six entities accounted for at equity were included in the consolidated financial statements. The DMG MORI SEIKI AKTIENGESELLSCHAFT is directly or indirectly entitled to a majority of voting rights of the fully consolidated companies or has controlling influence over them in some other way. The group of consolidated companies has changed compared to the end of financial year 2013 to include the following companies:

- DMG MORI SEIKI ELLISON CANADA INC., Vancouver, Canada,
- DMG MORI Israel Ltd., Tel Aviv, Israel,
- DMG MORI Finland Oy Ab, Tampere, Finland,
- DMG Energie Speichertechnologie GmbH, Vienna, Austria,
- DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China,
- DMG ECOLINE Holding AG, Winterthur, Switzerland,
- DMG Management AG, Winterthur, Switzerland.

The following companies were fully consolidated at the time of their founding or at the time of acquisition of equity interests. The following shows the details of the foundings and acquisitions:

On 18 March 2014 DMG Holding AG, Dübendorf, Switzerland and Mori Seiki Canada Ltd. founded DMG MORI SEIKI ELLISON CANADA Inc., Vancouver, Canada. DMG Holding AG, Dübendorf, Switzerland has a 67% stake in this company; the share capital is CAD 1,615 K (€ 1,149 K) and was fully paid up.

On 23 July 2014 DMG MORI SEIKI Europe AG, Dübendorf, Switzerland, founded DMG MORI Israel Ltd., Tel Aviv, Israel, as a 100% subsidiary. The share capital amounts ILS 100 K (€ 21 K) and is not yet fully paid up. This company is to strengthen the sales and service business in the region.

On 31 October 2014 DMG MORI SEIKI Europe AG, Dübendorf, Switzerland, founded DMG MORI Finland Oy Ab, Tampere, Finland, as a 100% subsidiary. The share capital amounts to € 500 K and was fully paid up. In future, this company is to strengthen the sales and service business in Finland.

On 14 November 2014 DMG Netherlands B.V., Veenendaal, Netherlands, founded DMG Energie Speichertechnologie GmbH with registered office in Vienna, Austria. It owns 100% of the shares. The share capital amounts to € 35 K and is fully paid up. The new company's activities are in the business area of Energy Solutions.

On 14 November 2014 DMG Holding AG, Dübendorf, Switzerland, founded DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China. It holds 100% of shares, and the share capital is CNY 1,507 K (€ 200 K) and has not yet been paid. This company is essentially to further expand the spare parts business in China.

On 4 December 2014 DMG Holding AG, Dübendorf, Switzerland, founded DMG ECOLINE Holding AG as a 100% subsidiary. The share capital amounts to CHF 100 K (€ 83 K) and is fully paid up. In future, the new company is to hold all shares of the ECOLINE association of companies and to fulfil its related holding functions.

On 10 December 2014 DMG Holding AG, Dübendorf, Switzerland, founded DMG Management AG as a 100% subsidiary. Its registered offices are in Winterthur, Switzerland. The share capital is fully paid up and amounts to CHF 100 K (€ 83 K). All central management tasks and various group services are to be bundled together in this new company.

As at 31 December 2014, the following companies did not longer belong to the consolidated group compared to the previous year:

As part of the cooperation on the Canadian market, DMG Canada Inc., Toronto, Canada merged with the newly founded DMG MORI SEIKI CANADA INC., retroactively to 31 March 2014.

DMG (Thailand) Co. Ltd., Bangkok, Thailand was dissolved as of 1 April 2014, and DMG Los Angeles Inc., Los Angeles, USA, as of 12 November 2014.

100% of the equity interests in the project entity Green Energy Babice s.r.o., Babice, Czech Republic, was sold to an investor during the financial year. The shares were fully consolidated since their acquisition. With the sale of equity interests in this company, all assets and liabilities are de-consolidated from the group.

All the dissolutions as well as the sale of equity interests resulted in an overall disposal gain for the group of € 791 K, which is recognised as other operating income.

The following named companies were classified pursuant to IFRS 11 as joint ventures. Pursuant to IFRS 11.24 the equity interests are accounted for "at equity" in the consolidated financial statements from the date of their foundation or acquisition.

The acquisition of equity interests in the following companies took place in financial year 2013. They have been included at equity in the group consolidated financial statements since August 2013:

- Magnescale Co. Ltd., Kanagawa, Japan,
- Magnescale Europe GmbH, Wernau,
- Magnescale Americas, Inc., Davis, USA.

The acquisition of equity interests in the following companies took place in financial year 2010. Since then, they have been accounted for at equity in the consolidated financial statements:

- DMG / Mori Seiki Australia Pty. Ltd., Clayton Victoria, Australia,
- SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India.

In addition, DMG MORI Finance GmbH, Wernau, was classified as an associated company and was also included in the consolidated financial statements at equity from the date of the acquisition of the investment in 2010.

Business Combinations 2014

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Organisation and Legal Corporate Structure

During financial year 2014, the following business combinations took place as part of the cooperation with the DMG MORI SEIKI COMPANY LIMITED in the joint markets of Canada, Brazil and Russia.

With the combination in Canada, which is to be made in two steps, the cooperation with DMG MORI SEIKI COMPANY LIMITED is to be expanded on the Canadian market and the sales and service business for our products and for those of our cooperation partner is to be strengthened.

In the first step of the business combination on the Canadian market, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED have integrated the business operations of their Canadian sales companies, DMG Canada Inc., Toronto and Mori Seiki Canada Ltd., Toronto respectively, into DMG MORI SEIKI CANADA INC., Toronto, Canada as of 31 March 2014 (joint venture 1). After the combination, 51% of the shares and voting rights of this company are held by DMG Holding AG, Dübendorf, Switzerland and 49% of the shares and voting rights are held by DMG MORI SEIKI USA Inc., a subsidiary of DMG MORI SEIKI COMPANY LIMITED. The transaction occurred without the payment of a purchase price. The compensation for the operations acquired by the DMG MORI SEIKI group corresponds to fair value and amounted to € 5.268 K. It consisted of the award of 49% of shares of DMG MORI SEIKI CANADA INC.

The positive difference amounting to € 7,089 K was recognised as goodwill and arose from synergy effects which are expected from the integration of the operating management with the DMG MORI SEIKI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 18 K were accounted for as an expense for the period. Since 1 April 2014, the acquired business operations contributed an additional € 3,486 K to the group's sales revenues. The share of net earnings after taxes amounted to € 75 K for the same period. If the business combination had already taken place on 1 January 2014, the share of net earnings after taxes would have been € 160 K and the sales revenues for the same period would have been € 5,986 K. The acquisition of intangible and tangible assets are shown in the schedule of fixed assets in the "Additions to Consolidation Group" column.

In the second step as part of the cooperation on the Canadian market, DMG MORI SEIKI AKTIENGESELLSCHAFT has integrated the business operations of the DMG MORI SEIKI CANADA INC., and ELLISON MACHINERY COMPANY LTD., Mississauga, Canada, has integrated its business operations into a newly founded subsidiary, DMG MORI SEIKI ELLISON CANADA INC., Vancouver, Canada, effective 1 July 2014 (joint venture 2). 67% of the shares of this company are held by DMG MORI SEIKI CANADA INC.; 33% of the shares are held by ELLISON MACHINERY COMPANY LTD. The transaction occurred without the payment of a purchase price. The compensation for the operations acquired by the DMG MORI SEIKI group corresponds to fair value and amounted to € 4,852 K.

The resulting difference amounting to € 4,739 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI SEIKI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 16 K were accounted for as an expense for the period. Since 1 July 2014, the acquired business contributed an additional € 3,968 K to the group's sales revenues. The share of net earnings after taxes amounted to € 4 K for the same period. If the acquisition had already taken place on 1 January 2014, the share of net earnings after taxes would have been € 174 K and the sales revenues for the same period would have been € 12,968 K. The acquisition of intangible and tangible assets are shown in the schedule of fixed assets in the "Additions to Consolidation Group" column.

The valuation of non-controlling interests in equity were measured at fair value for both transactions. This fair value was estimated using the discounted cash flow method. For this, a discount rate of 12.1% and a long-term prevailing growth rate of 1.0% was assumed. As of 31 December 2014, both purchase price allocations were still pending. The following table shows the assets and liabilities acquired and their recognition at fair value for both transactions:

	Canada Joint Venture 1 € K	Canada Joint Venture 2 € K
Intangible assets	3,861	0
Tangible assets	4	50
Inventories	0	1,019
Trade debtors	1,555	2,150
Other Short-term assets	0	0
Cash assets	204	662
Deferred tax assets	0	0
Pension provisions	0	0
Other provisions	−15	−92
Financial liabilities	0	0
Trade creditors	−1,502	−823
Other short-term liabilities	−73	−427
Deferred taxes	−842	0
Net assets	**3,192**	**2,539**
Amount of difference occuring due to acquisition		
Consideration transferred for the acquisition of shares	5,268	4,852
Non-controlling interests (49% or 33%)	5,013	2,426
Net assets	−3,192	−2,539
Positive difference	**7,089**	**4,739**

Effective 30 May 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT have integrated the business operations of their Brazilian sales companies, DECKEL MAHO GILDEMEISTER Brasil Ltda., Sao Paulo and MORI SEIKI BRASIL LTDA., Sao Paulo respectively, into DMG MORI SEIKI BRASIL COMERCIO DE EQUIPAMENTOS INDUSTRIAS LTDA. (formerly DECKEL MAHO GILDEMEISTER Brasil Ltda.). After the combination, 51% of the shares and voting rights are held by DMG Holding AG, Dübendorf, Switzerland; 49% of the shares and voting rights are held by Mori Seiki U.S.A, Inc. With the combination the sales and services business for our products and for those of our cooperation partner is to be strengthened on the Brazilian market.

The transaction occurred without the payment of a purchase price. The compensation for the business operations acquired by the DMG MORI SEIKI group corresponds to fair value and amounted to € 1,583 K and consists of the award of 49% of the shares of DMG MORI SEIKI BRASIL COMERCIO DE EQUIPAMENTOS INDUSTRIAS LTDA.

The resulting difference amounting to € 657 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI SEIKI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 32 K were accounted for as an expense for the period. Since 1 June 2014, the acquired business operations contributed an additional € 1,496 K to the group's sales revenues. The share of net earnings after taxes amounted to € 62 K for the same period. If the acquisition had already taken place on 1 January 2014, the share of net earnings after taxes would have been € −354 K and the sales revenues for the same period would have been € 2,533 K. The acquisition of intangible and tangible assets are shown in the schedule of fixed assets in the "Additions to Consolidation group" column.

DMG MORI SEIKI AKTIENGESELLSCHAFT have integrated the business operations of their Russian sales companies, DMG Russland O.O.O., Moscow and Mori Seiki Moscow, Moscow respectively, into DMG MORI SEIKI RUS LLC., Moscow, Russia (formerly DMG Russland O.O.O.), effective 1 September 2014. After the combination, DMG Europe Holding AG, Dübendorf, Switzerland, holds 89.1% of the shares and voting rights of this company, the DMG MORI SEIKI COMPANY LIMITED, Nagoya, Japan, holds 10.0% of the shares and voting rights and 0.9% of the shares and voting rights are held by DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld. With the combination the sales and service business for our products and for those of our cooperation partner is to be strengthened on the Russian market. The transaction occurred without the payment of a purchase price. The compensation for the business operations acquired by the DMG MORI SEIKI group corresponds to fair value and amounted to € 2,400 K. It consisted of the award of 10% of the shares of DMG MORI SEIKI RUS LLC. The resulting difference amounting to € 507 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI SEIKI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 191 K were accounted for as an expense for the period. Since 1 September 2014, the acquired business operations contributed an additional € 3,297 K to the group's sales revenues. The share of net earnings after taxes amounted to € 113 K for the same period. If the acquisition had already taken place on 1 January 2014, the share of net earnings after taxes would have been € 138 K and the sales revenues for the same period would have been € 6,535 K. The acquisition of intangible and tangible assets are shown in the schedule of fixed assets in the "Additions to Consolidation Group" column.

In valuating the minority's interest in equity, the option of IFRS 3 was used to valuate the minority stake for both transactions, with the corresponding share of net assets leading to a lower appropriation. As of 31 December 2014, both purchase price allocations were still pending.

The following table shows the assets and liabilities acquired and their recognition at fair value for the transactions in Brazil and Russia:

	Brazil € K	Russia € K
Intangible assets	1,096	694
Tangible assets	87	29
Inventories	1,681	1,416
Trade debtors	200	0
Other Short-term assets	220	518
Cash assets	112	1,751
Deferred tax assets	0	0
Pension provisions	0	0
Other provisions	−270	0
Financial liabilities	0	0
Trade creditors	−672	−550
Other short-term liabilities	−266	−1,616
Deferred taxes	−373	−139
Net assets	**1,815**	**2,103**
Amount of difference occuring due to acquisition		
Consideration transferred for the acquisition of shares	1,583	2,400
Non-controlling interests (49% or 10%)	889	210
Net assets	−1,815	−2,103
Positive difference	**657**	**507**

The group of consolidated companies has changed compared to the previous year as explained above. The results of operations, net worth and financial position were not significantly affected in this regard when compared with the consolidated financial statements of 31 December 2013.

An overview of all companies of the DMG MORI SEIKI group, divided into fully consolidated companies, joint ventures and associated companies, is presented in the list of group companies.

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List of group companies

Business Combinations 2013

Effective 7 May 2013, DMG Mori Seiki Italia S.r.l. acquired 100% of the shares of Micron S.p.A., Veggiano, Italy. This company was to strengthen the sales and service business for the products of our cooperation partner in Italy. The purchase price for the acquisition of shares was € 7,500 K. The following assets and liabilities were acquired and are recognised at fair value:

	€ K
Tangible assets	3,208
Inventories	3,107
Trade debtors	3,413
Other Short-term assets	668
Cash assets	762
Deferred tax assets	83
Other provisions	−828
Financial liabilities	−337
Trade creditors	−3,234
Other short-term liabilities	−522
Deferred taxes	−817
Net assets	**5,503**
Compensation transferred for the acquisition of shares	7,500
Difference	**1,997**

The resulting difference amounting to € 1,997 K was recognised as goodwill and arose from synergy effects which were expected from the integration of the operating business into the DMG MORI SEIKI group.

The costs associated with the acquisition of the company amounting to € 17 K were accounted for as expense for the period. The acquired receivables did not include receivables which are considered uncollectable.

The acquisition of intangible and tangible assets are shown in the schedule of fixed assets of financial year 2013 in the “Additions to Consolidation group” column.

5 FOREIGN CURRENCY TRANSLATION

The currency translation of all Annual Financial Statements of the international group companies that were prepared in foreign currencies was carried out in accordance with the functional currency principle pursuant to IAS 21 “The Effects of Change in Foreign Exchange Rates”. Since all subsidiaries operate their business independently in financial, economic and organisational respects, the individual currency used is normally the local currency. Assets and liabilities of foreign subsidiaries were translated at the average rate of exchange of the euro as of the close of the reporting period, and all revenue and expenses at the average annual market price of the euro pursuant to IAS 21.40. The translation differences arising from items being translated at different rates in the balance sheet and income statement were recognised directly in equity. In the individual financial statements monetary items (cash, receivables and liabilities) in a foreign currency were valued at the exchange rate at the reporting date. Non-monetary items in foreign currencies were assessed at historical values. The differences arising from the currency translation of monetary items were shown in the income statement. Goodwill resulting from the acquisition of international companies were recognised as assets of the international operation and was translated at the exchange rates at the time of the transactions.

Foreign exchange differences from receivable or payable monetary items from / to foreign business operations, whose fulfilment is neither planned nor probable and thus are part of the net investment in these foreign business operations, are not recognised as net income for the period. The foreign exchange differences are initially recognised in other income and transferred to equity in the income statement upon their sale.

Accounting in accordance with the regulations contained in IAS 29 "Financial Reporting in Hyper-inflationary Economies" was not required, as the DMG MORI SEIKI group has no significant subsidiaries with registered office in a hyper-inflationary economy.

The exchange rates of the major currencies developed as follows:

CURRENCIES

		Exchange rate on reporting date 1 €		Average exchange rate = 1 €	
	ISO-CODE	**31 Dec. 2014**	31 Dec. 2013	**2014**	2013
British pound	GBP	0.77890	0.83370	0.80546	0.84746
Swiss franc	CHF	1.20240	1.22760	1.21389	1.22738
Polish zloty	PLN	4.27320	4.15430	4.19089	4.20272
Czech crowns	CZK	27.73500	27.42700	27.54177	25.95962
US dollars	USD	1.21410	1.37910	1.32555	1.32995
Canadian dollars	CAD	1.40630	1.46710	1.46385	1.37223
Mexican pesos	MXN	17.86790	18.07310	17.67821	17.13185
Brazilian real	BRL	3.22070	3.25760	3.12073	2.87911
Japanese yen	JPY	145.23000	144.72000	140.82692	128.90692
Singapore dollars	SGD	1.60580	1.74140	1.68227	1.66324
Malaysian ringgits	MYR	4.24730	4.52210	4.34842	4.20808
Indian rupees	INR	76.71900	85.39456	81.06537	77.93134
Chinese renminbi	CNY	7.53580	8.34910	8.16926	8.17693
Taiwan dollars	TWD	38.58774	41.28350	40.21732	39.49574
Korean won	KRW	1,324.80000	1,450.93000	1,396.66462	1,452.39154
Australian dollars	AUD	1.48290	1.54230	1.47769	1.38415

Source: European Central Bank, Frankfurt / Main

Notes to individual items in the Income Statement

6 SALES REVENUES

Broken down by sales area, that is, according to the customer's place of business, the following distribution of sales revenues occurred:

	2014 € K	2013 € K
Germany	779,218	676,484
EU (excluding Germany)	740,394	710,385
USA	128,641	89,506
Asia	362,987	349,617
Other countries	217,773	228,227
	2,229,013	**2,054,219**

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Segmental reporting

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Segment reporting

A breakdown and explanation of the sales revenues from the sale of goods and provision of services are given in segment reporting and in the "Segment Reporting" chapter of the Group Management Report.

7 CAPITALISED PAYMENTS

Capitalised payments primarily arise from the capitalisation of development costs of intangible assets for machine tool projects pursuant to IAS 38 "Intangible Assets". Capitalised production costs include all costs that are directly and indirectly attributable to the development process and necessary parts of development-related overheads as well as borrowing costs.

8 OTHER OPERATING REVENUES

INCOME UNRELATED TO ACCOUNTING PERIOD	2014 € K	2013 € K
Retransfer of provisions	9,082	13,012
Retransfer of value adjustments	1,202	2,115
Profit on asset disposals	580	338
Receipt of payment for written off receivables	27	105
Other income unrelated to accounting period	2,195	2,910
	13,086	18,480
OTHER OPERATING INCOME		
Gains on currency and exchange rates	26,436	18,186
Refund of costs and cost allocation	22,956	22,332
Payment for damages	1,295	1,410
Letting and leasing	526	380
Bonuses and allowances	320	347
Others	11,198	7,088
	62,731	49,743
Total	**75,817**	**68,223**

The release of provisions and value adjustments involves a number of provisions and value adjustments which were set up in previous years and have not been fully used. A breakdown of the release of provisions are shown in the analysis of provisions.

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Other Provisions

Gains on currency and exchange rates can be seen in connection with exchange rate and currency losses in other operating expenses. On balance, exchange rate and currency gains occurred in the financial year 2014 in the amount of € 3,149 K (previous year exchange rate and currency loss: € 490 K).

Income from the refund of expenses and on-debiting mainly include income from the on-debiting of marketing expenses to our cooperation partner of € 10,743 K (previous year: € 9,762 K) and to external third parties of € 2,587 (previous year: € 3,031 K). These take into account refunds of charges from the German Unemployment Office for part-time retirement agreements of € 146 K (previous year: € 548 K).

Other income includes € 174 K (previous year: € 102 K) of earnings from subletting arrangements where DMG MORI SEIKI group is the lessor.

9 COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10 PERSONNEL COSTS

In financial year 2014, the total remuneration of the Executive Board from direct and indirect remuneration amounted to € 10,491 K (previous year: € 11,566 K). Direct remuneration of Executive Board members accounted for € 9,679 K (previous year: € 10,538 K), the fixed remuneration accounted for € 2,252 K (previous year: € 2,673 K), the STI for € 5,804 K (previous year: € 5,400 K) and the LTI for € 924 K (previous year € 1,109 K). Some € 581 K was awarded as payment for services rendered in 2014 (previous year € 1,200 K). Benefits in Kind accounted for € 118 K (previous year: € 156 K). In addition to regular remuneration, indirect remuneration in the form of pension commitments amounting to € 812 K (previous year: € 1,028 K) was spent. Former members of the Executive Board and their surviving dependants received € 610 K (previous year: € 575 K). Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 12,000 K (previous year: € 9,689 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained in the group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out in the Remuneration Report.

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Remuneration structure for the Executive Board and the Supervisory Board

Advances and loans to officers were not granted, nor was any contingent liabilities assumed in favour of officers. Nor did the companies of the DMG MORI SEIKI group pay any remuneration to officers for services personally rendered , in particular for consulting and introduction services.

During financial year 2014, pension plan expenses in the group, including employer’s contributions to statutory pension insurance, amounted to € 25,552 K (previous year: € 24,636 K). This includes employers’ contributions to statutory pension insurance amounting to € 21,777 K (previous year: € 20,801 K).

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

	Average number 2014	2013	At the close of the reporting period 31 Dec. 2014	31 Dec. 2013
Wage earners	1,811	1,777	1,806	1,782
Salary earners	5,004	4,633	5,112	4,715
Trainees	221	212	248	225

11 DEPRECIATION

A distribution of amortisation / depreciation of intangible assets and tangible assets is provided in the asset movement schedule on page 142 et seq.

12 OTHER OPERATING EXPENSES

EXPENSE UNRELATED TO ACCOUNTING PERIOD	2014 € K	2013 € K
Losses on disposal of fixed assets	1,230	457
Other taxes	322	116
Other expenses unrelated to accounting period	2,453	2,553
	4,005	3,126
OTHER OPERATING EXPENSES		
Corporate communication, trade fairs and other advertising expense	57,601	52,590
Outward freight, packaging	52,776	50,729
Travelling and entertainment expenses	44,308	38,718
Other external services	36,325	26,902
Rental and leases	33,243	31,438
Expenses for temporary work and freelancers	26,777	22,749
Exchange rate and currency losses	23,287	18,676
Cost of preparation of accounts, legal and consultancy fees	23,101	20,783
Sales commissions	22,725	30,663
Other personnel costs	15,061	11,842
Stationery, post and telecommunication expenses	10,832	10,763
Transfer to provisions	9,624	12,722
Insurance	6,468	6,167
Impairment on receivables	5,325	7,271
Other taxes	3,529	4,713
Investor and Public Relations	2,585	2,992
Monetary transactions and capital procurement	2,349	2,750
Licences and trademarks	1,829	1,388
Other	27,686	26,366
	405,431	380,222
Total	**409,436**	**383,348**

An increase in outward freight and packaging compared to the previous year is due to a rise in sales volume.

Expenses for corporate communication, trade fairs and other advertising expenses have risen compared to the previous year. This resulted primarily from higher expenses for product marketing and our marketing activities. Expenses for trade fairs and other joint marketing activities were passed on pro rata to DMG MORI SEIKI COMPANY LIMITED.

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Other operating income

Exchange rate and currency losses in connection with exchange rate and currency gains can be seen in other operating income. On balance, exchange rate and currency gains occurred in an amount of € 3,149 K (previous year: exchange rate and currency losses € 490 K).

The additions to provisions resulted primarily from expenses for warranties. The administration and sales costs are included proportionately in other operating expenses and personnel costs.

In the financial year 2014, € 1,085 K (previous year: € 976 K) accrued for the total remuneration of Supervisory Board members; this was recognised under other external services. Further details on the remuneration of the Supervisory Board are given in the group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out in the Remuneration Report.

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Remuneration report

13 FINANCIAL INCOME

Interest income and other income of the DMG MORI SEIKI group amounted to € 3,970 K (previous year: € 2,550 K). Other income includes income from equity investments of € 2,183 K (previous year: € 1,260 K). Of these, € 2,150 K (previous year: € 1,229 K) arose from dividend payments made by DMG MORI SEIKI COMPANY LIMITED. An amount of € 48 K (previous year: € 43 K) includes interest income from discounting long-term provisions.

14 FINANCIAL EXPENSES

Interest expenses of € 9,683 K (previous year: € 9,229 K) are related primarily to interest expenses for group financial liabilities, interest swaps and factoring. Interest expenses for syndicated loans decreased from the previous year, above all due to the minimal utilisation of borrowing facilities.

Finance expenses include an interest component of € 1,114 K (previous year: € 1,259 K) from allocations to pension provisions. In addition, € 143 K (previous year: € 167 K) from the interest accrued on long-term other provisions have been taken into account.

Under other financial expenses, the costs from scheduled and unscheduled amortisation of transaction costs are recognised. In the reporting year, costs of scheduled amortisation of transaction costs arose amounting to € 838 K, analogous to the previous year.

15 SHARE OF PROFITS AND LOSSES OF EQUITY ACCOUNTED INVESTMENTS

Profit from companies accounted for at equity amount to € 576 K (previous year: € 864 K). In financial year 2014, this is essentially pro rata income from the equity investment in DMG MORI Finance GmbH in the amount of € 631 K (previous year: € 691 K) was recognised, as well as in DMG / Mori Seiki Australia Pty. Ltd. in the amount of € 120 K (previous year: € 433 K). Besides that, there were pro rata losses of € 175 K (previous year: € 63 K), primarily resulting from the pro rata result in the reporting year of Magnescale Co. Ltd., Kanagawa, Japan.

16 INCOME TAXES

This account represents current and deferred tax expenditure and income broken down as follows:

	2014 € K	2013 € K
Current taxes	**59,812**	**43,162**
of which domestic	42,040	29,471
of which foreign	17,772	13,691
Deferred taxes	**−5,564**	**−1,353**
of which domestic	−5,726	−3,446
of which foreign	162	2,093
	54,248	**41,809**

For domestic companies, current taxes include corporate income and trade tax (including solidarity surcharge), and for foreign companies, comparable earnings-linked taxes. The computation was made on the basis of the tax regulations applicable to the individual companies.

In financial year 2014, an amount of € 519 K (previous year: € 145 K) resulted from tax income for prior years. An amount of € 3,864 K (previous year: € 930 K) includes current tax expenses for prior years.

Deferred tax income unrelated to the accounting period of € 3,688 K (previous year: € 1,945 K) is set off against deferred tax expenditure unrelated to the accounting period of € 3,321 K (previous year: € 3,348 K).

Current income tax expense amounting € 54,248 K (previous year: € 41,809 K) was reduced through the use of tax loss carry forwards not yet recognised from previous accounting periods by € 141 K (previous year: € 2,552 K).

In addition, a tax reduction of deferred tax expense took place due to tax losses not yet recognised from previous periods in the amount of € 68 K (previous year: € 1,945 K).

An adjustment was made for prior years’ deferred tax assets from tax loss carry forwards in an amount of € 2,883 K (previous year: € 2,051 K). Tax losses carry forwards of the current year in amount of € 5,843 K were not recorded (previous year: € 1,663 K).

Current taxes relating to the discontinuation of business divisions or non-operating activities did not occur in the reporting period. Due to the continued application of the accounting methods, no additional tax expenditure or income arose. No material errors occurred in the past so that no consequences arose in this respect.

Deferred taxes were calculated on the basis of income tax rates which were applied or expected in the individual countries on the valuation date, in accordance with the legal status at the time. In the financial year 2014, the domestic corporation tax rate was 15.0% plus the solidarity surcharge of 5.5%. This results in an effective corporation tax rate of 15.8%. Including the trade earnings tax, which amounted 13.8% (previous year: 13.6%), the total tax rate amounted to 29.6% (previous year: 29.4%). This results in the tax rate for the measurement of deferred taxes for domestic companies. International tax rates are between 8% and 34%.

The deferred tax assets recognised in equity amounted at the end of the reporting period to € 8,235 K (previous year: deferred tax assets of € 4,204 K).

These comprise as to € 7,978 K (previous year: € 5,406 K) deferred tax assets on the actuarial gains and losses recognised in equity and € 464 K in connection with the valuation of financial instruments in equity (previous year: deferred tax liabilities of € 519 K), set off against deferred tax liabilities of € 207 K in connection with the change in fair value of available-for-sale assets (previous year: € 683 K). In addition, deferred tax liabilities in the amount of € 1,358 K (previous year: € 734 K) arose from business combinations. In financial year 2014, the recognised income tax expense of € 54,248 K (previous year: € 41,809 K) is some € 2,355 K higher (previous year: € 2,154 K) when compared to the expected income tax expense of € 51,893 K (previous year: € 39,693 K), which would arise in theory if the national tax rate of 29.6% (previous year: 29.4%) applicable for financial year 2014 had been applied at group level. The difference between current and expected income tax expenditure is due to the following:

	2014	2013
	€ K	€ K
Earnings before taxes	175,313	135,014
DMG MORI SEIKI AKTIENGESELLSCHAFT income tax rate in per cent	29.6	29.4
Theoretical tax income / expenditure	51,893	39,694
Tax consequences of the following effects		
Adjustment due to differing tax rate	−6,093	−3,988
Tax reduction due to tax-exempt revenue	−216	0
Tax reduction due to tax-exempt revenue	−1,145	−954
Tax loss carry forwards	1,221	−783
Tax increase due to non-deductible expenses	5,750	7,378
Tax income or expense for prior years	3,344	784
Other adjustments	−506	−322
Income taxes	**54.248**	**41,809**

Tax income / expenditure from earnings is attributable solely to the operative business activities in the DMG MORI SEIKI group.

Future dividends of DMG MORI SEIKI AKTIENGESELLSCHAFT payable in Germany will not influence the group's tax burden.

17 PROFIT SHARE ATTRIBUTED TO MINORITY INTERESTS

A proportionate net loss was allotted to non-controlling interests in equity of € 10,490 K (previous year: € 8,128 K). The increase over the previous year resulted above all from the 40% equity investment of DMG MORI SEIKI COMPANY LIMITED, Nagoya, Japan, in DMG MORI SEIKI Europe AG, Dübendorf, Switzerland. Moreover, these primarily contain proportionate earnings from minority interests in DMG MORI SEIKI INDIA Pvt. Ltd., in DMG MORI SEIKI MEXICO S.A. de C.V. and in DMG Mori Seiki South East Asia Pte. Ltd.

18 EARNINGS PER SHARE

In accordance with IAS 33 "Earnings per Share", the undiluted earnings per share ("basic earnings per share") are determined by dividing the consolidated profit – excluding profit shares of other owners – by the weighted average number of shares outstanding, as follows:

		2014	2013
Group result excluding profit share of other shareholders	€ K	110,575	85.077
Average weighted number of shares (pieces)		78,432,258	63.977.289
Earnings per share	€	1.41	1.33

Earnings result exclusively from continued business. group earnings after taxes amounting to € 121,065 K was reduced by the earnings of the minority interests by € 10,490 K. The earnings per share (undiluted) was € 1.41 in the reporting year (previous year: € 1.33). In the previous year, dilutive effects arose from non-cash and pre-emptive rights capital increases decided in August 2013. The average weighted number of shares thus increased to 64,903,617 As at 31 December 2013, the diluted earnings per share amounted to € 1.31.

Notes to individual Balance Sheet items

19 INTANGIBLE ASSETS

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Business combinations

The goodwill amounts to € 135,173 K (previous year: € 121,510 K). The increase of goodwill essentially results from the business combinations performed in Canada, Brazil and Russia as part of the cooperation during the reporting year.

Moreover, changes occurred in the currency translation of goodwill into the group's euro currency.

Intangible assets arising from development relate to new machine tool projects in domestic and international product companies, to service products of DMG Vertriebs und Service GmbH and to specific software solutions. Intangible assets arising from development at the close of the reporting period amounted to € 30,419 K (previous year: € 31,958 K). Research and development costs are immediately recognised as an expense and amounted to € 41,238 K in the financial year 2014 (previous year: € 42,870 K).

The amount stated for industrial property rights and similar rights includes acquired patents, rights from acquired customer relations, design patents and trademarks as well as computer software.

Changes and a breakdown of items in the group's intangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in further detail in the group Management Report.

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Investments

20 TANGIBLE ASSETS

Changes and a breakdown of items in the group's tangible assets are illustrated in the consolidated fixed-asset movement schedule. Investments are explained in further detail in the group Management Report.

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Investments

The change in currency between the close of each reporting period is shown in the consolidated fixed-asset movement schedule under "Other Changes".

Neither value adjustments due to impairments nor reversals of depreciation were required for tangible assets in the reporting year.

Land and buildings are mortgaged for the security of financial debt in the amount of € 18,026 K (previous year: € 1,472 K).

Tangible assets include leased assets to the value of € 2,834 K (previous year: € 4,573 K) that, due to the structuring of the underlying leases ("finance lease"), must be charged to the respective group company as the beneficial owner. The carrying amounts of capitalised lease items are broken down as follows:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Land and buildings	0	1,007
Technical plant and machinery	2,004	2,622
Other plant, factory and office equipment	830	944
	2,834	**4,573**

21 OTHER EQUITY INVESTMENTS

The development of group investments is shown in the consolidated fixed asset movement schedule. The recognition of equity investments involves an interest in an amount of € 270 K in VR Leasing Frontania GmbH & Co. KG and an interest of € 83 K in Pro-Micron GmbH & Co. KG Modular System. The DMG MORI SEIKI group does not exercise any significant influence over these companies.

At the reporting date, the DMG MORI SEIKI AKTIENGESELLSCHAFT held a 9.6% voting equity interest in DMG MORI SEIKI COMPANY LIMITED, Nagoya, just as in the previous year. Acquisition costs for all shares amounted to € 115,904 K (incl. incidental costs of acquisition). The fair value as of 31 December 2014, derived from the stock exchange value on the reporting date, amounted to € 133,142 K (previous year: € 140,466 K). The change in fair value amounting to € –7,324 K as compared with the previous year is resulted from the change of the market price (€ –29,208 K) as well as the acquisition of further shares in the financial year (€ 21,884 K). The changes are shown in the asset movement schedule under "Other changes" respectively under "Additions".

The shares in Mori Seiki Manufacturing USA, Inc., Davis, USA, are recognised as an equity investment. As part of a non-cash capital increase in financial year 2013, 19.0% of the shares were acquired. There will be no significant influence exerted. The amortised acquisition costs as of 31 December 2014 amounted to € 21,415 K (previous year: € 21,350 K).

a+f GmbH also has an interest in Sonnenstromalpha GmbH & Co. KG, Hamburg. The equity interest amounted to 40% and as at the reporting date, had a fair value of € 21 K as in the previous year. The 3.31% equity interest in Younicos AG, Berlin, was depreciated to a fair value of € 0 K the previous year. No change in value took place as of 31 December 2014. No impairment losses on equity investments (previous year: € 4,338 K) were made in the reporting year.

Disclosures regarding shareholdings of other companies and non-controlling shareholding

There are the following important non-controlling shareholdings of subsidiaries:

	Registered offices / country of incorporation	Business segment	Ownership shares which are non-controlling interests 31 Dec. 2014	31 Dec. 2013
DMG MORI SEIKI Europe AG	Dübendorf, Switzerland	Industrial Services	40	40

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List of group companies

The list of direct subsidiaries of DMG MORI SEIKI Europe AG and disclosures of its registered offices, equity and equity interest are shown on the overview according the DMG MORI SEIKI group companies. The non-controlling interest of 40% is held by DMG MORI SEIKI COMPANY LIMITED, Nagoya, Japan.

The following table shows a summary of financial information for the "sub-group DMG MORI SEIKI Europe AG" which was drafted in accordance to IFRS and adjusted for fair value at the time of acquisition. This is information before eliminations which were planned among the other companies of the DMG MORI SEIKI group.

DMG MORI SEIKI EUROPE AG	2014 € K	2013 € K
Sales Revenues	751,346	662,711
Profits	25,220	20,584
Profits assigned to non-controlling shareholdings	10,088	8,234
Other comprehensive income	–848	66
Total income	**24,372**	**20,650**
Total income assigned to non-controlling shareholdings	9,749	8,260
Short-term assets	59,795	59,833
Long-term assets	367,427	320,189
Short-term debts	16,444	8,489
Long-term debts	262,285	247,577
Net assets	**148,493**	**123,956**
Net assets assigned to non-controlling shareholdings	59,397	49,582
Change of cash and cash equivalents	**26,862**	**–1,480**

In financial year 2014 as well as the previous year, DMG MORI SEIKI Europe AG paid no dividends to non-controlling shareholdings.

An overview of all DMG MORI SEIKI group companies and information on registered offices, equity and equity interests in financial year 2014 are set out in the list of group companies.

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List of group companies

DMG MORI SEIKI AKTIENGESELLSCHAFT has entered into profit and loss transfer and control agreements with the following companies:

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

GILDEMEISTER Beteiligungen GmbH has entered into profit and loss transfer and control agreements with the following companies:

- DECKEL MAHO Pfronten GmbH,
- GILDEMEISTER Drehmaschinen GmbH,
- DECKEL MAHO Seebach GmbH,
- DMG MORI SEIKI Spare Parts GmbH,
- DMG Electronics GmbH.

In addition, a profit and loss and control agreement was entered into between DECKEL MAHO Pfronten GmbH and SAUER GmbH.

DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER has entered into profit and loss transfer and control agreements with the following subsidiaries:

- DMG MORI SEIKI Deutschland GmbH,
- a+f GmbH,
- DMG MORI SEIKI Services GmbH,
- DMG MORI SEIKI Used Machines GmbH.

DMG MORI SEIKI SERVICES GmbH has entered into a profit and loss transfer and control agreement with the following subsidiaries:

- DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER,
- DMG Service Fräsen GmbH,
- DMG MORI SEIKI Academy GmbH,
- DMG MORI Microset GmbH,
- DMG MORI Systems GmbH (formerly: DMG Automation GmbH).

DMG MORI SEIKI Deutschland GmbH has entered into profit and loss transfer and control agreements with the following subsidiaries:

- DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH,
- DMG MORI SEIKI München Vertriebs und Service GmbH,
- DMG MORI SEIKI Hilden Vertriebs und Service GmbH,
- DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH,
- DMG MORI SEIKI Berlin Vertriebs und Service GmbH (since 1 Jan. 2014),
- DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH,
- DMG MORI SEIKI Hamburg Vertriebs und Service GmbH.

22 EQUITY-ACCOUNTED INVESTMENTS

The following overview shows aggregated key financial figures for companies accounted for at equity included in the consolidated financial statements. The figures refer to equity interests, carrying amounts and notes on the balance sheet as well as to sales revenues, other income and expenses:

	31 Dec. 2014		31 Dec. 2013	
	Equity interest	**Carrying amount**	Equity interest	Carrying amount
	%	€ K	%	€ K
DMG / Mori Seiki Australia Pty. Ltd.	50.0	1,741	50.0	1,621
DMG MORI Finance GmbH	42.55	8,954	42.55	8,323
Magnescale Co. Ltd.	44.1	35,885	44.1	35,950
SUN CARRIER OMEGA Pvt. Ltd.	50.0	200	50.0	200
		46,780		**46,094**

The equity interests of the equity accounted companies have not changed from the previous year. Details of the results from equity-accounted companies are presented in the discussion of the individual items on the income statement under "Share of Profits and Losses of Equity-Accounted Investments".

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Share of profits and losses of equity accounted investments

We regard the 44.1% stake in Magnescale Co. Ltd., Kanagawa, which includes its 100% subsidiary Magnescale Europe GmbH, Wernau and Magnescale Americas, Inc. Davis (USA), as significant; therefore, the essential items of the balance sheet and the income statement for all three companies are combined and separately listed in the following table.

MAGNESCALE CO. LTD.	31 Dec. 2014 € K
Short-term assets	37,489
Long-term assets	29,217
Short-term liabilities	25,592
Long-term liabilities	6,185
Sales revenues	65,293
Other income	0
Expenses	63,156

The values of all other associated companies and joint ventures are summarised in the following tables:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Short-term assets	**143,276**	**148,548**
Joint ventures	5,946	7,349
Associated companies	137,330	141,199
Long-term assets	**142,636**	**102,050**
Joint ventures	829	462
Associated companies	141,807	101,588
Short-term liabilities	**48,267**	**36,004**
Joint ventures	2,969	3,884
Associated companies	45,298	32,120
Long-term liabilities	**201,813**	**178,141**
Joint ventures	0	0
Associated companies	201,813	178,141

	31 Dec. 2014 € K	31 Dec. 2013 € K
Sales revenues	**77,168**	**70,040**
Joint ventures	10,252	16,574
Associated companies	66,916	53,466
Other revenues	**391**	**1,209**
Joint ventures	106	599
Associated companies	285	610
Expenses	**75,008**	**67,687**
Joint ventures	10,066	16,012
Associated companies	64,942	51,675

23 LONG-TERM RECEIVABLES AND OTHER ASSETS

	31 Dec. 2014 € K	31 Dec. 2013 € K
Trade receivables	479	2,864
Other long-term financial assets	13,066	13,305
Other Long-term assets	1,681	2,758
	15,226	**18,927**

Trade debtors are assigned to financial assets. As in the previous year, there were no receivables against associated companies included in the long-term trade debtors.
Other long-term financial assets include the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Receivables from factoring	2,407	976
Security deposits and other security payments	1,093	1,072
Creditors with debit balance	145	0
Discounted customers' bills of exchange	0	214
Fair market value of derivative financial instruments	0	5
Other assets	9,421	11,038
	13,066	**13,305**

Analogous to the previous year, other assets include the purchase price for acquiring share purchase options amounting to € 6,540 K.

Other long-term assets include the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Tax refund claims	1,241	168
Others assets	440	2,590
	1,681	**2,758**

In other long-term assets, transaction costs connected with taking out new credit facilities in 2011 amounting to € 1,477 K were recognised. This is reported under other assets, since the credit facilities had not been utilised as at 31 December 2014. The transaction costs will be written off over the term of the loans (2016). The costs from scheduled amortisation are recognised under other financial expenses. Refund claims for income tax are not included.

24 INVENTORIES

Inventories are made up as follows:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Raw materials and consumables	190,707	189,705
Work in progress	108,103	111,695
Finished goods and goods for resale	193,341	180,616
Payments on account	3,146	1,824
	495,297	**483,840**

Finished goods and goods for resale include machines acquired from our cooperation partner in an amount of € 41,734 K (previous year: € 44,864 K). Of inventories recorded on 31 December 2014, € 123,031 K (previous year: € 105,882 K) were recognised at their net realisable value. In the financial year adjustments of inventories in an amount of € 15,513 K (previous year: € 19,562 K) were recognised as expense in the income statement. In the financial year, revaluations amounting to € 3,909 K arose (previous year: € 1,323 K), primarily resulting from the increase in net realisable values; they also were recognised as cost of materials.

25 SHORT-TERM TRADE DEBTORS

	31 Dec. 2014 € K	31 Dec. 2013 € K
Trade debtors	200,638	169,667
Receivables from at equity accounted investments	10,359	4,087
Receivables from related companies	46,128	23,476
Receivables from associated companies	2,685	2,695
	259,810	**199,925**

In the reporting year, DMG MORI SEIKI group had agreed factoring programmes. German receivables with a volume of up to € 90,000 K (previous year: € 85,000 K) and foreign receivables with a volume of up to € 77,500 K (previous year: € 87,800 K) can be sold within the framework of this agreement. As of the close of the reporting period, German receivables with a value of € 86,330 K (previous year: € 80,863 K) and foreign receivables with a value of € 70,479 K (previous year: € 86,243 K) were sold without recourse and were thus no longer part of the receivables portfolio at the reporting date.

The terms of long-term and short-term trade debtors are shown in the following table:

	Carrying amount	Of which neither impaired nor past due on the closing date	Of which not impaired on the closing date but past due in the following time periods			
			up to 3 month	3 to 6 month	6 to 12 month	more than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Trade debtors						
31 Dec. 2014	260,289	202,485	40,926	3,230	1,354	1,815
Trade debtors						
31 Dec. 2013	202,789	166,855	23,746	4,637	1,293	989

With respect to trade debtors that have neither been impaired nor are they past due at the closing date, there is no indication that the debtors will not fulfil their payment obligations.

Trade debtors and accumulated value adjustments have developed as follows:

	31 Dec. 2014	31 Dec. 2013
	€ K	€ K
Trade debtors not impaired	249,810	197,520
Trade debtors before impairment	27,709	21,546
Accumulated impairment	17,230	16,277
Trade debtors impaired	10,479	5,269
Total trade debtors	**260,289**	**202,789**

Value adjustments of trade debtors have developed as follows:

	2014 € K	2013 € K
Impairments as at 1 January	16,277	14,299
Allocations (expenses for impairments)	4,062	6,510
Consumption	−1,907	−2,417
Dissolution	−1,202	−2,115
Impairments as at 31 December	**17,230**	**16,277**

The following table shows the expenses for the complete de-recognition of trade debtors as well as income from recoveries of trade debtors:

	2014 € K	2013 € K
Expenses for derecognition of receivables	1,263	760
Income from payments received for derecognised receivables	27	105

Expenses relating to impairments and de-recognition of trade debtors are reported under other operating expenses. These involve a large number of individual cases. Income from receipt of payments for derecognised trade debtors are reported under other operating income. Impairments or de-recognition of other financial assets were made neither in the financial year nor in the previous year.

26 OTHER ASSETS

Other short-term financial assets include the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Other short-term financial assets	72,770	68,566
Other short-term assets	51,298	45,986
	124,068	**114,552**

Other short-term financial assets include the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Receivables from factoring	15,082	12,760
Discounted customers' bills	10,203	10,126
Security deposits and other security payments	9,571	4,954
Creditors with debit balance	8,854	5,833
Fair market value of derivative financial instruments	979	3,389
Purchase price receivables from asset disposal	447	442
Receivables from employees and former employees	420	450
Loans to third parties	333	275
Other short-term financial assets	26,881	30,337
	72,770	**68,566**

No financial assets were provided as collateral either in the reporting year or in the previous year.

The overdue periods of other long-term and short-term financial assets are shown as follows:

	Carrying amount	Of which neither impaired nor past due on the closing date	Of which not impaired on the closing date but past due in the following time periods			
			up to 3 month	3 to 6 month	6 to 12 month	more than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Other financial assets						
31 Dec. 2014	85,836	77,344	4,810	232	0	251
Other financial assets						
31 Dec. 2013	81,871	79,423	875	2	102	0

With respect to other financial assets that have neither been subject to impairment nor are they past due as at the closing date, there is no indication that the debtors will not fulfil their payment obligations.

Other short-term assets included the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Tax refund claims	38,599	38,998
Prepayments	1,582	1,985
Receivables from compensation claims	268	412
Other assets	10,849	4,590
	51,298	**45,985**

Tax refund claims primarily include receivables from value added tax. The remaining other assets include refund claims of € 146 K (previous year: € 548 K) with respect to additional compensation paid from part-time retirement agreements to the Federal Labour Office (Bundesanstalt für Arbeit). As in the previous year, claims for the refund of partial unemployment benefits did not occur.

27 CASH AND CASH EQUIVALENTS

At the end of the reporting period, bank credit balances amounted to € 432,996 K (previous year: € 371,149 K). Of these, credit balances of subsidiaries in Germany were recognised in an amount of € 261,040 K (previous year: € 268,047 K), in Europe in an amount of € 114,949 K (previous year: € 79,150 K), in Asia in an amount of € 45,996 K (previous year: € 17,240 K) and in America in an amount of € 11,011 K (previous year: € 6,712 K).

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Consolidated cash flow statement

The development of Cash and cash equivalents constituting the financial resources pursuant to IAS 7 “Statement of cash flows” is illustrated in the statement of cash flows.

28 LONG-TERM ASSETS HELD FOR SALE

As of 31 December 2014, long-term assets provided for short-time sale (tangible assets) amounted to € 37,275 K (previous year: € 50,452 K). Turnkey solar parks in the Energy Solutions division are accounted for here. The reduction resulted from the divesture of a solar park which was sold in financial year 2014. The DMG MORI SEIKI group expects that the shares of the special purpose entities will actually be sold to investors in 2015. The revenue contained in earnings from these assets are included under sales revenues, amounting to € 1,310 K (previous year: € 2,853 K) and under other operating income, amounting to € 3,915 K (previous year: € 4,427 K). In the cost of materials and in other operating expenses, total expenses of € 3,745 K were included (previous year: € 6,315 K) as well as financing expenses amounting to € 3 K (previous year: € 586 K). The total of earnings before tax was € 1,483 K (previous year: € 438 K). There were no cumulative income or expense in other comprehensive income included.

The assets and the earnings share stemming from the long-term assets held for sale are recognised in the segment reporting of the "Industrial Services" business segment.

29 DEFERRED TAXES

Deferred tax assets and liabilities and deferred tax expense are allocated to the following accounts:

	31 Dec. 2014		31 Dec. 2013		**2014**	2013
	assets	**liabilities**	assets	liabilities	**Deferred tax expense / income**	Deferred tax expense / income
	€ K	**€ K**	€ K	€ K	**€ K**	€ K
Intangible assets	75	10,110	663	8,458	−882	−1,142
Tangible assets	16,623	1,766	14,060	2,371	3,167	5,235
Financial assets	0	317	0	723	0	0
Inventories	13,094	1,289	11,163	1,530	2,173	1,247
Receivables and other assets	8,285	5,497	6,575	4,508	720	1,501
Provisions	11,325	3,644	10,970	5,956	562	−922
Liabilities	15,355	543	10,630	959	3,903	−937
Tax loss carry forward	8,368	–	12,447	–	−4,079	−3,630
	73,125	23,166	66,508	24,505		
Balancing	−19,315	−19,315	−18,218	−18,218		
Total	**53,810**	**3,851**	**48,290**	**6,287**	**5,564**	**1,353**

A determining factor for the valuation of the recoverability of deferred tax assets is the assessment of the probability of sufficient future taxable profits. Based on past experience and the expected taxable income situation, it is assumed that the corresponding advantages from the deferred tax assets can be realised. As at 31 December 2014, tax loss asset carry forwards amounted to € 8,368 K (previous year: 12,447 K) and were allocated as follows: as in the previous year, there were no German corporate tax and trade tax loss carry forwards as well as interest carry forwards due to the German interest cap. Deferred tax assets for tax loss carry forwards are attributable to foreign subsidiaries in an amount of € 8,301 K (previous year: € 12,447 K). The loss carry forwards are usable for an indefinite period. In the reporting year, deferred taxes assets amounting € 677 K (previous year: € 779 K) were re-capitalised on loss carry forwards, and € 1,872 K (previous year: € 2,358 K) have been offset with current taxable income. The tax losses carried forward amount to € 59,975 K (previous year: € 64,051 K), of which € 29,112 K (previous year: € 18,437 K) have not been taken into account. The theoretically possible deferred tax asset claims on tax loss carry-forwards not taken into account amount to € 7,087 K (previous year: € 4,173 K). With regard to subsidiaries which had tax losses in the current year or in the previous year, deferred tax asset claims amounting to € 9,308 K (previous year: € 10,093 K) were capitalised. The realisation of these assets depends on future taxable income which is higher than the earnings effects of the dissolution of existing taxable differences. Due to substantial indicators, the DMG MORI SEIKI group assumes that on the basis of future business activities and tax planning there will be sufficient positive taxable income available to realise the tax asset claims. Deferred taxes are calculated on the basis of income tax rates which are applied or expected in the individual countries on the valuation date, in accordance with the legal status at the time. Taking into account trade earnings tax, corporate tax and the solidarity surcharge, this results in a deferred tax rate of 29.6% (previous year: 29.4%) for domestic companies.

Income tax on other comprehensive income in a balanced amount of € 1,238 K (previous year: € –683 K) relate – as in the previous year – to changes in fair value of derivative financial instruments, to changes in fair value of available-for-sale assets as well as from revaluation of defined benefit plan.

30 EQUITY

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Development of group equity

The movement of individual components in group equity for the financial years 2014 and 2013 is illustrated in the Consolidated Statement of Changes in group Equity. Business transactions are presented under “Transactions with owners” in which the owners have acted in their capacity as owners.

Subscribed capital

The share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 and is fully paid up.

It is divided into 78,817,994 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 30 May 2014).

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

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

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

a) with respect to a partial amount up to € 5,000,000.00 for the issue of share of company employees and companies affiliated with the company;
b) capital increases through contribution in kind so as to acquire in suitable cases companies, parts of companies or interests in companies, or other assets in return for shares;
c) for capital increases against cash contributions, if the issuing price of the new shares is not significantly lower, in accordance with Section 203, (1) and (2), and Section 186 (3) (4) of the German Stock Corporation Act, than the stock market price on the final effective date of the issuing price determined by the executive board and if the overall pro rata amount of the share capital attributable to the new shares, for which the shareholders' pre-emptive rights are excluded, neither on the effective date nor on the date of exercise of this authorisation exceeds 10% of the share capital. Shares that are issued or sold during the validity of the authorised capital with the exclusion of shareholders' pre-emptive rights, in direct or analogous application of Section 186 (3) (4) of the German Stock Corporation Act, are to be included in the maximum limit of 10% of the share capital;
d) to exclude any fractional amounts from the pre-emptive right.

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

The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation. The supervisory board is authorised to adjust the articles of association according to each individual utilisation of the authorised capital and, if the authorised capital is not utilised or not fully utilised before 15 May 2019, to cancel this after this date.

The share capital has been conditionally increased by up to a further € 37,500,000.00 through the issue of up to 14,423,076 new no-par bearer shares (contingent capital).

The contingent capital increase is for granting new no-par bearer shares to the holders of option bonds or convertible bonds issued by the company or by a group company controlled by the company under the authorisation passed by resolution of the Annual General Meeting of 15 May 2009 under agenda item 7 against cash payment and grants a conversion or option right to the new no-par bearer shares of the company or provides for 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 is to be effected only insofar as the holders of conversion or options rights or those obliged to exercise conversion or options rights exercise their options or conversion rights, insofar as they are obliged to exercise their conversion or option rights, they fulfil their obligation to exercise the conversion or option right and neither shares already in existence nor the payment of a cash amount is used to fulfil the option or conversion rights.

The new shares will participate in the profit as of the beginning of the financial year in which they are issued following the exercising of option or conversion rights, or the fulfilment of conversion or option obligations.

Capital provision

The group's capital provision include the premiums for the issue of shares of DMG MORI SEIKI AKTIENGESELLSCHAFT from previous years with a total of € 497,533,564. Transaction costs of € 24,858,212 (previous year: € 24,858,212) which are allocated directly to capital procurement and reduced by related tax benefits on income of € 7,707,558 (previous year: € 7,707,558) were deducted from the capital reserves.

In December 2011, the executive board used the authorisation to buy back own shares (1,805,048 shares with a nominal value of € 4,693,124.80). These shares were completely re-sold during the financial year. The amount, which exceeded the original acquisition costs by € 18,663,903, was impaired by the transaction costs and its associated deferred taxes and was allocated to capital reserves. The increase of the capital provision by € 18,102,358 compared with the previous year's value resulted from these circumstances.

As of 31 December 2014, capital provisions amounted to € 498,485,269 (previous year: € 480,382,911).

Revenue provisions

Statutory provision

The disclosure does not affect the statutory reserve of DMG MORI SEIKI AKTIENGESELLSCHAFT in an amount of € 680,530.

Reserves for shares of a controlling company

In the previous year, a reserve for shares of a controlling company is to be allocated pursuant to Section 272(4) (1) of the German Commercial Code (HGB). The amount of this reserve is to correspond to the estimated amount on the assets side of the balance sheet (compiled pursuant to HGB) for the shares of the controlling enterprise. As of 31 December 2014, this value amounted to € 115,903,929 (previous year: € 94,019,000).

Other Retained Earnings

Other retained earnings include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Retained earnings also include the offset of liabilities-side differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS rules. Finally, they show the differences arising from foreign currency translation not reported in profit or loss in the financial statements of international subsidiaries and the post-tax effects from the valuation of financial instruments in equity. Deferred taxes recognised directly in equity amount to € 983 K (previous year: € −286 K).

In the previous year, the amount of € 15,994 K, pursuant to IAS 33.32, was deducted here for the company's own shares. This is due to the difference between the nominal value and the acquisition costs of the company's own shares. This deduction from retained earnings was omitted due the sale of own shares during the financial year.

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Development of group equity

A detailed overview on the composition of, or changes in, other net retained profits in the financial year 2014 and in the previous year is included in the Development of group Equity.

Proposed appropriation of profits

In accordance with the German Commercial Code (HGB), the Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT form the basis for the appropriation of profits of the financial year. The dividend to be distributed to owners is therefore subject to the net retained profits shown in the Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

The financial year 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT closed with net retained profits for the year of € 55,018,050.98 (previous year: € 35,229,452.64).

At the General Meeting on 8 May 2015, it will be proposed, taking into account the allocation of € 10,000,000.00 to other retained profits and the profit carry forward from the previous year in the amount of € 41,110.55, to use the net retained profit of € 45,059,161.53 as follows:

- Distribution of € 43,349,896.70 to the shareholders via dividends of € 0.55 per share,
- Carry forward of the remaining net retained profit of € 1,709,264.83 to new account.

A dividend of € 0.50 per share was paid for the financial year 2013.

Non-Controlling Interests

Non-controlling interests include non-controlling interests in the consolidated equity of the companies included and, as at 31 December 2014, amounts to € 134,757 K (previous year: € 94,382 K).

Capital Management Disclosure

A strong equity capital base is an important pre-condition for the DMG MORI SEIKI group in order to ensure the ongoing existence of the company. The Executive Board's goal is to maintain its strong capital base in order to preserve the trust of investors, creditors and markets and to ensure the sustainable development of the company. The capital is regularly monitored on the basis of various key figures. The ratio of net indebtedness to balanced equity (gearing) and the equity ratio are key figures for this. Surplus funds are determined as the sum of financial debts less cash and cash equivalents.

		31 Dec. 2014	31 Dec. 2013
Cash and cash equivalents	€ K	432,996	371,149
Financial debts	€ K	52,156	14,675
Surplus funds	€ K	380,840	356,474
Total equity	€ K	1,266,151	1,164,441
Equity ratio	%	56.8	57.9
Gearing	%	–	–

Total equity has risen in absolute terms by € 101,710 K. This is essentially due to the annual surplus of the financial year. As a result, the equity ratio reduced to 56.8% (previous year: 57.9%) as of 31 December 2014.

31 PROVISIONS FOR PENSIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the DMG MORI SEIKI group entitled to such, and to their surviving dependants. According to the respective legal, economic and tax conditions prevailing in each country, there are different forms of old age protection that are usually based among other things on the duration of employment and the employees' remuneration.

In Germany the commitments are dependent upon wages or salary and are paid as a pension; there is no minimum guarantee.

Employee pension schemes are based as a rule either on contribution-oriented or benefit-oriented systems.

In the case of contribution-oriented pension plans ("defined contribution plans") the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. In financial year 2014, related expenses amounted to € 3,775 K (previous year: € 3,835 K).

In the case of benefit-oriented pension plans, it is the company's obligation to pay the promised benefits to active and former employees ("defined benefit plans"), whereby a distinction is made between pension plans that are financed through provisions and those that are financed through a fund. In general the pensions paid correspond to the promised benefits.

For domestic subsidiaries, there are no benefit-oriented pension plans for new employees. New employees of Swiss subsidiaries participate in benefit-oriented pension plans. Individual contribution-oriented pension planes are agreed upon for Executive board members of DMG MORI SEIKI AKTIENGESELLSCHAFT. Moreover, there are no minimum guarantees. These plans burden the group with actuarial risks, such as risk of longevity, currency exchange risk, interest and market (investment) risk.

In the DMG MORI SEIKI group, pension commitments are financed through transfer to provisions as well as plan assets. The investment strategy of the global pension assets is based on the goal of long-term assurance of pension payments. The amount of the pension obligation (present value of future pension commitments or "defined benefit obligation") was calculated on the basis of actuarial methods by estimating the relevant factors impacting the pension commitment. The calculations as of the end of the financial year are based on the following actuarial assumptions. In Germany, the assumptions are based on the mortality table "Heubeck 2005G". In Switzerland, the mortality table is based on "BVG, Generationentafeln". Along with the assumptions on life expectancy, the following premises for the parameters to be applied to the actuarial calculations in the reports were defined:

	Weighted average 2014 %	**Range 2014 %**	Weighted average 2013 %	Range 2013 %
Discount interest rate	1.95	1.2 – 3.32	2.96	2.10 – 4.00
Salary trend	1.00	–	1.00	–
Pension trend	2.00	–	2.00	–

The discount interest rate of the pension obligations for entitled active and former employees was determined on the basis of the yield which was achieved on the balance sheet closing date of high-quality, fixed-interest corporate bonds on the market.

The salary trend includes expected future increases in salary that are assessed annually and are subject to, amongst other things, inflation and the duration of employment at the company. Since the pension commitments that were entered into at the national subsidiaries are not subject to future increases in salary, salary development was not taken into account when determining the relating company pension provisions.

Due to increases or reductions in the present value of benefit-oriented obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the following:

		31 Dec. 2014 € K	31 Dec. 2013 € K
	Cash value of unfunded pension commitments	37,355	34,666
+	Cash value of funded pension commitments	32,337	23,234
–	Current value of the pension plan assets	−21,887	−19,479
=	Net value of amounts shown in the balance sheet on the reporting date	47,805	38,421
	of which pensions	47,805	38,421
	of which assets (–)	0	0

The plan assets take into account on the one hand risk payments that depend on the insured salary. On the other hand they include retirement benefits that are dependent on the accumulated retirement assets at the time of retirement. The pension plan assets include the following stock exchange-listed values: shares in an amount of € 2,073 K or 9.47% (previous year: € 2,276 K or 11.69%), obligations in an amount of € 3,298 K or 15.07% (previous year: of € 3,240 K or 16.63%), real estate in an amount of € 1,285 K or 5.87% (previous year: € 1,290 K or 6.62%) and from qualifying insurance agreements. Other assets not listed on stock exchanges amount to € 15,231 K or 69.59% (previous year: € 12,673 K or 65.06%). The pension plan assets are valuated with the fair value.

The calculation of the typological interest rate of the plan assets is made in the amount of the discount interest rate of the pension obligations at the beginning of the period. The actual return on plan assets amounts to € 1,305 K (previous year: € 353 K). The current value of the pension plan assets can be derived from the following:

		2014 € K	2013 € K
	Fair value of the assets at the start of the year	19,479	17,957
+	Paid contributions	1,437	1,030
+/–	Benefit paid / received	–576	227
+/–	Interest income from plan assets	485	424
+/–	Acturial profit / loss recognised in other comprehensive income	820	143
+/–	Exchange rate changes	242	–302
=	**Fair value of the assets at the end of the year**	**21,887**	**19,479**

The benefits actually granted including the insured's contributions are disclosed as benefits paid.

Of the company pension provisions in the amount of € 47,805 K (previous year: € 38,421 K), € 43,228 K (previous year: € 35,536 K) are attributable to domestic group companies; this corresponds to about 90% (previous year: about 92%) of the total amount. The changes in the cash value compared to the previous year are due to an adjustment of the fair value of the pension plan assets and the change in the number of pensioners.

Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 12,000 K (previous year: € 9,689 K).

In financial year 2014, total expenditure amounted to € 4,849 K (previous year: € 3,014 K), which breaks down into the following components:

		2014 € K	2013 € K
	Current service cost	1,210	1,095
+	Retroactive service cost	2,575	886
+/–	Net interest components	1,064	1,033
=	**Total expenses for defined contributions pension plans**	**4,849**	**3,014**

The following table shows the reconciliation of the opening balance to the final balance for the net debt (net plan assets) from the defined benefit pension plans and their components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset) from benefit-oriented plans	
	2014	2013	**2014**	2013	**2014**	2013
	€ K	€ K	**€ K**	€ K	**€ K**	€ K
As at 1 January	**57,900**	**55,561**	**−19,479**	**−17,957**	**38,421**	**37,604**
Included in profit and loss						
Current service cost	1,210	1,095	0	0	1,210	1,095
Retroactive service cost	2,575	886	0	0	2,575	886
Interest expense (income)	1,549	1,457	−485	−424	1,064	1,033
Exchange rate changes	279	−172	−241	302	38	130
	5,613	**3,266**	**−726**	**−122**	**4,887**	**3,144**
Included in other comprehensive income						
Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
financial assumptions	7,536	−319	0	0	7,536	−319
experience adjustments	1,154	1,449	0	0	1,154	1,449
Effect on plan assets (excluding interest income)	0	0	−820	−143	−820	−143
	8,690	**1,130**	**−820**	**−143**	**7,870**	**987**
Other						
Contributions paid by employees	0	0	−732	−1,030	−732	−1,030
Payments achieved	−2,511	−2,057	−130	−227	−2,641	−2,284
	−2,511	**−2,057**	**−862**	**−1,257**	**−3,373**	**−3,314**
Total as at 31 December	**69,692**	**57,900**	**−21,887**	**−19,479**	**47,805**	**38,421**

The present value of the provisions had changed as follows:

		2014	2013
		€ K	€ K
	Benefit obligation at the beginning of the year	57,900	55,561
−	Pension payments made	−3,216	−2,516
+	Current service cost and interest expenses	5,334	3,438
+	Plan participants contribution	705	459
+/−	Actuarial profits (−) and losses (+) recognised in other comprehensive income	8,690	1,130
+/−	Exchange rate changes	279	−172
	Benefit obligations at the end of the year	**69,692**	**57,900**

In the past five years, the financing status, comprising the cash value of all pension commitments and the present value of the plan assets, has developed as follows:

	2014 € K	2013 € K	2012 € K	2011 € K	2010 € K
Cash value of all pension commitments	69,692	57,900	55,561	48,953	46,626
Current value of the pension plan assets of all funds	−21,887	−19,479	−17,957	−16,456	−8,759
Funding status	47,805	38,421	37,604	32,497	37,867

Payments to beneficiaries from unfunded pension plans in 2015 are expected in an amount of € 2,503 K (previous year for 2014: € 2,443 K), while payments to funded pension plans in the financial year 2015 estimated to amount to about € 829 K (previous year for 2014: € 572 K).

The average weighted duration of pension obligations in Germany is thirteen years and in Switzerland between eighteen and nineteen years.

If other assumptions are constant, then a reasonable interpretation at the close would influence possible changes in the benefit-oriented obligations, with significant actuarial assumptions, in the following amounts.

The effects on the entitlement present value is as follows:

	Effects on entitlements as of 31 Dec. 2014 € K	in %
Entitlement present value of obligations	**69,692**	
in the case of		
Reduction of 0.25% in the discount interest rate	72,028	3.35
Increase of 0.25% in the discount interest rate	67,390	−3.30
Reduction of pension progression by 0.25%	68,575	−1.60
Increase of pension progression by 0.25%	70,758	1.53

In the presented sensitivities, it should be taken into account that due to mathematical effects, the change as a percentage is not and / or does not have to be linear. This is why increases and decreases in terms of per cent do not react with the same absolute amount.

32 OTHER PROVISIONS

The following lists the major contents of provisions:

	31 Dec. 2014		31 Dec. 2013	
	Total	Of which short-term	Total	Of which short-term
	€ K	€ K	€ K	€ K
Tax provisions	36,289	36,289	34,467	34,467
Obligations arising from personnel	92,148	68,082	87,165	67,355
Risks arising from warranties and retrofitting	35,909	30,210	35,703	31,993
Obligations arising from sales	41,702	40,164	41,101	36,965
Legal and consultancy fees and costs of preparation of accounts	5,267	5,267	4,779	4,779
Other	17,524	17,002	17,348	17,191
	192,550	160,725	186,096	158,283
Total	**228,839**	**197,014**	**220,563**	**192,750**

Tax provisions include current taxes on income and returns of € 26,870 K (previous year: € 25,795 K), for risks from current external audits amounting to € 2,000 K (previous year: € 3,300 K) and other operating taxes, which have been accumulated for the reporting period and for previous years. It can be assumed that a significant part of the obligations will be fulfilled during the financial year.

Provisions for personnel expenses in the group include obligations for profit-sharing and staff bonuses of € 39,409 K (previous year: € 37,252 K), part-time retirement payments of € 2,907 K (previous year: € 4,125 K), holiday pay of € 14,364 K (previous year: € 13,765 K) and anniversary payments of € 8,504 K (previous year: € 7,553 K). The provisions for anniversary bonuses and part-time retirement are discounted and carried as liability at their present value. Obligations arising from part-time retirement are secured against potential insolvency through a mutual trust relationship. To secure the pension plan, cash assets are transferred into a trust property. The members of this trust property are domestic group companies.

The assets are defined as “plan assets” in accordance with IAS 19.7 and balanced against the related provisions. Any proceeds arising from the pension plan assets are balanced against the related expenses. As of 31 December 2014, liquid assets of € 3,025 K (previous year: € 4,059 K) were transferred to the trust property.

Risks arising from warranties and retrofitting relate to present obligations to third parties, the use of which is probable and the anticipated amount of which can be reliably estimated. The measurement of provisions was carried out on the basis of previous experience, taking into account the conditions at the close of the reporting period and taking into account possible price increases on the closing date. The obligations from the sales area are included in the liabilities for commissions, contractual penalties and other liabilities.

The other obligations primarily include provisions for installations to be carried out and other various services, for which uncertainties exist regarding dates and required future expenses and whose expected amounts can be reliably estimated. For the short-term provisions, it can be assumed that a significant part of the obligations will be fulfilled in financial year 2015.

The movement in the other provisions is illustrated in the analysis of provisions:

	01 Jan. 2014 **€ K**	Transfers € K	Used € K	Retransfers € K	Changes in the group of consolidated companies € K	Other changes € K	**31 Dec. 2014** **€ K**
Tax provisions	34,467	22,396	19,406	1,165	0	–3	36,289
Obligations arising from personnel	87,165	63,173	55,357	3,314	283	198	92,148
Risks arising from warranties and retrofitting	35,703	17,258	15,022	2,172	0	142	35,909
Obligations arising from sales	41,101	26,473	24,736	1,484	0	348	41,702
Legal and consultancy fees and costs of preparation of accounts	4,779	4,713	3,801	449	0	25	5,267
Other	17,348	12,704	11,287	1,663	95	327	17,524
	186,096	124,321	110,203	9,082	378	1,040	192,550
Total	**220,563**	**146,717**	**129,609**	**10,247**	**378**	**1,037**	**228,839**

The other changes include currency adjustments and transfers.

Obligations arising from personnel include provisions for the long-term incentive totalling € 6,930 K (previous year: € 7,860 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter of the group Management Report.

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Remuneration report

The following table shows the number of performance units awarded in 2011, 2012, 2013 and 2014, and the amount of the allocations and / or the provisions:

	Tranche 2011 4-year term		Tranche 2012 4-year term			Tranche 2013 4-year term			Tranche 2014 4-year term		
	Number of performance units awarded	Amount of the allocation for 2014	Number of performance units awarded	Fair value 31 Dec. 2014	Provision 31 Dec. 2014	Number of performance units awarded	Fair value 31 Dec. 2014	Provision 31 Dec. 2014	Number of performance units awarded	Fair value 31 Dec. 2014	Provision 31 Dec. 2014
	Shares	€ K	Shares	€ K	€ K	Shares	€ K	€ K	Shares	€ K	€ K
Dr. Rüdiger Kapitza	26,858	1,231	22,422	1,037	778	22,848	963	482	16,000	539	135
Dr. Thorsten Schmidt	17,905	784	14,948	692	519	15,232	642	321	10,667	359	90
Christian Thönes	–	–	7,474	346	259	15,232	636	318	10,667	359	90
Dr. Maurice Eschweiler	–	–	–	–	–	7,616	321	161	10,667	359	90
André Danks	–	–	–	–	–	–	–	–	8,650	291	73
Günter Bachmann	17,905	759	14,948	692	519	15,232	642	321	–	–	–
Total	**62,668**	**2,774**	**59,792**	**2,767**	**2,075**	**76,160**	**3,204**	**1,603**	**56,651**	**1,907**	**478**

The determination of fair values of a performance unit at the date of awarding and the balance sheet date is made by means of a Monte Carlo simulation of the stock price, assuming the Black-Scholes model.

From the tranche issued in 2014, provisions expenses arose during the reporting period amounting to € 478 K. From the tranche issued in 2013, provisions expenses arose amounting to € 1,603 K; from the tranche issued in 2012 provisions expenses arose in an amount of € 2,075 K, from the tranche issued in 2011 with a term of four years, an allocation amounting to € 2,774 K occurred.

33 FINANCIAL DEBTS

Details of short-term and long-term financial debts are listed in the following tables:

	31 Dec. 2014	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
	€ K	€ K	€ K	€ K
Bank loans and overdrafts [1)]	44,923	2,528	37,954	4,441
Discounted customer bills	7,233	7,233	0	0
	52,156	**9,761**	**37,954**	**4,441**

[1)] of which secured by mortgages: € 18,026 K

	31 Dec. 2013	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
	€ K	€ K	€ K	€ K
Bank loans and overdrafts [1)]	3,818	2,014	745	1,059
Discounted customer bills	10,857	10,643	214	0
	14,675	**12,657**	**959**	**1,059**

[1)] of which secured by mortgages: € 1,472 K

Liabilities towards credit institutions rose in comparison with the previous year by € 37,481 K. This mostly resulted from taking on two long-term loans for the construction projects of the new European Headquarters in Winterthur, Switzerland and the new production facility in Ulyanovsk, Russia. The use of overdraft loans fell € 304 K compared to the previous year to € 1,485 K.

The short and medium term resource requirements of DMG MORI SEIKI AKTIENGESELLSCHAFT and, as part of the intra-group cash management system, of the majority of domestic subsidiaries are covered by the operative cash flow as well as short-term and long-term financing. The amount of approved credit lines were € 767.8 million (previous year: € 742.7 million). Significant components of this are syndicated credit line amounting to € 450.0 million, aval lines amounting to € 78.6 million (previous year: € 102.0 million), as well as factoring agreements, another part of the financing portfolio, in the amount of € 167.5 million (previous year: € 172.8 million).

In addition to the syndicated credit there are still some long-term loans and short-term bilateral financing commitments to individual subsidiaries of a total volume of € 71.7 million (previous year: € 17.8 million). The borrowing of two long-term loans in the financial year with an amount of € 41.6 million for the financing of investments in the construction of the new global European Headquarters in Winterthur, Switzerland as well as the new production facility in Ulyanovsk, Russia. The loans have a term between five and eight years. The making use of long-term loans as of 31 December 2014 was € 43.4 million (previous year € 2.0 million). € 1.5 million in short-term financing approvals (previous year: € 1.8 million) were drawn upon.

The international share in liabilities to credit institutes amounted in total to about 96% (previous year: about 45%) as of 31 December 2014. The average cost of borrowing amounted to 2.0% (previous year: 2.2%). For liabilities to credit institutions of € 44,923 K (previous year: € 3,818 K), there were no significant differences between the carrying amount and market value.

Set out below are the major liabilities to credit institutions:

	31 Dec. 2014				31 Dec. 2013			
	Currency	**Carrying amount**	Remaining period in years	Effective interest rate	Currency	Carrying amount	Remaining period in years	Effective interest rate
		€ K		%		€ K		%
Loan	EUR	26,805	up to 12	2.28 – 6.25	EUR	2,029	up to 13	3.54 – 6.25
Loan	CHF	16,633	up to 5	1.9				
Overdrafts	various	1,485	up to 1	6.5 – 15.6	various	1,789	up to 1	6.5 – 12.0
		44,923				**3,818**		

A syndicated credit line is available to DMG MORI SEIKI group with a volume totalling € 450.0 million. It comprises a cash tranche of € 200.0 million and an aval tranche of € 250.0 million. The credit line has a five-year term (until 2016). The current syndicated loan will have an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus an interest surcharge. The interest surcharge is variable and can change depending on the company's key figures (0.90% to a maximum of 2.30%). It is currently 0.90% (previous year: 1.15%).

The syndicated loan is classified as current as it can be drawn upon for a maximum of six months.

The financing agreements for the syndicated loan bind the DMG MORI SEIKI group to adhere to covenants which are usual for the market. All covenants were adhered to as of 31 December 2014.

For the financing, the lending banks have completely waived the right to collateral for the refinancing. 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 agreements.

Open credit lines as of the close of the reporting period amount to € 379.9 million (previous year: € 388.6 million). These comprise free cash lines of € 226.8 million (previous year: € 214.0 million) and additional open lines of credit (avals, bills of exchange, factoring) of € 153.1 million (previous year: € 174.6 million).

In addition to the guaranteed land charges, SAUER GmbH has assigned fixed assets and current assets in an amount of € 929 K (previous year: € 965 K) to the lending banks by transfer of ownership by way of security.

34 TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term financial liabilities are shown as follows:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Trade creditors	0	0
Other financial long-term liabilities	3,190	4,046
Other long-term liabilities	3,285	2,387
	6,475	**6,433**

Trade creditors are classified as financial liabilities. There were no liabilities against associated companies as in the previous year.

Other long-term financial liabilities include the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Liabilities from finance lease arrangements	1,644	2,725
Fair market value of derivative financial instruments	18	1,107
Other long-term financial liabilities	1,528	214
	3,190	**4,046**

Liabilities arising from finance leases amounted to € 1,644 K (previous year: € 2,725 K) and show the discounted value of future payments from finance leases. These are liabilities arising from finance leases for buildings.

Market values of derivative financial instruments comprise market values of forward exchange rate contracts totalling € 18 K (previous year: € 1,107 K for interest rate swaps).

In other financial liabilities, the fair market value of long-term liabilities corresponds to the values shown on the balance sheet. Liabilities that, in legal terms, arise after the end of the reporting period, only have a minor impact on the company's financial situation.

	31 Dec. 2014 € K	31 Dec. 2013 € K
Accruals	3,109	2,387
Liabilities relating to social insurance	126	0
Other long-term liabilities	50	0
	3,285	**2,387**

The deferred income accounted for in other long-term liabilities include the guaranteed investment grants from the funds of the joint aid programme "Improvement of the Regional Economic Structure" and investment subsidies pursuant to the German Investment Subsidy Act in an amount of € 3,109 K (previous year: € 2,387 K) as applied under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

As in the previous year, no investment subsidies were paid in financial year 2014. The accruals will be dissolved in accordance with the depreciation procedure for tax-privileged capital assets and recognised in the income statement.

35 TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Short-term financial liabilities are shown as follows:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Trade creditors	301,298	260,646
Liabilities to at equity accounted companies	668	270
Liabilities to related parties	82,519	48,401
Liabilities to associated companies	30,724	22,460
Other short-term financial liabilities	35,503	34,840
	450,712	**366,617**

Liabilities to other related companies resulted from deliveries and services as part of the business relationship with our cooperation partner and its affiliated companies.

	31 Dec. 2014 € K	31 Dec. 2013 € K
Fair market value of derivative financial instruments	7,732	4,656
Debtors with credit balance	2,506	4,011
Liabilities from finance lease arrangements	1,998	1,378
Other short-term financial liabilities	23,267	24,795
	35,503	**34,840**

The fair value of derivative financial instruments involves the fair value for interest rate swaps amounting to € 1,397 K (previous year: € 2,675 K), as well as the fair market value for forward exchange contracts mainly in USD, JPY, CAD and GBP.

Liabilities arising from finance leases amounted to € 1,998 K (previous year: € 1,378 K) and show the discounted value of future payments from finance leases. For the most part, these are liabilities arising from finance leases for buildings.

Short-term liabilities arising from finance leases are recognised without future interest payable. All future payments arising from finance leases amounting to € 4,023 K (previous year: € 4,635 K).

Other financial liabilities include liabilities from bills of exchange of € 11,894 K (previous year: € 9,945 K), which resulted from the acceptance of drawn bills and the issue of promissory notes.

The minimum lease payments for the respective lease agreements are as follows:

TOTAL FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2014 € K	31 Dec. 2013 € K
Due within one year	2,174	1,555
Due within between one and five years	1,775	2,874
Due in more than five years	74	206
	4,023	**4,635**
INTEREST COMPONENT INCLUDED IN FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	176	177
Due within between one and five years	204	347
Due in more than five years	1	8
	381	**532**
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	1,998	1,378
Due within between one and five years	1,571	2,527
Due in more than five years	73	198
	3,642	**4,103**

The minimum lease payments from subleases, for which the DMG MORI SEIKI group is the lessor, will amount to € 1,519 K in 2015 (previous year: € 685 K). The agreements primarily involve the leasing of machine tools.

Other short-term liabilities include the following items:

	31 Dec. 2014 € K	31 Dec. 2013 € K
Tax liabilities	19,145	20,433
Liabilities relating to social insurance	5,095	4,849
Payroll account liabilities	2,460	3,696
Deferred income	6,172	5,291
Other liabilities	1,128	589
	34,000	**34,858**

Tax liabilities refer to liabilities arising from value added tax amounting to € 8,559 K (previous year: € 10,598 K) as well as liabilities arising from wage and church tax in the amount of € 8,019 K (previous year: € 6,762 K).

36 LIABILITIES IN CONNECTION WITH ASSETS HELD FOR SALE

As of 31 December 2014, liabilities of € 800 K (previous year: € 9,632 K) occurred in connection with long-term assets held for sale. The long-term liabilities are disclosed in the segment reporting of the "Industrial Services" business segment.

37 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

No provisions were set up for the following contingent liabilities, which are recognised at their nominal amounts, since the risk of utilisation is estimated as not very probable:

CONTINGENCIES	31 Dec. 2014 € K	31 Dec. 2013 € K
Guarantees	2,054	1,135
Warranties	135	508
Other contingencies	4,502	4,174
	6,691	**5,817**

The guarantees primarily include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, a guarantee in connection with the offer of financing solutions through leasing.

Other financial obligations consist mainly of lease agreements and long-term tenancy agreements. In operating lease agreements, the beneficial owner of the leased items is the lessor, which means risks and rewards are borne by the lessor.

The total minimum lease payments from permanent tenancy and lease agreements (finance lease arrangements and operating lease arrangements) are as set out below by due dates. The agreements have terms from two to forty-three years and some include options to extend or purchase options.

NOMINAL AMOUNT OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2014 € K	31 Dec. 2013 € K
Due within one year	27,342	24,887
Due within between one and five years	32,517	37,463
Due in more than five years	5,045	6,506
	64,904	**68,856**

Of which operating lease arrangements account for:

NOMINAL AMOUNT OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2014 € K	31 Dec. 2013 € K
Due within one year	25,168	23,332
Due within between one and five years	30,742	34,589
Due in more than five years	4,971	6,300
	60,881	**64,221**

Operating lease agreements exist in connection with the financing of buildings of DECKEL MAHO Pfronten GmbH in the amount of € 2.9 million and of FAMOT Pleszew Sp. z o.o., Pleszew, Poland, in the amount of € 2.4 million. The operating lease agreements for the buildings include a purchase option upon expiry of the basic rental period.

Further operating lease agreements exist at FAMOT Pleszew Sp. z o.o., Poland, for machines in the amount of € 3.4 million and at DECKEL MAHO Pfronten GmbH amounting to € 1.2 million. At DECKEL MAHO Pfronten GmbH, lease agreements in connection with the financing of crane installations exist in an amount of € 0.5 million. The agreements contain purchase options upon expiry of the basic rental period.

At other group companies, leasing agreements exist, especially for vehicle fleets for a total of € 20.8 million. Moreover, leasing agreements exist for machines and other plant, factory and business equipment. Some of the agreements contain purchase options upon expiry of the basic rental period. The operating lease agreements have a minimum period of between two and forty years.

There are no permanent sub-tenancy agreements that have to be included in the total of future minimum lease payments. There are no contingent rental payments that are recognised in the income statement.

38 DERIVATIVE FINANCIAL INSTRUMENTS

At the close of the reporting period, forward exchange rate contracts were held by the DMG MORI SEIKI group primarily in USD, GBP, CAD, JPY, PLN and CHF, as well as an interest rate swap in euros. The nominal values and fair market values of derivative financial instruments existing at the close of the reporting period are set out below:

	31 Dec. 2014				31 Dec. 2013	
	Nominal value	**Asset**	**Debt**	**Total**	Nominal value	Fair market values
	€ K	**€ K**	**€ K**	**€ K**	€ K	€ K
Forward exchange contracts as cash flow hedges	54,900	22	1,699	−1,677	70,114	1,701
of which USD	36,721	0	1,404	−1,404	40,637	1,494
of which GBP	4,051	0	58	−58	10,620	−126
of which CAD	8,509	0	200	−200	6,593	263
of which PLN	3,239	0	37	−37	6,234	42
of which AUD	0	0	0	0	3,008	5
of which SGD	755	0	0	0	2,751	71
of which JPY	1,625	22	0	22	271	−47
Interest rate swap without hedge relations	60,000	0	1,397	−1,397	60,000	−3,782
Forward foreign exchange contracts held for trading purposes	151,288	957	4,653	−3,696	142,610	−288
of which USD	59,789	708	3,430	−2,722	64,677	621
of which GBP	25,539	175	234	−59	32,495	−71
of which JPY	21,109	29	569	−540	15,638	−865
of which CHF	28,859	12	43	−31	14,510	−61
of which PLN	3,488	0	42	−42	4,571	−4
of which CAD	3,077	0	196	−196	3,015	185
of which SGD	8,821	25	136	−111	2,976	−2
of which CZK	0	0	0	0	2,513	−97
of which other currencies	606	0	1	−1	2,215	6
	266,188	**979**	**7,749**	**−6,770**	**272,724**	**−2,369**

The nominal values correspond to the total of all unbalanced purchase and sales amounts of derivative financial transactions. The fair market values recognised correspond with the price at which, as a rule, third parties would assume the rights or obligations arising from the financial instruments at the close of the reporting period. It cannot be assumed overall that the assessed value will also be actually realised upon dissolution. 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 interest rate swap are recognised in the balance sheet under other long-term financial liabilities respectively short-term financial liabilities.

The fair market values of forward exchange rate contracts are recognised in the balance sheet under other long-term and short-term financial assets or other long-term and short-term financial liabilities.

At the close of the reporting period, the DMG MORI SEIKI group also held forward exchange rate contracts held for trading purposes, which, although they do not fulfil the strict requirements of hedge accounting pursuant to IAS 39, make an effective contribution to the securing of financial risks pursuant to the principles of risk management. For the hedging of currency risks recognised as monetary assets and liabilities, the DMG MORI SEIKI group does not use hedge accounting pursuant to IAS 39, as the realised profits and income statement losses from the underlying transactions from the currency translation pursuant to IAS 21 are recognised in the at the same time as the realised profits and losses from the derivatives applied as hedging instruments. In the event that third parties do not fulfil their obligations arising from forward exchange rate contracts, as at the close of the reporting period, DMG MORI SEIKI group had a deficit risk amounting to € 979 K (previous year: € 3,394 K).

The interest rate swap, as in the previous year had a total nominal volume of € 60,000 K and a remaining term of up to one year. As of the close of the reporting period, all existing forward exchange contracts with a nominal volume of € 204,965 K have a remaining term of up to one year (previous year: € 210,907 K). Forward exchange contracts of a volume of € 1,223 K (previous year: € 1,816 K) have a remaining term of more than one year.

In the financial year 2014, expenses arising from the market valuation of financial instruments allocated to cash flow hedges in an amount of € 1,677 K (previous year: € 1,766 K) were allocated to equity and an amount of € 1,766 K (previous year: € 793 K) was removed from equity and recognised in profit or loss as income (previous year: income) for the reporting period. It was recognised in the income statement under exchange rate and currency profits or in the exchange rate and currency losses. Neither in the financial year nor in the previous year was there any ineffectiveness in forward exchange contract.

Due to the discontinuation of the underlying transactions during financial year 2011, the cash flow hedge relationship was dissolved for the interest rate swap, which since has been accounted for separately.

The group concluded derivative transactions pursuant to global netting agreements (framework agreement) of the “International Swaps and Derivative Association” (ISDA) and other corresponding national framework agreements. The netting agreements only grant the right of netting out of future events such as default or bankruptcy of the group or its opponents. The netting agreements thus do not fulfil the balancing criteria of IAS 32.

The following table gives an overview of financial assets and financial liabilities which are subject to netting agreements or similar agreements:

	Gross amount of financial instruments in the balance sheet	Gross amount of related financial instruments that are not offset	Net amount
	31 Dec. 2014	**31 Dec. 2014**	**31 Dec. 2014**
	€ K	**€ K**	**€ K**
Financial assets			
Forward exchange contracts	979	979	0
Financial liabilities			
Interest rate swap	1,397	0	1,397
Forward exchange contracts	6,352	979	5,373

	Gross amount of financial instruments in the balance sheet	Gross amount of related financial instruments that are not offset	Net amount
	31 Dec. 2013	31 Dec. 2013	31 Dec. 2013
	€ K	€ K	€ K
Financial assets			
Forward exchange contracts	3,394	1,713	1,681
Financial liabilities			
Interest rate swap	3,782	0	3,782
Forward exchange contracts	1,981	1,713	268

39 RISKS FROM FINANCIAL INSTRUMENTS

Risks from financial instruments

Currency and interest rate fluctuations can lead to considerable profit and cash flow risks. For this reason, DMG MORI SEIKI group centralises these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. The controlling of risks is based on regulations that are valid throughout the group and in which the targets, principles, responsibilities and competencies are defined. Further information on the risk management system is presented in detail in the Management Report in the opportunities and risk report.

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Opportunities and risk report

Currency risks

In its global business activities, the DMG MORI SEIKI group is exposed to two types of currency risks. Transaction risks arise through changes in value of future foreign currency payments due to exchange rate fluctuations in individual financial statement. In the DMG MORI SEIKI group, both purchases and sales are made in foreign currencies. To hedge currency risks arising from activities within the DMG MORI SEIKI group, forward exchange contracts are used. The conclusion and processing of derivative financial instruments are based on binding internal regulations defining scope, responsibilities, reporting and controls.

The translation risks describe the risk of a change in the balance sheet and income statement items of a subsidiary due to exchange rate differences in the translation of local individual financial statements to the group currency. Any changes in the financial position items of these companies caused by currency fluctuations in translation will be recorded in equity. Risks arising from the translation of sales revenues and results in foreign currency from subsidiaries are not hedged.

The DMG MORI SEIKI group determines foreign currency sensitivity through aggregating all foreign currency items that are not represented in the functional currency of the respective company and sets these against hedging. The fair market value of the basic items and hedges included are evaluated once at the actual exchange rates and once with the sensitivity rates. The difference between the two values represents the effects on equity and results.

The following table shows the hypothetical effects on the reserves for derivatives in equity and on the result as at 31 December 2014 and 31 December 2013, if the euro would have gained or lost 10% of its value against the important currencies USD, JPY and CAD.

Overall, the reserves for derivatives in equity and the fair value of the forward exchange contracts would have been € 547 K (lower) (previous year: 5,081 K lower). The results and fair value of the forward exchange contracts would have been € 4,670 K lower (previous year: € 665 K higher).

	Profit or loss		Net equity	
	Increase	Decline	Increase	Decline
31 December 2014				
USD (10% change)	−4,760	4,760	−5	5
JPY (10% change)	968	−968	−170	170
CAD (10% change)	−878	878	−372	372
	−4,670	**4,670**	**−547**	**547**
31 December 2013				
USD (10% change)	−419	419	−4,892	4,892
JPY (10% change)	1,092	−1,092	563	−563
CAD (10% change)	−8	8	−752	752
	665	**−665**	**−5,081**	**5,081**

The following table shows the transaction-related net currency risk in € K for the most important currencies as at 31 December 2014 and 2013:

Currency	31 Dec. 2014			31 Dec. 2013		
	USD	JPY	CAD	USD	JPY	CAD
	€ K	€ K	€ K	€ K	€ K	€ K
Currency risk from balance sheet items	25,986	−7,754	3,077	26,654	−2,352	3,014
Currency risk from pending transactions	38,811	4,734	8,701	41,790	−293	7,396
Transaction-related currency items	64,797	−3,020	11,778	68,444	−2,645	10,410
Financially hedged item through derivatives	−65,046	3,857	−11,585	−68,164	2,873	−9,607
Open foreign currency item	−249	837	192	280	228	803
Change in foreign currency item through a 10% revaluation of the euro	25	−84	−19	−28	−23	−80

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on the results, equity or cash flow during the current or future reporting periods. At the DMG MORI SEIKI group, interest rate risks are essentially in connection with financial liabilities. The entire executive board will decide in each individual case on whether interest rate risks will be hedged using interest rate hedging instruments on the basis of a proposal drafted by the board‘s finance committee. As at 31 December 2014, the DMG MORI SEIKI group is in possession of an interest rate swap. There is no underlying transaction for this interest rate swap, since the secured borrowers‘ note was ended prematurely in financial year 2011. In order to avoid a one-time compensation payment, it was decided to let the interest rate swap keep running. The changes in value amounting to € 2,385 K (previous year: € 6,089 K) were recognised in the income statement under financing expenses.

The interest sensitivities are shown as follows:

	Profit or loss		Net equity	
	Increase by 100 basis points € K	Decrease by 100 basis points € K	Increase by 100 basis points € K	Decrease by 100 basis points € K
31 December 2014				
Variable-rate instruments	3,095	−3,095	0	0
Interest rate swap	6	−6	0	0
Profit sensitivity (net)	**3,101**	**−3,101**	0	0
31 December 2013				
Variable-rate instruments	2,626	−2,626	0	0
Interest rate swap	623	−623	0	0
Profit sensitivity (net)	**3,249**	**−3,249**	**0**	**0**

As of 31 December 2014, the DMG MORI SEIKI group has no net deficit, so that interest rate increases would present an opportunity to higher interest yield. A 1% increase in interest rates pertaining to the portfolio at the close of the reporting period would result in an increase in interest income of € 3.1 million (previous year: interest income of € 2.6 million). The following table shows the nominal volumes of the fixed-rate and variable-rate instruments:

	Nominal volume	
	31 Dec. 2014 € K	31 Dec. 2013 € K
Fixed-rate instruments		
Financial assets	0	0
Financial liabilities	−18,437	−2,011
	−18,437	**−2,011**
Effect of interest rate swap	−60,000	−60,000
	−78,437	**−62,011**
Variable-rate instruments		
Financial assets	433,000	371,149
Financial liabilities	−183,532	−168,489
Effect of interest rate swap	60,000	60,000
	309,468	**262,660**

Fixed interest rates have been mainly agreed to for other financial liabilities bearing interest. Changes in the interest rate would only have an effect if these financial instruments were recognised in the financial position at fair value. As this is not the case, financial instruments with a fixed interest rate are not subject to any risks arising out of interest rate changes within the meaning of IFRS 7.

Liquidity risks

The liquidity risk is the risk that the DMG MORI SEIKI group may not be able to meet its financial obligations. Cash outflows result primarily from financing working capital, capital investments and covering the financial requirements of sales financing. The management is informed regularly of the cash inflows and outflows as well as of financing sources. The liquidity risk is limited by creating the necessary financial flexibility within the scope of the existing financing and through effective cash management. Liquidity risk at the DMG MORI SEIKI group is governed by financial planning over twelve months. This makes it possible to finance predictable deficits under normal market conditions at standard market terms. On the basis of the current liquidity planning, no liquidity risks are identifiable at present. As a liquidity precaution, there is a syndicated loan facility of € 450.0 million with various banks as well as bilateral stand-by credits of € 71.7 million (previous year: € 17.8 million). Loan facilities have not been cancelled either in the financial year 2014 or in the previous year. The financing agreements for the syndicated loan bind the DMG MORI SEIKI group to adhere to covenants which are usual for the market. All covenants were adhered to as of 31 December 2014.

As at 31 December 2014, the DMG MORI SEIKI group had cash and cash equivalents totalling € 433.0 million (previous year: € 371.1 million), open cash lines in an amount of € 226.8 million (previous year: € 214.0 million) and further open lines (guarantees, bills of exchange and factoring) totalling € 232.1 million (previous year: € 224.8 million) available to it.

The following table shows that contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with negative fair values:

		Cashflows 2015		Cashflows 2016 – 2019		Cashflows 2020 et seq.	
	Book value 31 Dec. 2014	Interest	Repayment	Interest	Repayment	Interest	Repayment
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Liabilities to banks	44,923	968	2,528	2,908	37,954	339	4,441
Liabilities arising from leases	3,642	176	1,998	204	1,571	1	73
Discounted customers' bills	7,233	0	7,233	0	0	0	0
Other financial liabilities	443,311	0	441,782	0	1,469	0	60
Subtotal	**499,109**	**1,144**	**453,541**	**3,112**	**40,994**	**340**	**4,574**
Liabilities from derivatives	7,749	1,449	6,352	0	0	0	0
	506,858	**2,593**	**459,893**	**3,112**	**40,994**	**340**	**4,574**

This includes all instruments that were held as at 31 December 2014 and 31 December 2013, respectively, and for which payments have been contractually agreed. Forecast figures for future new liabilities have not been included. Amounts in foreign currencies were translated at the exchange rate on reporting date. The variable interest payments for financial instruments were determined on the basis of the last fixed interest rate before 31 December 2014 and 31 December 2013, respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date. It can be assumed that for a significant part of the assets resulting from derivatives in the amount of € 22 K (previous year: € 1,975 K) as well as part of the liabilities resulting from derivatives in the amount of € 1,699 K (previous year: € 274 K) which are classified as cash flow hedges, that these will be recognised in the income statement in the next twelve months.

		Cashflows 2014		Cashflows 2015 – 2018		Cashflows 2019 et seq.	
	Book value 31 Dec. 2013	Interest	Repayment	Interest	Repayment	Interest	Repayment
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Liabilities to banks	3,818	97	2,014	299	745	354	1,059
Liabilities arising from leases	4,103	112	1,378	125	2,527	8	198
Discounted customers' bills	10,857	0	10,643	0	214	0	0
Other financial liabilities	370,429	11	370,215	16	110	72	104
Subtotal	**389,207**	**220**	**384,250**	**440**	**3,596**	**434**	**1,361**
Liabilities from derivatives	5,763	0	4,656	0	1,107	0	0
	394,970	**220**	**388,906**	**440**	**4,703**	**434**	**1,361**

Credit Risks

A credit risk is the unexpected loss of payment funds or income. This occurs if the customer is not able to meet his obligations within the due time. Receivables management with worldwide applicable guidelines and regular analysis of the age structure of trade debtors ensures the continuous monitoring and limiting of risks and, in this way, minimises losses from receivables. Due to the diversified business structure within the DMG MORI SEIKI group, there are no special concentrations of credit risks, neither with respect to customers nor for individual countries. DMG MORI SEIKI group as a rule is exposed to receivables default risks which may cause impairments or in individual cases even receivables default. The group's receivables defaults have historically been ca. 1% of receivables. In the financial year, expenses for the complete write down of receivables totalled € 1,263 K (previous year: € 760 K). Further details on the es-timate of financial risks can be found in the Opportunities and Risks chapter of the group Management Report.

Within the scope of cash deposits, financial contracts are only concluded with the federal bank and banks that we have carefully chosen and continuously monitored. With respect to derivative financial instruments, the DMG MORI SEIKI group is exposed to a credit risk that arises from the non-performance of contractual agreements by the other party to the agreement. This credit risk is minimised by only entering into transactions with parties of first-class financial credit-standings. Pursuant to IFRS 7.36 the carrying amount of the financial assets represents the maximum credit risk. From the following table, a maximum credit risk arises of € 933,678 K as of the end of the reporting period (previous year: € 817,625 K):

	31 Dec. 2014 € K	31 Dec. 2013 € K
Financial assets held for sale	154,557	161,816
Loans and receivables	338,606	274,726
Financial assets held to maturity	6,540	6,540
Cash and cash equivalents	432,996	371,149
Derivative financial assets		
Derivatives without hedge relation	957	1,419
Derivatives with hedge relation	22	1,975
	933,678	**817,625**

There were no securities received or other credit enhancements neither in the financial year nor in the previous year.

P. 194 – 199 *Trade debtors and other financial assets*

P. 215 – 219 *Trade creditors and other liabilities*

The valuations rates of the financial instruments according to valuation categories are shown in the following table. Included in the financial investments are shareholdings which are classified as “available for sale”. In trade debtors are receivables from third parties to related companies, equity-accounted companies and those to associated companies. Trade creditors are analogous to this. Details of other financial assets and liabilities are shown on the corresponding tables.

		Valuation in accordance to IAS 39					
	Carrying amount 31 Dec. 2014	Amortised cost	Acquisition cost	Fair value recognised in equity	Fair value through profit or loss	Valuation in accordance to IAS 17	**Fair value at 31 Dec. 2014**
	€ K	€ K	€ K	€ K	€ K	€ K	**€ K**
Assets							
Financial assets	154,557			154,557		–	154,557
Cash and cash equivalents	432,996	432,996				–	432,996
Trade receivables	260,289	260,289				–	260,289
Other financial assets	78,317	78,317				–	78,317
Other original financial assets in the category							
Held to maturity	6,540	6,540				–	6,540
Derivative financial assets							
Derivatives without hedge relation	957				957	–	957
Derivatives with hedge relation	22			22		–	22
Equity and liabilities							
Liabilities to banks	44,923	44,923		44,937		–	44,937
Discounted customer bills of exchange	7,233	7,233				–	7,233
Trade payables	415,209	415,209				–	415,209
Liabilities from finance lease arrangements	3,642	3,642				3,642	3,642
Other financial liabilities	27,302	27,302				–	27,302
Derivative financial liabilities							
Derivatives without hedge relation	6,050				6,050	–	6,050
Derivatives with hedge relation	1,699			1,699		–	1,699
Of which aggregated in measurement categories acc. to IAS 39							
Loans and receivables	338,606	338,606					338,606
Assets in the category							
held-to-maturity	6,540	6,540					6,540
available for sale	154,557			154,557			154,557
held for trading purposes	957				957		957
Liabilities in the category							
measured at amortised cost	498,309	498,309					498,309
held for trading purposes	6,050				6,050		6,050

		Valuation in accordance to IAS 39					
	Carrying amount 31 Dec. 2013	Amortised cost	Acquisition cost	Fair value recognised in equity	Fair value through profit or loss	Valuation in accordance to IAS 17	Fair value at 31 Dec. 2013
	€ K	€ K	€ K	€ K	€ K	€ K	**€ K**
	161,816			161,816		–	161,816
	371,149	371,149				–	371,149
	202,789	202,789				–	202,789
	71,937	71,937				–	71,937
	6,540	6,540				–	6,540
	1,419				1,419	–	1,419
	1,975			1,975		–	1,975
	3,818	3,818				–	3,818
	10,857	10,857				–	10,857
	331,777	331,777				–	331,777
	4,103	4,103				4,103	4,103
	29,020	29,020				–	29,020
	5,489				5,489	–	5,489
	274			274		–	274
	274,726	274,726					274,726
	6,540	6,540					6,540
	161,816			161,816			161,816
	1,419				1,419		1,419
	381,283	381,283					381,283
	5,489				5,489		5,489

For financial instruments accounted at fair value, the fair value is determined, in principle, by way of stock market prices. Insofar as stock market prices are not available, measurement is carried out applying standard economic methods (measurement methods), taking instrument-specific market parameters as a basis.

Fair value assessment is carried out by means of the discounted cash flow method, where the individual credit-standings and other market circumstances in the form of standard market credit-standings or liquidity spreads are taken into account in the cash value assessment.

Financial assets are measured at fair value or acquisition cost (if necessary taking impairments into account).

For loans and receivables, which are measured at amortised acquisition costs, there is no liquid market. For short-term loans and receivables, it is assumed that the fair value corresponds to the carrying amount. All other loans and receivables are assessed at fair value through the deduction of accrued interest on future expected cash flows. In this, interest rates are used for credits, for which credits with a corresponding risk structure, original currency and term would have been re-concluded.

Trade creditors and other short-term financial liabilities in general have a term of less than one year, so that the carrying amount corresponds approximately to the fair value.

For liabilities to banks and other long-term liabilities, the fair values are cash values of the payments related to the liabilities taking market standard interest rates as the basis.

Fair Value Hierarchy

As of 31 December 2014, the financial assets and liabilities presented in the following table and measured at fair value were held.

Determining and the classification of fair value of financial instruments is based on a fair value hierarchy, which takes into account the significance of the input data used in the measurement and follows the following stages:

Stage 1: Prices listed on active markets (taken over unchanged) for identical financial assets and liabilities;

Stage 2: For assets or liabilities which are not represented by any listed price in accordance with Stage 1, either direct (as the price) or indirect (derived from price) observable input data;

Stage 3: Input data applied that is not based on observable market data for the measurement of assets and liabilities (non-observable input data).

	31 Dec. 2014 € K Stage 1	€ K Stage 2	€ K Stage 3	31 Dec. 2013 € K Stage 1	€ K Stage 2	€ K Stage 3
Financial assets						
Measured at fair value						
Financial investments (not affecting net income)	133,142			140,466		
Derivative financial instruments with hedge relation (not affecting net income)		22			1,975	
Derivative financial instruments without hedge relation (affecting net income)		957			1,419	
Financial liabilities						
Measured at fair value						
Financial liabilities		41,647			0	
Derivative financial instruments with hedge relation (not affecting net income)		1,699			274	
Derivative financial instruments without hedge relation (affecting net income)		6,050			5,489	

In the financial year there was no reclassification between Stages 1 and 2 in the measurement of fair value and there was no reclassification in or out of Stage 3 with respect to the measurement of fair value. There is no active market for the financial assets for the amount of up to € 21,415 K (previous year: € 21,350 K); it was assumed that the carrying amount corresponds to the fair value.

The net results of the financial instruments according to valuation categories are shown as follows:

	From interest € K	Subsequent measuring			Disposal € K	2014 € K
		At fair value € K	Foreign currency translation € K	Value adjustment € K		
Loans and receivables	424	−3,084	8,108	−4,096	2	1,354
Assets in the category						
Held to maturity	0	0	0	0	0	0
Available for sale	0	0	0	0	0	0
Held for trading purposes	0	−462	0	0	0	−462
Liabilities in the category						
Measured at amortised cost	−5,144	−34	−1,517	0	0	−6,695
Held for trading purposes	−2,399	−662	0	0	0	−3,061
Total	**−7,119**	**−4,242**	**6,591**	**−4,096**	**2**	**−8,864**

	From interest	Subsequent measuring			Disposal	2013
	€ K				€ K	€ K
		At fair value	Foreign currency translation	Value adjustment		
		€ K	€ K	€ K		
Loans and receivables	385	−4,700	3,632	−5,050	−39	−5,772
Assets in the category						
Held to maturity	0	0	0	0	0	0
Available for sale	0	0	0	0	0	0
Held for trading purposes	0	634	0	0	0	634
Liabilities in the category						
Measured at amortised cost	−2,947	4	−4,304	0	1,055	−6,192
Held for trading purposes	−5,420	5,618	0	0	0	198
Total	**−7,982**	**1,556**	**−672**	**−5,050**	**1,016**	**−11,132**

Interests from financial instruments are recognised in interest results.
Value adjustments on trade debtors are recognised in other operating expenses. Interest results from financial liabilities in the valuation category “liabilities at amortised acquisition cost” result essentially from interest expenses for liabilities to banks.

Notes on the Cash Flow Statement

40 CASH FLOW STATEMENTS

The statement of cash flows pursuant to IAS 7 “Statement of Cash Flows” records the payment flow in a financial year and represents the inflow and outflow of the company’s liquid funds. The payment flow is distinguished between cash flow from current operations and cash flow from investment and financing activity.

Cash and cash equivalents include, in addition to liquid funds in the narrowest sense, cheques, cash in hand and money on account at banks, as well as short-term financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortised cost.

The cash flow from current operations was calculated by the indirect method through adjusting the earnings before tax by changes in inventories, trade debtors and receivables, non-cash items and all other items showing cash flows in the investment or financing areas.

The cash flows from investment and financing activities were each calculated in terms of actual sums paid. Effects from foreign currency translation and changes in the consolidated group are adjusted accordingly. Investment transactions for finance lease agreements that did not lead to a change in the means of payment did not occur in the financial year 2014, nor in the previous year. As a part of the takeover of sales and service companies of our cooperation partner in Canada, Brazil and Russia by the DMG MORI SEIKI group, cash or cash equivalents amounting to € 2,729 K were taken over and recognised in cash flow from investment activities. Detailed notes on the assets and liabilities taken over and on the consideration in kind are presented in the section "Business Combinations". There were no purchase prices paid. In the previous year, as part of the acquisition of shares of Micron S.p.A., Veggiano (Italy), cash or cash equivalents amounting to € 762 K were taken over and recognised in cash flow from investment activities. The purchase price for the acquisition of shares amounted to € 7,500 K.

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Business combinations

The deposit of minority shareholders during the previous year resulted from the pro rata increase of equity of DMG MORI SEIKI Europe AG by DMG MORI SEIKI COMPANY LIMITED in the amount of € 3,000 K.

The joint ventures were accounted for at equity in the group consolidated financial statements and thus have no influence on the cash flows.

Notes on Segmental Reporting

41 EXPLANATORY NOTES ON THE SEGMENTS

Within the scope of segment reporting, pursuant to the IFRS 8 regulations, the business activities of the DMG MORI SEIKI group are categorised into the business segments of "Machine Tools", "Industrial Services" and "Corporate Services". Decisive in the differentiation between the business segments is the information that the so-called "chief decision-maker" is regularly provided with for the purposes of decision-making on the allocation of resources and the evaluation of profitability. The segment differentiation follows internal management and reporting on the basis of the different products and services. The key performance indicators for evaluating profitability of each business segment are the sales revenues and EBT.

A tabular presentation as part of the notes can be found in the Segmental Reporting. The **"Machine Tools"** segment covers the group's new machines business and consists of the business areas Turning, Milling, Advanced Technologies (Ultrasonic / Lasertec), ECOLINE, Electronics and DMG MORI Systems GmbH (formerly: DMG Automation GmbH). Since 1 January 2014, DMG MORI Systems GmbH, with registered offices in Wernau, Germany and Hüfingen, Germany, are now organised as part of the machine tools segment.

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Segmental reporting

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Segmental reporting

The numbers as of 31 December 2013 were adjusted accordingly.
The “Machine Tools” segment includes the lathes and turning centres of

- GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy,
- GRAZIANO Tortona S.r.l., Tortona, Italy,
- FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
- DMG ECOLINE AG, Dübendorf, Switzerland,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the milling machines and machining centres of

- DECKEL MAHO Pfronten GmbH, Pfronten,
- DECKEL MAHO Seebach GmbH, Seebach,
- FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
- DMG ECOLINE AG, Dübendorf, Switzerland,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the ultrasonic and laser machines of Advanced Technologies

- SAUER GmbH, Idar-Oberstein / Kempten

the products of

- DMG ELECTRONICS GmbH, Pfronten,

and the products of

- DMG MORI Systems GmbH, Wernau / Hüfingen.

All machines produced are classified as cutting machine tools, and all business segments are highly concurrent with each other. GILDEMEISTER Beteiligungen GmbH, as the parent company of all production plants and GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy, is also part of this segment. Additionally, the group’s uniform IT is concentrated here.

The **“Industrial Services”** segment comprises the business activities of the Services and Energy Solutions divisions.

The Industrial Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business activities of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, and its subsidiaries.

In the Services division we combine the marketing activities and the LifeCycle services for both our machines and those of our cooperation partner. With the aid of DMG MORI SEIKI Life Cycles, the productivity of our customers' machine tools are optimised over the entire life cycle – from their installation until part exchange as used machines. The wide range of training, repair and maintenance services offered, guarantees our customers maximum cost-effectiveness for their machine tools. This includes placement and consulting activities. DMG MORI Microset tool management enables the user to set up pro-cesses for machining work pieces safely and quickly, and thus cost-effectively. Another area is key accounting to serve major international customers, which is concen-trated
for all products and areas.

The Energy Solutions division includes the business activities of a+f GmbH and the companies responsible for sales, service and production in Italy, Spain, Austria and India. In this area, we focus on four business sectors: Components, Cellstrom, Energy Efficiency and Service. We are no longer continuing to develop the project business with large-scale solar plants. Cellstrom GmbH offers products for storing energy. We are continuing to expand our activities in the field of storage technology and intend to share with our well-engineered vanadium-redox technology in the market growth in future for decentral-ised storage. In the "Components" division, DMG MORI SEIKI group specialises in the production and marketing of cast iron and steel components, in particular for mechanical engineering and wind power plants.

The **"Corporate Services"** segment primarily comprises the DMG MORI SEIKI AKTIEN-GESELLSCHAFT with its group wide holding functions. Central functions have been assigned to DMG MORI SEIKI AKTIENGESELLSCHAFT such as group strategy, development and pur-chasing coordination, management of overall projects in the production and logistics areas, financing, corporate controlling and corporate personnel management. The holding functions across the group result in expense and sales revenues.

42 EXPLANATORY NOTES ON SEGMENT DATA

The definition of terms used in individual segment information is in line with the manage-ment principle for the value-oriented corporate management of the DMG MORI SEIKI group. Segment data is generally based on the same accounting and valuation methods as form the basis for the Consolidated Financial Statements.

Segmental assets include all assets tied up in the operative business including shares, goodwill and accruals and deferrals; it does not include income tax claims.
To evaluate the profitability of the segments, sales revenues from the "Machine Tools" segment are reclassified to the "Industrial Services" segment. Sales between the seg-ments are made at standard market transfer prices.

Pursuant to IFRS 3 “Business Combinations”, existing goodwill was allocated to the segments as follows: goodwill is attributed to the “Machine Tools” segment amounting to € 44,311 K (previous year: € 39,072 K), to the “Industrial Services” segment in the amount of € 90,862 K (previous year: € 82,438 K), and to the “Corporate Services” segment amounting to € 0 K (previous year: € 0 K). The goodwill in the cash-generating unit “Machine Tools” increased compared to the previous year due to the integration of DMG MORI Systems GmbH as of 1 January 2014. The increase of goodwill in the cash-generating unit “Industrial Services” resulted from the business combinations in Canada, Brazil and Russia. As in the previous year, no impairment of goodwill was recorded for the financial year.

Investments include the additions to tangible fixed assets and intangible assets, to property, plant and equipment and additions to financial assets.

Intersegment sales revenues show the sales revenues that have been made between the segments. The settlement prices of intra-group sales revenues are determined in line with the market (arm’s length principle).

Depreciation relates to segmental fixed assets.

The EBT of the “Machine Tools” segment includes income from the reversal of provisions in the financial year of € 5,454 K (previous year: € 5,657 K). The EBT of the “Industrial Services” segment includes income from the reversal of provisions in the financial year of € 3,570 K (previous year: € 5,387 K). Electricity yielded from solar parks were recognised in the amount of € 2,966 K (previous year: € 2,853 K) as sales revenues and € 3,948 K (previous year: € 4,427 K) as other operating income.

In the previous financial year non-cash expenses were included in the “Corporate Services” segment due to the impairment of an equity investment in an amount of € 4,338 K. As in the previous year, € 838 K from the amortisation of transaction costs for financial instruments are included. No material non-cash expenses occurred in the two other segments.

In financial year 2014 and in the previous year, no transactions were carried out with any one customer that were more than 10% of the sales revenues of the DMG MORI SEIKI group.

The “Transition” column represents the elimination of intra-group receivables and liabilities, income and expenses, as well as the elimination of intermediate results between the segments.

The information on geographical areas is based on the registered office of the group companies and is broken down into regions comprising Germany, the rest of Europe, North America, Asia and the rest of the world, which includes Mexico and Brazil. The data is determined on the basis of geographical sub-groups.

Long-term assets arise mainly out of fixed assets; they do not include financial instruments or deferred tax claims. The “Rest of Europe” region includes long-term assets in Italy in the amount of € 140,114 K (previous year: € 128,462 K) as of 31 December 2014.

Other explanatory notes

43 Auditor's fees and services

The fees and charges recognised as expense in financial year 2014 for the auditors of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, relate to auditing services as to € 1,132 K (previous year: € 1,083 K) and to other certification services as to € 348 K (previous year: € 1,031 K), which essentially resulted from services in the previous year in connection with the capital increases implemented. Furthermore, tax advisory services of € 405 K (previous year: € 492 K) and other services are included at € 530 K (previous year: € 1,261 K).

44 Events occurring after the end of the reporting period

On 21 January 2015, the DMG MORI SEIKI AKTIENGESELLSCHAFT and the DMG MORI SEIKI COMPANY LIMITED concluded Cooperation Agreement 2015. The agreement sets down goals for the further strategic development of the cooperation, which has existed since 2009, between DMG MORI SEIKI AKTIENGESELLSCHAFT and the DMG MORI SEIKI COMPANY LIMITED. The Cooperation Agreement regulates among other things the continued existence of important production sites, maintaining employment and the composition of the future management structure and aims at further strengthening of the successful cooperation between the companies. Accordingly, on 21 January 2015, the DMG MORI SEIKI COMPANY LIMITED announced its decision to make a friendly public takeover bid for the outstanding shares of the DMG MORI SEIKI AKTIENGESELLSCHAFT. The DMG MORI SEIKI COMPANY LIMITED originally offered all company shareholders € 27.50 per DMG MORI SEIKI AKTIENGESELLSCHAFT share in cash. This corresponds to a premium of around 7.5% of the current DMG MORI SEIKI AKTIENGESELLSCHAFT share price (closing price in Xetra € 25.59 on 21 January 2015) and a premium of around 28.6% over the weighted average share price over the three months before the announcement of the bid in accordance with Section 10(1)(1) of German Securities Acquisition and Takeover Act (WpÜG). The aim of the DMG MORI SEIKI COMPANY LIMITED was to own more than 50% of the shares of the DMG MORI SEIKI AKTIENGESELLSCHAFT. Pursuant to the regulations of the German Securities Acquisition and Takeover Act (WpÜG), the DMG MORI SEIKI COMPANY LIMITED will file the details of its bid in the form of the so-called offer documents with the German Federal Financial Supervisory Authority (BaFin). After these documents are published, the Executive Board and the Supervisory Board of the DMG MORI SEIKI AKTIENGESELLSCHAFT made a substantiated statement to the bid and the appropriateness of the bid price pursuant to Section 27 of WpÜG. The offer has been raised on 3 March 2015 from € 27.50 to € 30.00 per share as a consequence of an off-market acquisition of 12.02% shares of DMG MORI SEIKI AKTIENGESELLSCHAFT for € 30.00 per each acquired share by DMG MORI SEIKI COMPANY LIMITED. In order to achieve the aims of the tender offer pursued by DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED, the Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT agreed with DMG MORI SEIKI COMPANY LIMITED on 9 March 2015 to reduce the offer condition of achieving a minimum participation from 50% (plus one share) in the public tender offer to 40%. In return, DMG MORI SEIKI COMPANY LIMITED and DMG MORI GmbH agreed, that all shareholders accepting the offer will receive an additional amount of € 0.55 per share. On these grounds, the offer price increases from € 30.00 to € 30.55 per share.

Other than that, there were no other significant events after the close of the reporting period. No other material events occurred before the date of submission to the Supervisory Board on 23 February 2015.

45 INFORMATION OF RELATIONS WITH RELATED COMPANIES AND PERSONS

Related people and companies within the meaning of IAS 24 "Related Party Disclosures" are, in principle, members of the Executive Board and of the Supervisory Board, close members of their families and subsidiaries that are not fully consolidated. These related parties were not party to any significant transaction or any transaction of unusual nature or structure with companies of the DMG MORI SEIKI group. All transactions between related companies are carried out under normal market conditions, as if with external third parties.

DMG / Mori Seiki Australia Pty. Ltd. and SUN CARRIER OMEGA Pvt. Ltd. are classified as joint ventures. DMG MORI Finance GmbH and Magnescale Co. Ltd. are seen as associates. The financial year of DMG MORI Finance GmbH, Magnescale Co. Ltd. and its subsidiaries (31 March) differs to the reporting period of the DMG MORI SEIKI group and is analogous to the other group companies of group of consolidated companies of DMG MORI SEIKI COMPANY LIMITED. Other related companies of the group of consolidated companies of DMG MORI SEIKI group are all companies which belong to the group of consolidated companies of DMG MORI SEIKI COMPANY LIMITED, Nagoya, with the exception of Magnescale Co. Ltd.

In the financial year business operations were acquired in connection with the business combinations in the cooperation markets Canada, Brazil and Russia from DMG MORI SEIKI COMPANY LIMITED or other related parties.

P. 175 – 180
Business combinations

In the previous year, a deposit by DMG MORI SEIKI COMPANY LIMITED in the amount of € 3,000 K resulted from the pro rata equity increase of DMG MORI SEIKI Europe AG.

Provisions for doubtful debts in connection with outstanding balances of other related companies amounted to € 109 K (previous year: € 171 K) in the reporting period. In financial year 2014, expenses for uncollectible or doubtful debts against related companies and people were recognised in the amount of € 141 K (previous year: € 221 K) and against jointly operated companies in the amount of € 71 K (previous year: € 0 K).

There were no licences acquired from other related companies during the reporting year (previous year: € 3,640 K). The acquired licences from previous years are capitalised as industrial property rights and similar rights and are amortised over a five-year period from the time of their utilisation using the straight-line method.

The following transactions were carried out with related party companies:

SALE OF GOODS	2014 € K	2013 € K
Associates	93,290	59,693
Joint ventures	1,703	5,181
Other related companies	137,581	122,228

PURCHASE OF GOODS	2014 € K	2013 € K
Associates	4,288	3,149
Joint ventures	36	161
Other related companies	291,768	246,192

The rendered and received services with related parties result primarily from the purchase and sale of machine tools and other services. The disclosure of receivables and liabilities against related companies is shown under the corresponding explanations of the financial position items. The balances are regularly compensated within two month. There were no guarantees and securities granted to related parties.

P. 41 – 50
Remuneration structure

P. 183 – 184
Personnel costs

Details to the remuneration structure for the Executive Board and the Supervisory Board is explained the remuneration report of the Management Report. The management in key positions comprises the members of the Executive Board and of the Supervisory Board. The remuneration is explained in the section on employee expenses; note that indirect remuneration includes benefits after the end of the employment relationship, LTI other benefits due over the long-term and all other remuneration components include benefits due over the short-term. During the reporting year, the Institute for Manufacturing Excellence GmbH, founded by Prof. Dr.-Ing. Klinkner, was paid consultancy fees of € 1,728 K (previous year: € 729 K).

46 DUTY OF NOTIFICATION PURSUANT TO SECTION 26 WPHG

The obligatory notifications pursuant to section 26 WpHG are stated in the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

47 CORPORATE GOVERNANCE

The declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and the Corporate Governance Report was made in December 2014 and has been made permanently accessible on our website at www.dmgmoriseiki.com.

DMG MORI SEIKI Group Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES)	National currency	Equity [1]	€ K	Participation quota in %
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,866	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			78,427	100.0
SAUER GmbH, Stipshausen / Idar-Oberstein [3/7/8]			7,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			2,512	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	93,753	12,441	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/5/6]			24,000	100.0
GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy [5]			59,722	100.0
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			31,685	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			23,354	100.0
DMG Service Drehen Italia S.r.l., Brembate di Sopra (Bergamo), Italy [9]			970	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [9]			1,537	100.0
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [9]			–176	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			43,000	100.0
DMG Electronics GmbH, Pfronten [3/5/6]			1,100	100.0
DMG MORI SEIKI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0
Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5]	RUB K	1,913,324	26,450	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			43	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			113	100.0
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [2/3/4]			225,492	100.0
DMG MORI SEIKI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0
DMG MORI SEIKI München Vertriebs und Service GmbH, Munich [3/4/12/13]			5,000	100.0
DMG MORI SEIKI Hilden Vertriebs und Service GmbH, Hilden [3/4/12/13]			4,200	100.0
DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH, Bielefeld [3/4/12/13]			2,800	100.0
DMG MORI SEIKI Berlin Vertriebs und Service GmbH, Berlin [3/4/12/13]			3,400	100.0
DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH, Bad Homburg [3/4/12/13]			2,700	100.0
DMG MORI SEIKI Hamburg Vertriebs und Service GmbH, Hamburg [3/4/12/13]			2,100	100.0
DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH, Leonberg [3/4/12/13]			7,000	100.0
DMG MORI SEIKI Services GmbH, Bielefeld [3/4/10/11]			12,135	100.0
DMG MORI Microset GmbH, Bielefeld [3/4/14/15] (previously: DMG Microset GmbH)			1,405	100.0
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [3/4/14/15]			1,700	100.0
DMG Service Fräsen GmbH, Pfronten [3/4/14/15]			3,500	100.0
DMG MORI SEIKI Academy GmbH, Bielefeld [3/4/14/15]			4,000	100.0
DMG MORI Systems GmbH, Wernau [3/4/14/15] (previously: DMG Automation GmbH, Hüfingen)			2,600	100.0
DMG MORI SEIKI Used Machines GmbH, Geretsried [3/4/10/11]			17,517	100.0
DMG Netherlands B.V., Veenendaal, Netherlands [10]			326,377	100.0
Cellstrom GmbH, Klaus, Austria [16]			18,230	100.0
DMG ECOLINE GmbH, Klaus, Austria [23]			3,120	100.0
FAMOT Pleszew Sp.z o.o., Pleszew, Poland [16]	PLN K	281,674	65,916	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
DMG Energie Speichertechnologie GmbH, Vienna, Austria [16]			34	100.0
DMG ECOLINE Holding AG, Winterthur, Switzerland [16]			1,029	100.0
DMG ECOLINE AG, Dübendorf, Switzerland [28]			2,576	100.0
DMG MORI SEIKI KOREA CO., LTD., Siheung-si / Gyeonggi-do, Korea [16]	KRW K	9,182,393	6,931	100.0
DMG Holding AG, Dübendorf, Switzerland [16]			223,309	100.0
DMG MORI SEIKI Europe AG, Dübendorf, Switzerland [17]			239,247	60.0
DMG / MORI SEIKI Austria International GmbH, Klaus, Austria [18]			1,052	100.0
DMG / MORI SEIKI AUSTRIA GmbH, Klaus, Austria [19]			7,830	100.0
DMG / MORI SEIKI BENELUX B.V., Veenendaal, Netherlands [18]			4,638	100.0
DMG – MORI SEIKI Benelux BVBA – SPRL., Zaventem, Belgium [18]			2,215	100.0
DMG MORI SEIKI Czech s.r.o., Brno, Czech Republic [18]	CZK K	127,912	4,612	100.0
DMG MORI SEIKI DENMARK ApS, Copenhagen, Denmark [18]	DKK K	6,730	904	100.0
DMG MORI SEIKI FRANCE SAS, Paris, France [18]			12,084	100.0
DMG / MORI SEIKI Hungary Kereskedelmi és Szerviz Kft., Budapest, Hungary [18]			4,091	100.0
DMG MORI SEIKI IBERICA S.L.U., Ripollet, Spain [18]			9,026	100.0
DMG MORI SEIKI Italia S.r.l., Milan, Italy [18]			36,855	100.0
Micron S.p.A., Veggiano, Italy [20]			3,541	100.0
DMG MORI SEIKI MIDDLE EAST FZE, Dubai, United Arab Emirates [18]	AED K	4,917	1,103	100.0
DMG MORI Israel Ltd., Tel Aviv, Israel [18]	ILS K	0	0	100.0
DMG/MORI SEIKI POLSKA Sp.z o.o., Pleszew, Poland [18]	PLN K	28,078	6,571	100.0
DMG MORI SEIKI Schweiz AG, Dübendorf, Switzerland [18]	CHF K	10,441	8,683	100.0
DMG / MORI SEIKI South East Europe M.E.P.E., Thessaloniki, Greece [18]			247	100.0
DMG Mori Seiki Sweden AB, Gothenburg, Sweden [18]	SEK K	65,696	6,994	100.0
DMG Scandinavia Norge AS, Langhus, Norway [18]	NOK K	8,984	994	100.0
DMG MORI Finland Oy Ab, Tampere, Finland [18]			973	100.0
DMG MORI SEIKI UK Limited, Luton, Great Britain [18]	GBP K	19,021	24,420	100.0
MORI SEIKI (UK) Limited, Coventry, Great Britain [21]	GBP K	0	0	100.0
DMG MORI SEIKI ROMANIA S.R.L., Bucharest, Romania [18]	RON K	11,455	2,555	100.0
DMG Management AG, Winterthur, Switzerland [17]	CHF K	100	83	100.0
DMG Europe Holding AG, Dübendorf, Switzerland [17]			14,362	100.0
DMG MORI SEIKI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey [22]	TRY K	8,574	3,028	100.0
DMG MORI SEIKI Rus o.o.o., Moscow, Russia [22] (previously: DMG Russland o.o.o.)	RUB K	369,093	5,102	90.0
DMG MORI SEIKI CANADA INC., Toronto, Canada [17]	CAD K	20,424	14,523	51.0
DMG MORI SEIKI ELLISON CANADA INC., Vancouver, Canada [27]	CAD K	25,587	18,195	67.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	23	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	23	100.0
DMG Mori Seiki Egypt for Machines Trading & Services, Cairo, Egypt [29]	EGP K	300	35	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
DMG Nippon K.K., Yokohama, Japan [17]	JPY K	254,152	1,750	100.0
DMG MORI SEIKI BRASIL COMÉRCIO DE EQUIPAMENTOS INDUSTRIAIS LTDA., São Paulo, Brasil [17] (previously: DECKEL MAHO GILDEMEISTER Brasil Ltda.)	BRL K	942	293	51.0
DMG Mori Seiki South East Asia Pte. Ltd., Singapore [17]	SGD K	26,303	16,380	51.0
DMG Mori Seiki (Malaysia) SDN BHD, Shan Alam / Selangor, Malaysia [24]	MYR K	12,042	2,835	100.0
DMG Mori Seiki (Vietnam) Co. Ltd., Hanoi, Vietnam [24]	VND K	14,872,330	573	100.0
DMG America Inc., Itasca, USA [17]	USD K	38,463	31,680	100.0
DMG MORI SEIKI MEXICO S.A. de C.V., Queretaro, Mexico [25]	MXN K	100,870	5,645	51.0
DMG Asia Pte. Ltd., Singapore [17]			24,178	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [17]	CNY K	0	0	100.0
DMG MORI SEIKI (Taiwan) Co. Ltd., Taichung, Taiwan [17]	TWD K	116,727	3,025	100.0
DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED, Bangalore, India [10]	INR K	633,268	8,254	51.0
DMG MORI SEIKI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	99,693	13,229	100.0
a+f GmbH, Würzburg [3/4/10/11]			52,100	100.0
GILDEMEISTER energy efficiency GmbH, Stuttgart [3/26]			129	60.0
GILDEMEISTER ENERGY SERVICES IBERICA, SOCIEDAD LIMITADA, Madrid, Spain [26]			−386	100.0
Simon Solar, S.r.l., Milan, Italy [26]			1,260	100.0
Rena Energy S.r.l., Milan, Italy [26]			806	100.0
Winch Puglia Foggia S.r.l., Milan, Italy [26]			1,172	100.0
Cucinella S.r.l., Milan, Italy [26]			225	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
Jointly-controlled entities (joint Ventures)				
DMG / Mori Seiki Australia Pty. Ltd., Clayton Victoria, Australia	AUD K	4,945	3,335	50.0
SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India	INR K	60,000	782	50.0
Associates				
DMG MORI Finance GmbH, Wernau (previously: MG Finance GmbH)			20,687	42.6
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	6,311,291	43,457	44.1
Magnescale Europe GmbH, Wernau [30]			2,623	44.1
Magnescale Americas, Inc., Davis, USA [30]	USD K	947	780	44.1

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
27) Equity investment of DMG MORI SEIKI CANADA INC.
28) Equity investment of DMG ECOLINE Holding AG
29) Equity investment of DMG Egypt for Trading in Machines Manufactured LLC (50%) and Mori Seiki Egypt for Trading in Machines & Equipments LLC (50%)
30) Subsidiary of Magnescale Co. Ltd.

Corporate directory

Supervisory Board

- Supervisory Board mandate pursuant to Section 100 AktG (German Companies Act)

* member of comparable domestic and foreign bodies of business enterprises

Prof. Dr.-Ing. Raimund Klinkner,
Gräfelfing, born in 1965,
Chairman,
Managing partner, Institute for Manufacturing Excellence GmbH
* Terex Corporation, Westport Conneticut, USA, member of Board of Directors

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

Mario Krainhöfner,
Pfronten, born in 1964,
Deputy Chairman,
Group Works Council Chairman at 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,
- AUTANIA AG, Chairman of Supervisory Board,
- Rothenberger AG, Chairman of Supervisory Board,
- PEIKER ACUSTIC GmbH & Co. KG, Chairman of Supervisory Board,

* Dr. Helmut Rothenberger Holding GmbH, Chairman of the management

Prof. Dr. Edgar Ernst,
Bonn, born in 1952,
President of Deutsche Prüfstelle für Rechnungslegung DPR e.V.,
- Deutsche Postbank AG, Bonn, member of the Supervisory Board,
- Deutsche Annington Immobilien SE, member of the Supervisory Board,
- 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 Deutsche Schutzvereinigung für Wertpapierbesitz e. V.,
- FERI Finance AG, Bad Homburg, deputy chairman of the Supervisory Board,

* Phoenix Mecano AG, Stein am Rhein, Switzerland, President of the Administrative Board

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

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

Dietmar Jansen,
Memmingen, born in 1965,
1st Director and Treasurer of IG Metall Kempten administrative office – AGCO GmbH,
Deputy Chairman of Supervisory Board

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

Matthias Pfuhl,
Schmerbach, born in 1960,
Supply Technician,
Member of the Works Council at DECKEL MAHO Seebach GmbH

Peter Reinoss,
Bergisch Gladbach, born in 1958,
Electronic service technician, Works Council Chairman at DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
Member of the Group Workers Council at DMG MORI SEIKI AKTIENGESELLSCHAFT

Executive Board

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

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

Dipl.-Kfm. André Danks,
Bielefeld, since 11 March 2014

Dipl.-Kfm. Christian Thönes,
Bielefeld

Dipl.-Kfm. Dr. Maurice Eschweiler,
Bielefeld

Dipl.-Kffr. Kathrin Dahnke,
Bielefeld, until 24 February 2014

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting and reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group 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, 9 March 2015
DMG MORI SEIKI AKTIENGESELLSCHAFT
Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza

Dipl.-Kfm. Dr. Thorsten Schmidt

Dipl.-Kfm. André Danks

Dipl.-Kfm. Christian Thönes

Dipl.-Kfm. Dr. Maurice Eschweiler

Auditor's report

We have audited the consolidated financial statements prepared by DMG MORI SEIKI AKTIENGESELLSCHAFT, Bielefeld, comprising the consolidated income statement, the reconciliation to comprehensive income statement, the consolidated balance sheet, the development to group equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB (Handelsgesetzbuch "German Commercial Code") are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch „German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group 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 consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 9 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Tonne	Bröker
Auditor	Auditor

Group Overview
Multiple Year Overview

DMG MORI SEIKI GROUP		IFRS							Changes against previous year in %
		2008	2009	2010	2011	2012*	2013	**2014**	
Sales revenues	€ K	**1,903,964**	**1,181,222**	**1,376,825**	**1,687,657**	**2,037,362**	**2,054,219**	**2,229,013**	**9**
Domestic	€ K	829,874	496,475	499,124	632,578	722,126	676,483	779,218	15
International	€ K	1,074,090	684,747	877,701	1,055,079	1,315,236	1,377,736	1,449,795	5
% International	%	56	58	64	63	65	67	65	
Total work done	€ K	**1,954,856**	**1,143,645**	**1,373,542**	**1,743,556**	**2,055,065**	**2,060,978**	**2,262,302**	**10**
Cost of materials	€ K	1,066,296	559,783	768,148	952,693	1,129,323	1,086,677	1,190,026	10
Personnel costs	€ K	405,497	346,025	333,150	384,704	440,408	465,232	506,145	9
Depreciation	€ K	30,663	29,119	29,456	33,605	40,913	46,345	49,883	8
Financial result	€ K	−31,444	−24,733	−38,045	−46,076	−13,740	−13,449	−7,892	41
Earnings before taxes	€ K	**126,745**	**7,109**	**6,532**	**66,893**	**120,097**	**135,014**	**175,313**	**30**
Annual profit / loss	€ K	**81,119**	**4,706**	**4,300**	**45,539**	**82,359**	**93,205**	**121,065**	**30**
Adjusted results									
EBITDA	€ K	**188,852**	**60,961**	**74,436**	**146,102**	**173,828**	**193,944**	**232,512**	**20**
EBIT	€ K	**158,189**	**31,842**	**44,980**	**112,497**	**132,915**	**147,599**	**182,629**	**24**
EBT	€ K	**126,745**	**7,109**	**6,532**	**66,893**	**120,097**	**135,014**	**175,313**	**30**
Profit share of shareholders in DMG MORI SEIKI AG	€ K	**81,052**	**4,658**	**4,205**	**46,846**	**77,294**	**85,077**	**110,575**	**30**
Fixed assets	€ K	**301,330**	**326,024**	**365,339**	**403,925**	**500,697**	**718,447**	**810,927**	**13**
Intangible assets	€ K	99,368	100,149	112,757	132,354	184,598	192,817	213,981	
Tangible assets	€ K	201,606	197,354	201,807	218,025	263,174	317,341	395,232	
Financial assets	€ K	356	28,521	50,775	53,546	52,925	208,289	201,714	
Current assets incl, deferred tax and deferred income	€ K	**1,089,028**	**826,630**	**992,188**	**967,883**	**1,117,800**	**1,291,598**	**1,418,882**	**10**
Inventories	€ K	425,858	391,235	410,289	451,986	486,259	483,840	495,297	
Receivables incl. deferred tax assets + prepaid expenses	€ K	405,248	350,955	470,130	410,746	458,213	436,609	490,589	
Cash and cash equivalents	€ K	257,922	84,440	111,769	105,151	173,328	371,149	432,996	
Equity	€ K	**379,690**	**380,815**	**412,893**	**655,158**	**775,355**	**1,164,441**	**1,266,151**	**9**
Subscribed capital	€ K	112,587	118,513	118,513	151,744	151,744	200,234	204,927	
Capital provisions	€ K	68,319	80,113	80,113	257,177	257,177	480,383	498,485	
Revenue provisions	€ K	199,067	182,427	207,704	234,137	281,825	389,442	427,982	
Minority interest's share of equity	€ K	**−283**	**−238**	**6,563**	**12,100**	**84,609**	**94,382**	**134,757**	**43**
Outside capital	€ K	**1,010,668**	**771,839**	**944,634**	**716,650**	**843,142**	**845,604**	**963,658**	**14**
Provisions	€ K	252,676	188,051	179,289	196,703	254,371	258,984	276,644	
Liabilities incl. deferred tax liabilities + deferred income	€ K	757,992	583,788	765,345	519,947	588,771	586,620	687,014	
Balance Sheet total	€ K	**1,390,358**	**1,152,654**	**1,357,527**	**1,371,808**	**1,618,497**	**2,010,045**	**2,229,809**	**11**
Employees (annual average)		6,051	5,763	5,187	5,576	6,149	6,410	6,815	6
Employees (31 Dec.)		6,191	5,197	5,232	5,810	6,267	6,497	6,918	6
Trainees		260	253	213	222	229	225	248	10
Total employees		**6,451**	**5,450**	**5,445**	**6,032**	**6,496**	**6,722**	**7,166**	**7**

* adjusted due to first-time adoption of IAS 19 (rev. 2011)

DMG MORI SEIKI GROUP		2008	2009	2010	2011	2012*	2013	**2014**	Changes against previous year in %
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	8.3	2.7	3.3	6.7	6.5	7.2	8.2	14
Profit on sales (EBT) = EBT / Sales revenues	%	6.7	0.6	0.5	4.0	5.9	6.6	7.9	20
Profit on sales (Annual result) = Annual result / Sales revenues	%	4.3	0.4	0.3	2.7	4.0	4.5	5.4	20
Equity return = Annual result / Equity (as of 01 Jan.)	%	24.6	1.2	1.1	11.0	12.6	12.0	10.4	−14
Return on total assets = EBT + interest on borrowed capital / average total assets	%	12.7	2.8	3.7	8.5	9.2	8.1	8.8	9
ROI – Return on Investment = EBT / average total capital	%	10.0	0.6	0.5	4.9	8.0	7.4	8.3	11
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	314.7	205.0	265.4	302.7	331.3	320.5	327.1	2
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	26.1	5.5	8.7	20.2	21.6	23.0	26.8	16
ROCE – Return on capital employed = EBIT / Capital Employed	%	21.0	3.9	5.6	14.4	15.3	13.8	15.7	14
Value added	€ million	564.3	378.8	378.9	497.9	574.2	613.8	689.8	12
Value added per employee	€ K	93.3	65.7	73.0	89.3	93.4	95.8	101.2	6
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	21.7	28.3	26.9	29.4	30.9	35.7	36.4	2
Working intensity of current assets = current assets / total assets	%	75.8	68.2	69.5	67.1	65.7	61.3	60.8	−1
Equity ratio = equity / total capital	%	27.3	33.0	30.4	47.8	47.9	57.9	56.8	−2
Borrowed capital ratio = borrowed capital / total assets	%	72.7	67.0	69.6	52.2	52.1	42.1	43.2	3
Assets and liabilities structure = fixed assets / current assets	%	28.6	41.5	38.7	43.9	47.1	58.4	59.8	2
Capital structure = equity / outside capital	%	37.6	49.3	43.7	91.4	92.0	137.7	131.4	−5

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DMG MORI SEIKI GROUP		2008	2009	2010	2011	2012*	2013	2014	Changes against previous year in %
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	40.8	19.3	19.6	20.0	28.5	60.2	62.5	4
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	99.4	90.3	93.4	89.1	94.8	121.2	124.4	3
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	151.5	169.8	148.3	150.8	149.2	175.7	175.9	0
Net financial liabilities = bank liabilities + bond borrower's note – liquid funds	€ million	120.4	244.9	208.4	−71.2	−161.0	−356.4	−380.8	7
Gearing = net financial liabilities / equity	%	31.7	64.3	50.5	–	–	–	–	–
Working Capital = current assets – short-term borrowed capital	€ million	385.9	339.0	295.7	283.6	299.0	466.6	525.5	13
Net Working Capital 1) = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	416.4	445.7	354.4	271.3	221.3	196.8	189.5	−4
Capital Employed = equity + provisions + net financial liabilities	€ million	752.7	813.7	800.6	780.7	868.7	1,067.0	1,161.9	9
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		6.0	3.0	3.9	4.3	5.0	4.8	5.5	13
Turnover rate of inventories = sales revenues / inventories		4.5	3.0	3.4	3.7	4.2	4.2	4.5	6
Turnover rate of receivables = sales revenues (incl. 19% VAT on domestic revenues) / average trade debtors		7.1	4.9	5.4	6.9	9.8	10.1	10.3	1
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)		1.4	1.0	1.0	1.2	1.3	1.0	1.0	−2
DSO (Days sales outstanding) = average trade debtors / (sales revenues (incl. 19% VAT on domestic revenues)) x 365		51.2	75.2	67.7	52.6	37.2	36.1	35.6	−1

* adjusted due to first-time adoption of IAS 19 (rev. 2011)

DMG MORI SEIKI GROUP		2008	2009	2010	2011	2012*	2013	**2014**	Changes against previous year in %
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	54.5	48.9	55.9	54.6	55.0	52.7	52.6	0
Intensity of staff = Personnel costs / Total work done	%	20.7	30.3	24.3	22.1	21.4	22.6	22.4	−1
Cash flow & Investments									
Cash flow from current operations	€ million	108.6	−75.2	74.6	161.0	168.7	171.1	170.6	0
Cash flow from investment activity	€ million	−49.4	−56.5	−40.3	−80.6	−63.0	−160.1	−145.3	9
Cash flow from financing activity	€ million	104.0	−42.3	−8.3	−86.7	−39.2	189.5	39.0	−79
Free Cashflow = cash flow from current operation + cash flow from investment activity (exc. Cash flow from financial investments and payments to plant, property and equipment which are financed with loans)	€ million	60.1	−100.5	45.3	95.2	99.1	67.3	86.1	28
Investments	€ million	50.2	57.8	50.0	89.7	74.5	213.5	159.0	−26
Share & valuation									
Market capitalisation	€ million	339.9	516.4	761.2	586.6	917.6	1,824.6	1,852.2	2
Company value = Market capitalisation + bank liabilities + bond liabilities / borrowers' note + bills of exchange + other liabilities + pension provisions − liquid funds	€ million	552.6	846.3	1,066.0	600.5	867.8	1,585.0	1,597.5	1
Earnings per share = result after minority interests / number of shares	€	1.87	0.10	0.09	0.85	1.32	1.33	1.41	6
Price-to-earnings ratio (P / E) = market capitalisation / EBT		2.7	72.6	116.5	8.8	7.6	13.5	10.6	−22
Company value-EBITDA-ratio = company value / EBITDA		2.9	13.9	14.3	4.1	5.0	8.2	6.9	−16
Company value-EBIT-ratio = company value / EBIT		3.5	26.6	23.7	5.3	6.5	10.7	8.7	−19
Company value sales ratio = company value / sales revenues		0.3	0.7	0.8	0.4	0.4	0.8	0.7	−7

1) Since 01 January 2012 including notes payable

Commercial Glossary

Acquisition
The acquisition of companies or operations either through the transfer of shares or the transfer of all or certain assets and liabilities of a company or through a combination of both. The legal independence of the partners may be preserved.

At Equity
The equity method is a way of presenting the accounts to account for shares in and business relationships with associated companies and joint ventures in single entity and consolidated financial statements.

Aval lines / Aval tranches
An "aval" line (from the Italian "avallo" – endorsement) in banking terms is the making available of a surety, guarantee or other warranty by a bank on behalf of bank customers as part of a credit transaction. "Aval tranche" refers to a partial amount.

Contingent capital increase
An increase in the share capital of a public limited company (Aktiengesellschaft) that may only be carried out to the extent a conversion or pre-emptive right is exercised which the company has granted to the new shares (pre-emptive shares). The share capital is only increased once the pre-emptive shares have been issued. The share capital planned by means of the contingent capital increase is referred to as contingent capital.

Cap
The term "cap" is generally used to refer to an upper limit. Specifically, a "cap" on a liability with a variable interest rate may ensure that the interest payable does not exceed a maximum rate. A "cap" can be seen as a form of insurance against rising interest rates.

Cash Flow
Changes in liquid funds in a reporting period.

Cash Pooling
The term "cash pooling" refers to an internal company means of balancing liquidity through centralised financial management.

Closing
The legal conclusion of and the legal entering into force of an agreement on the financial market.

Compliance
The German Corporate Governance Code defines compliance as the responsibility of the Executive Board to ensure that all provisions of law and the company's internal guidelines are abided by. The term compliance furthermore stands for the observance of regulatory standards and for fulfilling other, essential ethical standards and requirements, which as a rule are set by the company itself.

Convertible bonds
A convertible bond (also convertible note, subscription right) is a type of bond that has both debt and equity-like features as the holder can convert the bond into a specified number of shares of common stock in the issuing company.

Corporate Governance
The responsible management and control of companies geared towards the creation of long-term value.

COSO Framework
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a voluntary private sector organisation in the USA, which is intended to assist in improving the quality of financial reporting through ethical business practice, effective controls and good corporate management.

Covenants
Additional or supplementary stipulations in credit agreements. The borrower agrees to observe specific indices. If these are breached the agreement may be terminated.

Deferred Taxes
Inter-period differences between calculated taxes on profit or loss from a commercial and tax balance sheet, with the object of showing tax expenditure in accordance with the correct commercial result.

Directors' Dealing
Dealings in securities in their own company by members of the management of listed companies or by persons or companies closely associated with them.

Discounting / Discount
Discounting is a financial calculation mechanism that calculates the value of a future payment for a period prior to payment. Discounting is frequently used, but not necessarily, to determine the present value (cash value) of a future payment.

D&O Insurance
The Directors' and Officers' insurance insures the risk arising from liability of executive board members, supervisory board members and managers.

EAT
Earnings **a**fter **t**axes. EAT is a key performance indicator from business economics and is taken from the income statement of a company.

EBITDA
Earnings **b**efore **i**nterest, **t**axes, **d**epreciation and **a**mortisation.

EBIT
Earnings **b**efore **i**nterest and **t**axes.

EBT
Earnings **b**efore **t**axes

EPS
Earnings **p**er **s**hare is a key performance indicator to evaluate the profitability of a stock corporation. It represents a special type of return on equity. To determine this key performance indicator the consolidated annual net income of the company (in the analysis period) is divided by the weighted average number of shares outstanding over the period.

Fair Value
"Fair value" is the amount at which an asset can be transferred or a liability settled between experts, willing parties and independent business partners (arm's length transaction).

Free Cash Flow
The free cash flow is defined as the balance of the cash flow from operating activities and the cash flow from investing activities, while payments entered to financial assets and payments to plant, property an equipment, which are financed with loans, remain outside of consideration.

Free Float
Part of the share capital in portfolio investments.

Gearing
Gearing expresses the debt to equity ratio.

Global Sourcing
The systematic exploitation of procurement markets worldwide. The aim is to optimise the procurement of resources at a company without being restricted to the company's local, regional, national and/or continental catchment area.

IFRS / IAS
The **I**nternational **F**inancial **R**eporting **S**tandards are internationally applicable accounting standards for companies. They ensure international comparability of group accounts. The individual sections of the IFRS are called IAS (International Accounting Standards) or IFRS (International Financial Reporting Standards).

LTI
Long-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board (Long Term Incentive)

Market Capitalisation
This is the current price of a listed company. It is determined by the share's market value multiplied by the total number of shares.

Net Working Capital
The term net working capital is a customary key performance indicator in accounting.

Option
An option bond or loan is an instrument of indebtedness that grants the holder additional rights, more specifically it is a security bearing interest that besides the right to payment (interest and repayment of the principle) also has a right to be converted into shares (subscription right).

Performance Units Model
This model is a customary arrangement for the LTI (long-term incentive) for members of the Executive Board. The model determines a number of performance units for each member of the Executive Board on the basis of an assumed amount of money and the company's share price. These performance units, or rather virtual shares, are not entitled to any dividends or voting rights. The units may not be traded or sold to any third party. Following expiry of the relevant period, the LTI payment amount is calculated from the number of units. This takes account of the company's share performance and whether set targets regarding the EAT of the company have been achieved.

Plenum
The full assembly or meeting as far as possible of all members / committees of an institution.

Rating
A periodic standardised assessment of risk and credit standing of issuers and the securities issued by them. Ratings are performed by specialised, generally approved agencies.

ROCE
Return on capital employed: EBIT to equity, provisions and net indebtedness.

Sourcing
Is a general term for all types of resource procurement at the company.

Statement of cash flows
A snapshot of the liquidity development / cash flows taking the sources and uses of the funds into consideration.

STI
Short-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board (Short Term Incentive).

Syndicated loan
A credit facility that is granted jointly by several banks.

Tranche
A term to describe the partial amount of a whole.

Value at Risk measure
The term "value at risk" (VaR) is the risk measure of the risk of loss on a specific portfolio of financial assets over a given time. The VaR states the given probability level that the loss on the portfolio will exceed a given value over a given time horizon.

Value Added Statement
The value added statement presents the difference between the company's output and the consumption of products and services in terms of value. The distribution statement shows the stake of those participating in the value-added process – employees, companies, lenders, shareholders / minority interests and government.

Technical Glossary

Additive
Auxiliary materials (admixtures) which are added to products in small quantities in order to achieve or improve specific properties are known as additives.

APP
An "APP" (English abbreviation for application) is a user programme for smart phones.

CAD
Computer **A**ided **D**esign (CAD) describes the drawing and design of a structural part with the help of computers.

CAM
To produce a structural part, all the work procedures and movements for the machine tool are taken from the drawing data. This is carried out in the CAM programming (computer-aided manufacturing) by means of special software.

CellCube
The Cellcube big battery is an energy store that is designed for industrial use. Its fields of application are found in providing uninterrupted power supply for unstable networks, the storage of energy from renewable energy sources or the supply of energy in connection with e-fuelling stations.

CELOS
CELOS offers a standard user interface for our new high-tech machines and simplifies and speeds up the process from the idea to the finished product.

Cluster assembly
Highly efficient and flexible assembly method in which a group of employees simultaneously construct several machines together.

CO_2
Carbon dioxide, chemical formula CO_2, is a natural gas contained in the earth's atmosphere. Carbon dioxide occurs from the combustion of fuels containing carbon, in particular fossil fuels.

Components
The Components business segment in the DMG MORI SEIKI Corporation Energy Solutions sector produces high-precision components, especially for customers from the power industry, mechanical engineering and special machine fabrication sectors in addition to construction machinery. Components supplies machinery and wind turbine manufacturers from right around the world with high-quality products.

Cooperative R&D Platform (CRP) Pfaff
The Cooperative R&D Platform (CRP) is intended to optimally support DMG MORI's worldwide development activities. This makes group-wide exchange of development-relevant information such as CAD data, part lists structure and regulations for article management possible.

Corporate Design
The new design from DMG MORI offers improved functionalities thanks to maximum visibility into the workspace, improved user-friendliness in addition to higher value stability thanks to its wear-resistant surface.

*co*Supply®
*co*Supply® represents the comprehensive partnership approach for powerful supply partnerships at the DMG MORI SEIKI group, characterised by the three functions: "communication", "cooperation" and "competence" and striving for enhanced competitiveness.

CTV
The CTV product line includes universally arranged lathes with a vertically placed head spindle and highly dynamic linear drive technology, providing integrated handling of components and the option of automated integrated machining in serial production.

CTX
The modular CTX product line provides a differentiated programme of CNC universal lathes with a variety of innovative options for numerous machining tasks.

DMC FD
Production milling machine in the successful monoBLOCK® and duoBLOCK® series with facilities for milling and turning in a clamping process with a directly-driven DirectDrive table.

DMC H
The DMC H product line provides horizontal machining centres with high dynamics and precision for a wide range of uses, from fast serial production to heavy cutting with highest precision.

DMC V
The DMC V product line has vertical machining centres with high dynamics and precision for high demands in both the tools manufacture and mould making industries and for small-lot and medium-sized serial production.

DMG MORI 15 / 30
Energy-saving programme with the goal of saving a total of 30% of energy used by 2015.

DMU
This product line with its well-developed programme of CNC universal milling machines for 5-sided machining offers a good starting point into modern milling.

DMU eVolution
DMU eVo series from DECKEL MAHO Seebach; universal milling machines for 5-sided / 5-axis processing

duoBLOCK®
The patented duoBLOCK® construction combines the advantages of a travelling column construction with those of a gantry construction and through its construction that is stable against thermal deformation, guarantees maximum precision, stiffness and dynamics.

ECOLINE-Machines
The DMG Ecoline machines offer reasonably priced yet technologically high-quality entry to CNC turning or milling. The universal lathes and milling machines are characterised by their low acquisition cost, as well as their cost-effectiveness and flexibility.

Electronics
The Electronics business division is responsible for the development of electronics, software and control system solutions.

Energy Efficiency
The Energy Efficiency business division develops concepts and solutions for increasing energy efficiency in industrial companies.

Energy Monitor
This new product enables structured and systematic data acquisition of energy consumers in industrial operations.

Entry-level machines
Precise, robust machine tools which allow a high-quality technological entry into the milling and turning sector. Their main features are economic efficiency, flexibility and low initial cost.

ERP
Enterprise **R**esource **P**lanning software (ERP software) supports all the business processes within a company. It contains modules for the sectors of procurement, production, sales, HR, finance and accounting, which are connected with each other via a common database.

HSC
The HSC (high speed cutting) product line includes machining centres for 5-axis precision machining. HSC technology is primarily used where high demands are made of cutting performance and surface quality.

Just in sequence
The just in sequence process (JIS) describes a concept from procurement logistics. During supply, the supplier ensures that the required modules are delivered just in time at the required quantity and in the correct sequence.

Laser Technology
Laser technology or laser beam machining is an eroding process for machining metallic materials and materials that are not easily machined, such as high-tech ceramics, silicon or metal carbide. It uses a spot-beam with a high energy level. With this process it is possible to create filigree contours and the finest cavities, and to perform laser fine cutting or drilling tasks in the 2-D and 3-D areas.

Lasertec
The machines from the Lasertec product line offer high-quality, fast and economic options for high-precision machining of filigree workpieces and finest cavities, including those made from materials that are difficult to machine. The modular design of this line allows for a wide variety of applications for 3D laser erosion, laser fine cutting and laser drilling and for a combined production with high-speed milling machining.

Longlife surface
The newly-developed corporate design user interface from DMG MORI offers higher value stability due to its scratchproof surface and protection against damage.

Machining
Mechanical cutting process by which material layers are detached in the form of swarf in order to change the workpiece shape.

Milling
Milling is deemed to be a cutting machining process in which the cutting tool rotates instead of the workpiece itself. Any workpiece surface required can be created using tool feed movements and, if required, workpiece movements in several axes.

Multi-slide lathe
Multislide lathes are cam or CNC-controlled automatic lathes which contain several tool holders mounted on slides. In this process, similar workpieces are fabricated from bar stock. The MSL series from DMG MORI, which is manufactured by GILDEMEISTER Italiana S.p.A., Brembate di Sopra, is mainly aimed at the market segment requiring efficient processing of medium-sized and simple workpieces.

Multi-spindle machine
The GM and GMC series from DMG MORI are highly-specialised cam and CNC-controlled multi-spindle automatic lathes produced by GILDEMEISTER Italiana S.p.A., Brembate di Sopra, for production lathing.

MINTrelation
A project of the German Federal Ministry for Labour and Social Affairs for the acquisition and retention of female specialist personnel. The aim of the initiative is to get young women interested in jobs in the mathematics, informatics, natural sciences and technological sectors.

Motor spindle
A motor spindle is a directly-driven, precision-mounted shaft with integrated tool interface for higher productivity and precision in a machine tool.

NC+
Acronym for the German Federal Ministry for Education and Research (BMBF) supported close-to-market research project entitled "Efficient control of machine tools" with a consortium from research and industry. The objective is the development and deployment of more energy-efficient components in machine tools.

NLX
Series of universal lathes produced by DMG MORI. It offers high precision, stiffness and machining capacity with a simultaneous increase in cost efficiency.

PowerMASTER 1000
A high-performance spindle for milling tools which is designed for particularly high performances and torques.

PPS
PPS stands for a computer-aided **P**roduction, **P**lanning and Control **S**ystem which is deployed for operative planning and control in industrial sectors.

Presetter
Presetter refers to clamping and measuring devices that set up tools for use in machining.

SCOPE
SCOPE is the acronym for the collective DMG MORI programme entitled "Standardization and Complexity Optimized for Profit Excellence", a project for the standardisation and complexity reduction of components and processes. The objective is to generate savings in the development, purchasing, assembly and service sectors in the DMG MORI SEIKI group.

Spindle
The spindle is the main shaft on machine tools. It rotates tools or workpieces (work spindle or main spindle).

SPRINT
This series offers up to triple-spindle machines for CNC automatic turning for flexible, economic complete machining for short turned parts of up to 65 mm diameter.

SunCarrier
The SunCarrier is a solar installation that can track the sun's movement from a rotational axis. This makes it possible to achieve higher current efficiency compared to conventional systems.

TAKT
With the "TAKT" project we are creating a clear framework for the continuous improvement of our company operations. It integrates modern production concepts and develops these further using standardised methods and processes. "TAKT" stands for creating Transparency , clarifying orders (German = Aufträge), controlling complexity (German = Komplexität), observing deadlines (German = Termine).

Tool revolver
Tool revolvers are multiple tool carriers with rotational interemittent movement. They are used on lathes.

Travelling column machine
The DMF product line offers travelling column machines with large machining spaces, more effective pendulum machining in two separated workspaces, higher cutting capacity, dynamics and precision at a very high travelling column traversing speed.

Turning
Turning is a metal-cutting machining process, which is used to produce mostly rotationally symmetrical machine tools. During this, the workpiece to be machined is clamped by a rapidly-rotating clamping fixture while a cutting tool carries out feed motions longitudinally and transversely to the rotation axis.

Turn-Mill
Production lathes in the successful CTX TC series with facilities for highly-productive complete machining in both turning and milling in one clamping process.

Ultrasonic
The Ultrasonic product line consists of machines for ultrasound-supported, economic machining of 'advanced materials', such as ceramics, glass, silicon, composites, metal carbide, hardened steel, sapphire or mother-of-pearl. The ultrasonically energised main spindles interfere with the traditional machining process (for example milling) through a high-frequency oscillating motion. Compared with traditional machining processes, this machine designs results in a productivity that is up to five times higher, longer tool lives and at the same time better surface quality, and, with regard to the processed workpiece geometries, a substantially higher flexibility.

UNO
This is a tool pre-setting device for the entry level with tool dimensions of up to 230 mm diameter and measuring lengths of up to 370 mm.

Vanadium Redox Flow Battery
The vanadium redox flow battery is a special, rechargeable type of battery. It is based on the ability of the vanadium element to exist in solution in four different oxidation states. Its advantages lie in a markedly improved operating life and the seamless scalability of the system.

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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 further 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.

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Order: We will gladly send additional copies and further information on DMG MORI SEIKI free-of-charge upon request.
Latest information: Twitter-Account @DMG MORI SEIKI AG

12 March 2015	Press Conference of the Balance Sheet, Dusseldorf
12 March 2015	Publication of the Annual Report 2014
13 March 2015	Society of Investment Professionals in Germany (DVFA) Analysts' Conference, Frankfurt
28 April 2015	First Quarterly Report 2015 (1 January to 31 March)
08 May 2015	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld
11 May 2015	Dividend Distribution
30 July 2015	Second Quarterly Report 2015 (1 April to 30 June)
29 Oct. 2015	Third Quarterly Report 2015 (1 July to 30 September)
06 May 2016	Annual General Meeting of Shareholders at 10 a.m. in the Town Hall Bielefeld

SUBJECT TO ALTERATION

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