DMG MORI SEIKI

AKTIENGESELLSCHAFT

Annual Report and Financial Statements 2014

IDENTIFY THE CHANCES SHAPE THE FUTURE

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Basis of the Company

The DMG MORI SEIKI AKTIENGESELLSCHAFT, Bielefeld, Germany, is the parent company of the DMG MORI SEIKI group. The purpose of the company is to function as a managing holding company (executive, service and holding functions).

The sales revenues recognised for the parent company comprise almost exclusively income from performing holding and service functions for the group as well as from rental income.

The earnings position of DMG MORI SEIKI AKTIENGESELLSCHAFT differs from that of the group in terms of level and structure. The earnings result essentially from control and profit and loss transfer agreements with two domestic subsidiaries and from income and expenses resulting from the holding functions. The present management report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT as the parent company. A detailed presentation of the DMG MORI SEIKI group is given in our Annual Report 2014 and in the Consolidated Financial Statements and group Management Report contained therein, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU.

Strategy and Management System

DMG MORI SEIKI AKTIENGESELLSCHAFT as the management holding company as part of the entire corporate strategy of the DMG MORI SEIKI group. The corporate strategy is directed towards constantly expanding its current market position as a leading manufacturer worldwide of cutting machine tools in the global market for machine tools (volume 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 remains our cooperation with our Japanese partner DMG MORI SEIKI COMPANY LIMITED. Here, we benefit from the synergies which have been materialised, in particular by the sales, service, product development, production and purchasing divisions. Thanks to the reciprocal use of production sites, we will be able to produce “in the market for the market” and thus further reduce import and logistics costs in 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.

Together with DMG MORI SEIKI COMPANY LIMITED, we will continue to channel our energies into expanding global markets. For this purpose we align the DMG MORI SEIKI group with the market, product and customer. The efficient and sustainable use of our capital, as well as an increase in profitability, are important goals in raising the corporate value. By constantly building upon the cooperation with our Japanese partner, we are also improving our profitability. We achieve this primarily by further standardisation of components and processes, as well as by streamlining our product portfolio.

The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT manages the group by way of a firmly defined organisational structure according to management criteria and operational targets, whose attainment is monitored by set key performance indicators. The attainment of the key performance indicators and the efficient use of our capital are monitored and managed with the aid of our internal controlling and management system as well as our regular reporting system. In doing so, most especially order intake, sales revenues, earnings before taxes (EBT) and investments 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.

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

KEY FINANCIAL PERFORMANCE INDICATORS OF DMG MORI SEIKI AKTIENGESELLSCHAFT	Results 2013 € K	Targets 2014 € K	**Results 2014 € K**
Sales revenues	15,294	15,500	15,505
EBT	62,468	significant increase	96,754
Investments in tangible fixed assets / intangible assets	7,822	5,700	5,093
Number of employees (annual average)	87	slight increase	107

The sales and EBT objectives were achieved. The investments in intangible assets and especially fixed assets were somewhat smaller than planned, since the implementation of construction projects at the Bielefeld location were partially put off until 2015. The average number of employees increased over the previous year by 20 in 2014, especially because a department from another group company moved to DMG MORI SEIKI AKTIENGESELLSCHAFT.

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

Corporate Governance

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

The Executive Board and Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT act in accordance with good corporate governance. This is reflected in a responsible and transparent corporate management and corporate control. Good corporate governance is an essential element of strategic thinking and behaviour at all levels of the group. The DMG MORI SEIKI group has been following the recommendations of the German Corporate Governance Code for many years. In November 2014, the Executive Board and the Supervisory Board once again issued a declaration of conformity, which confirmed unrestrictedly compliance with all recommendations of the "Government Commission's German Corporate Governance Code" in the Code version of 24 June 2014 and its publication in the Electronic Federal Gazette (Elektronischer Bundesanzeiger) on 30 September 2014. The Executive Board and Supervisory Board likewise confirm that these will also be complied with in the future.

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

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

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

Responsible Management of Opportunities and Risks

For us, part of good corporate governance is the comprehensive and systematic management of opportunities and risks within corporate management. This serves to identify and evaluate such opportunities and risks at an early stage.

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

Within the opportunities management system of the DMG MORI SEIKI group we focus our attention in particular on material individual opportunities, overall economic and industryspecific 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. 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 Risk Management Manual, the central DMG MORI SEIKI AKTIENGESELLSCHAFT risk management officer, decentralised risk management officers in each group company, areaspecific 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 basic 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. At the same time, the risks of the individual company areas are identified every quarter and the risk potential determined is analysed and evaluated using quantitative measures; in this respect, measures to reduce risks are also taken into account. Any risks that jeopardize the company as a going concern are reported without delay irrespective of the regular reporting schedule.

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

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

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

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

Goals for the Composition of the Supervisory Board

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

- The composition of the Supervisory Board with members on the owners‘ side having experience of management or of monitoring internationally-operating companies should be maintained at the level as at present.
- Employees from significant areas within the DMG MORI SEIKI group should be taken into consideration for the employees‘ side.
- Knowledge of the group and of the markets especially important for the group as well as of technical relations and of the management of technologies should be taken into account. The same applies to specialist knowledge and experience in the use of accounting principles as well as of internal monitoring procedures and compliance processes.
- The current female ratio should be increased from one female member at present to four female members by the date of the reelections to the Supervisory Board in 2018, whereby every effort should be made to achieve equal female distribution 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 observed.

Avoidance of conflicts of interest

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

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting of shareholders that takes place annually. The Annual General Meeting passes resolutions on the appropriation of profits, the discharge of the Supervisory Board and of the Executive Board, as well as on the nomination of the annual auditor or possible changes to the articles of association, amongst others. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the Annual General Meeting personally are given the opportunity of either exercising their voting right by proxy through an authorised person of their choice or by transfer of proxy to a representative of the group, who will act as per their instructions.

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

Transparency

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

Shareholders and potential investors can obtain information at any time from the Internet on the current situation of the company. Any interested party may subscribe to an electronic newsletter on our website, which reports on 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

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 SEIKI 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 in the areas of anticorruption, 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.
We align our compliance measures to the risks identified. In 2015, the focus will again be on anticorruption, antitrust law and export controls.

Reporting and auditing of annual accounts

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 are informed without delay during the audit of any reasons that might give rise to exclusion or reservation insofar as these cannot be resolved. In addition, the auditors shall also report immediately any findings and issues that arise during the audit of the financial statements and the consolidated financial statements and which have a significant bearing on the tasks of the Supervisory Board. Moreover, the auditor will inform the Supervisory Board or note in the audit report if, when conducting the audit, any facts are discovered that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the corporate governance code.

Share Ownership of the Executive Board and Supervisory Board Members

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

- The Supervisory Board member Dr Masahiko Mori owns shares of the DMG MORI SEIKI COMPANY LIMITED (Nagoya, Japan). The DMG MORI SEIKI COMPANY LIMITED owns 24.33 per cent of the share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT (as of: 31.12.2014). Dr. Masahiko Mori is therefore an indirect 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 included in the German Corporate Governance Code

The DMG MORI SEIKI group also complies with the suggestions of the Code to a large extent. Deviations arise at present in the area of the Annual General Meeting. The Code suggests that it should be possible to contact the proxy exercising the shareholder's voting rights as instructed by the shareholder during the Annual General Meeting. For organisational reasons, no provision has been made to livestream the entire Annual General Meeting.

Supervisory Board and Committees

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

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

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

In financial year 2014, the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT had six committees: the Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee, the Nominations Committee, the Technology and Development Committee, the Conciliation Committee and the Capital Market Committee. The Supervisory Board explains the scope of its work in the committees in its report in the group annual report.

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

Remuneration report

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

Remuneration of the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT

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

In financial year 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 amounted to € 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 were € 88,000 (previous year: € 91,200).

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

The LTI takes account not only of the reporting year but also of the two preceding years. The key number is the average of the EPS values of 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-related 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 follow:

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. 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.

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 the plenary meeting of the Supervisory Board.

Members of the Executive Board receive direct and indirect remuneration components, whereby the indirect components primarily consist of pension plan expenses. The direct remuneration of members of the Executive Board of DMG MORI SEIKI AKTIEN-

GESELLSCHAFT contains fixed and variable components. The variable components comprise a short-term incentive (STI), an individual and performance-based remuneration, and a long-term incentive (LTI). All variable components are designed in such a way that they represent a clear incentive for the Executive Board members to achieve the targets. In this way they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration include, in particular, the tasks rendered by each Executive Board member, his or her personal performance, the performance of the Executive Board, the business situation, and the success and future prospects of the company within the framework of its comparative environment.

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 (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:

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 when awarded

The following table shows the remuneration of the board in accordance with the German Corporate Governance Codex (DCGK). 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.

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		Fixum	318	318	318	318
	Product development,		Perquisite	16	19	19	19
	production and		**Sum**	**334**	**337**	**337**	**337**
	technology		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	As of	Fixum	215	318	318	318
	Industrial Services	1 April 2013	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**

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 re-defined annually. 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.

As a remuneration component with a long-term incentive, the LTI combines the achievement of fixed targets in relation to the EAT of the company with the performance of the company's share. A cap has been set at 2-times the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. 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 third parties. 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 on the basis of the average share price. Following expiry of the relevant period, the amount to be paid out is calculated from the number of units. From the LTI tranche 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 – Gesetz zur Angemessenheit der Vorstandsvergütung) in 2009, the Supervisory Board resolved to set the term of a tranche at four years and to specify the EAT (earnings after taxes) as the success factor.

The tranche 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 the performance units awarded in the years 2011, 2012 and 2013 and 2014 as well as the fair value of the LTI at the date it was granted to each Executive Board member.

TRANCHES OF THE LONG-TERM INCENTIVE	**Tranche 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	–	–
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 the LTI, as well as the individual performance remuneration, are variable, which means they are not a secure remuneration

Remuneration in kind arises mainly from the value to be assessed in accordance with applicable tax regulations for the use of company cars and individual insurance contributions. Every member of the Executive Board is contractually entitled to remuneration in kind, which may vary depending on the personal situation and is subject to tax payable by each Executive Board member.

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

INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS	€ K
Dr. Rüdiger Kapitza, chairman	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, expenses arose for the defined-benefit award of € 422 K (previous year: € 445 K). In addition, one-time personnel expenses of € 1,684 K occurred for previous years, whereby the entire sum of provisions was € 8,595 K (previous year: € 6,076 K). This figure also takes account of the benefit for surviving dependants included in the award.

The special purpose payments to the defined contribution pension plan amounted in total to € 390 K (previous year: € 617 K).

On the basis of the German Accounting Law Modernisation Act (BilMoG – Bilanzrechtsmodernisierungsgesetz) a distribution amount results for the defined benefit commitment of € 79 K (previous year: € 79 K). The 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 – or for the rest also in favour of members of the Supervisory Board – were not granted. There was no share option plan or similar securities-based incentive system.

The companies of the DMG MORI SEIKI AKTIENGESELLSCHAFT group did not pay any remuneration to officers 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 GmbH, which was founded by Prof. 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 (entitlement cash value of future pension commitments or defined contribution obligation) for former members of the Executive Board and their surviving dependants amounted to € 9,126 K (previous year: € 7,265 K).

Directors´ Dealings

Pursuant to Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG), members of the Supervisory Board and of the Executive Board, and other persons subject to reporting requirements, must disclose any purchase or disposal of shares, as well as any related rights of purchase or disposal, such as options or rights that are directly dependent upon the quoted share price of the company. There were no Directors‘ Dealings reports during the reporting year 2014.

Research & Development

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

The aim of our joint research and development activities within the DMG MORI SEIKI group is to increase the added value of our products for our customers. We develop technologically complex products worldwide on the basis of regional market requirements and offer our customers a full range of machine tools. This sets us apart from the competition as a leader in technology, especially through our APP-based operating and control software CELOS and our 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 in higher quality and shorter delivery times. The overriding priorities that are guiding our research and development are:

- increasing the machine functionality through our APP-based operating and control 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 increasing real net output ratio for core components (SCOPE – Standardization and Complexity Optimized for Profit Excellence),
- expanding localisation of machines and components.

Expenses for research and development (R&D) at € 44.1 million were about 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.

A total of 16 new machines were developed during the reporting year, 3 of which were jointly developed with our cooperation partner. We have already started to adapt our APP-based operating and control software CELOS to the machines in our product portfolio. Furthermore, through the new corporate design, which offers enhanced functionality and user-friendliness, we have emphasised the main features of machine tool construction. 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. 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. In the area of Energy Solutions, the GILDEMEISTER energy monitor was successfully established in the market and is continuously being expanded by new features.

You can find more detailed information on research and development in the group management report.

Report on Economic Position

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%).

Development of the Machine Tool Building Industry

International development

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 increased 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 had growth of 5.4% (previous year: –20.2%). In North and South America, there was negative development in 2014 of –5.8% (previous year: –11.5%), although demand in the USA remained stable (+0.1%). The demand for machine tools in Europe rose by 4.1% (previous year: 1.1%).

Despite stagnating 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 the share of the market relevant to us here to be € 6.8 billion. The second most important market for machine tools in 2014 was the USA with steady 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%). These numbers are highly distorted due to currency fluctuations – in the reporting year as well as the previous year. As in the previous year, South Korea ranked fifth with € 3.7 billion (previous year: € 3.3 billion; +11.1%).

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 above the level of the previous year (€ 14.2 billion) with an increase of 4%. At the same time, domestic demand rose by 6% (previous year: −7.0%), demand from abroad increased by 4% (previous year: −6.0%). The VDW states that order intake for cutting machines rose by 4.0% (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%).

Results of Operations, Net Worth and Financial Position

The earnings of DMG MORI SEIKI AKTIENGESELLSCHAFT were essentially determined by income from financial assets (€ 125.4 million), which arise from the profit and loss transfers from DMG Vertriebs und Service DECKEL MAHO GILDEMEISTER of € 34.7 million (previous year: € 25.0 million) and of GILDEMEISTER Beteiligungen GmbH of € 88.5 million (previous year: € 72.9 million) and income from investment in DMG MORI SEIKI COMPANY LIMITED, Nagoya, of € 2.1 million (previous year: € 1.2 million). Overall, the DMG MORI SEIKI AKTIENGESELLSCHAFT closed with a profit on ordinary business activities of € 96.8 million (previous year: € 62.5 million) and an annual surplus of € 55.0 million (previous year: € 35.2 million). Taking into account the profit carryforward of the previous year of € 41 K and allocation of € 10.0 million to retained earnings, net retained profits totalled € 45.1 million (previous year: € 39.5 million).

In the reporting year sales revenues (group cost allocations and rents) were € 15.5 million (previous year: € 15.3 million). Other operating income increased in the same period by € 7.7 million to € 18.7 million (previous year: € 11.0 million). The increase is primarily due to higher exchange rate gains from the valuation of receivables and payables in foreign currencies and from the valuation of forward exchange contracts. The exchange rate gains from the valuation of forward exchange contracts are contrasted with the corresponding losses; these effects result from the hedging contracts concluded by the DMG MORI SEIKI AKTIENGESELLSCHAFT on behalf of group companies.

Expenses incurred for purchased services mainly cover maintenance of the grounds and premises at the Bielefeld site. These amounted to € 3.1 million, or around € 0.9 million over the previous year (€ 2.2 million).

Personnel expenses were reduced by € 1.7 million to € 24.9 million (previous year: € 26.6 million). This is due to the fact that the number of executive departments was reduced by one at the end of 2013. Also, there was a one-time savings due to the departure of one of the executive board members at the beginning of 2014.

Depreciation, amortisation and write-downs increased against the previous year due to the high level of capital investments in 2014 by € 0.6 million to € 3.0 million (previous year: € 2.4 million).

Other operating expenses amount to € 38.0 million and are thus € 3.8 million below the previous year's figure (€ 41.8 million). In the previous year, the cost of capital increases of € 11.8 million were included. In the year 2014, higher exchange rate losses from the valuation of receivables and payables in foreign currencies and from the valuation of forward exchange contracts were incurred than in the previous year, which are compensated, as described above, by higher exchange rate profits in other operating income.

The investment result rose from € 99.1 million in the previous year to € 125.4 million in the reporting period. Of this, € 123.2 million arose from transfer of profit agreements as well as € 2.1 million from investment income from a 9.6% investment in DMG MORI SEIKI COMPANY LIMITED, Nagoya.

The financial result fell to € 6.0 million (previous year: € 10.2 million). The equity position was strengthened with the help of funds from the capital increase of the previous year in the middle of the reporting year for some of the group companies. Since the DMG MORI SEIKI AKTIENGESELLSCHAFT at the same time has to make less outside capital available to these companies, this is reflected in lower intra-group interest yields and higher investment income.

The tax expense recognised of € 41.5 million resulted from current tax expenses (€ 38.7 million), from deferred tax assets of € −0.3 million and from tax expenses for previous years of € 3.1 million.

The balance sheet total as at 31 December 2014 rose by 10.9% to € 1,501.8 million (previous year: € 1,353.6 million).

Fixed assets have increased on the balance sheet from € 614.4 million to € 746.1 million. Accruals arose in financial assets through the equity accumulation at the group companies: DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER (€ 74.7 million), GILDEMEISTER Beteiligungen GmbH (€ 29.1 million), DECKEL MAHO Pfronten GmbH (€ 3.2 million) and DECKEL MAHO Seebach GmbH (€ 0.7 million). Also, further shareholdings of DMG MORI SEIKI COMPANY LIMITED were acquired (€ 21.9 million). Investments in fixed assets primarily include the modernisation of our production facilities and equipment, the expansion of the energy solutions park with a geothermal power station and the replacement of heating and air conditioning devices.

Current assets rose against the previous year by € 17.7 million to € 747.4 million. The material changes arose from an increase in receivables from affiliated companies due to higher receivables from profit and loss transfer agreements. The cash in bank decreased to € 256.3 million (previous year: € 263.3 million).

Under equity and liabilities, equity rose from € 909.8 million to € 964.8 million due to the annual profit and the sale of own shares. The equity ratio was 64.2% due to the increased balance sheet total (previous year: 67.2%). The share capital since the capital increase in September 2013 has amounted to € 204,926,784.40 and is divided into 78,817,994 no par value shares.

The provisions increased over the previous year's € 46.2 million to € 47.1 million. The liabilities rose to € 489.9 million (previous year: € 397.6 million). These are almost exclusively liabilities to affiliated companies, rising by € 94.9 million to € 478.4 million. As in the previous year, there were no liabilities to banks.

DMG MORI SEIKI AKTIENGESELLSCHAFT covers its capital requirements from the transfer of profit agreements of group companies and from intra-group cash pooling. The amount of the agreed financing lines totals € 528.6 million. The essential component is a syndicated credit facility of € 450 million with a term until 2016 and other aval lines of € 78.6 million.

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

Our financing includes customary agreements on compliance with defined key performance indicators (covenants). The covenants were complied with in the financial year. Through this financing mix we have sufficient financing lines that allow us to make the necessary liquidity available for our business.

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

Dividend

The Executive Board and the Supervisory Board will propose to the Annual General Meeting on 8 May 2015 that a dividend of € 0.55 per share be distributed for financial year 2014, after having paid out dividends for the previous year of € 0.50 per share. Moreover, it will be proposed to the Annual General Meeting to carry forward the remaining net retained profits of DMG MORI SEIKI AKTIENGESELLSCHAFT of € 1.7 million to new account.

Employees

As of 31 December 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT was divided into five executive units, which are organised as follows:

- Chairman Dr. Rüdiger Kapitza: Key accounting / Human resources / Purchasing / Audit / Compliance / Legal / Mergers & Acquisitions / Public Relations,
- Deputy chairman Dr. Thorsten Schmidt: Sales and Marketing,
- Mr. André Danks: Controlling / Finance / Accounting / Tax / Risk Management / Investor Relations and Information Technology (IT),
- Mr. Christian Thönes: Product development / Production and Technology,
- Dr. Maurice Eschweiler: Industrial Services

As of 31 December 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT had 115 employees (previous year: 98 employees).

Overall statement of the Executive Board on Financial Year 2014

The business development of DMG MORI SEIKI AKTIENGESELLSCHAFT was positive on the whole in financial year 2014. The results of DMG MORI SEIKI AKTIENGESELLSCHAFT developed according to projections. The results were substantially determined by the income from financial assets of € 125.4 million (previous year: € 99.1 million). Overall, DMG MORI SEIKI AKTIENGESELLSCHAFT closes the financial year with an annual profit of € 55.0 million (previous year: € 35.2 million). In its forecast for financial year 2014, the DMG MORI SEIKI AKTIENGESELLSCHAFT assumed a considerable increase in the result. The annual surplus of the current financial year was considerably higher than that of the previous year, primarily due to revenue from financial investments in 2014 and the one-time expense of the capital increase in 2013. Taking into account the profit carryforward of the previous year of € 41 K, the net retained profits as at 31 December 2014 totalled € 45.1 million (previous year: € 39.5 million). The Executive Board and the Supervisory Board will propose to the Annual General Meeting on 8 May 2015 that a dividend of € 0.55 per share be distributed following € 0.50 in the previous year.

Supplementary Report

The beginning of the year went according to plan for the DMG MORI SEIKI group. Order intake for January and February was € 365.3 million (previous year: € 382.4 million). Sales increased over the value of the previous year‘s period, amounting to € 333.8 million (previous year: € 306.3 million). The order backlog from 31 December 2014 to 28 February 2015 increased by € 31.5 million to € 1,165.8 million. Due to the long time to market in the machine tool business, the increased order backlog will be reflected in higher sales later on. Group EBT in January and February was above the value of the previous year, but a more specific statement would be premature at this point in time.

On 21 January 2015, the DMG MORI SEIKI AKTIENGESELLSCHAFT and the DMG MORI SEIKI COMPANY LIMITED concluded Cooperation Agreement 2015. It expands the goals of the further strategic development of the cooperation which began in 2009. On the same day, the DMG MORI SEIKI COMPANY LIMITED announced, pursuant to the agreement, its decision to make a friendly public tender offer for the outstanding shares of the DMG MORI SEIKI AKTIENGESELLSCHAFT. The DMG MORI SEIKI COMPANY LIMITED originally offered all company shareholders € 27.50 per share in cash. The aim of the DMG MORI SEIKI COMPANY LIMITED was to own more than 50% of the shares of the DMG MORI SEIKI AKTIENGESELLSCHAFT.

On 11 February 2015, the Executive Board of the DMG MORI SEIKI AKTIENGESELLSCHAFT were given the offer documents by the bidder DMG MORI GmbH, Stuttgart, which is an affiliated company of the 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 group works council of the company, as the competent works 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.

Opportunities and Risk Management Report

In its business activities, the DMG MORI SEIKI AKTIENGESELLSCHAFT 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.

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

Opportunities Management System (OMS)

Opportunities are identified and analysed within the opportunities and risk management system of the DMG MORI SEIKI group. With our Marketing Information System (MIS) we identify significant individual opportunities by compiling customer data worldwide and evaluating market and competitor data. On this basis we measure, assess and check all sales and service activities and other activities for effectiveness and cost-efficiency. 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 on expected customer orders per machine type and sales region.

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

Risk Management System (RMS)

The risk management system of the DMG MORI SEIKI group 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, in which the system is defined,
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 ICS 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 related measures needed to reduce or eliminate them. 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 DMG MORI SEIKI AKTIENGESELLSCHAFT. They discuss the causes of the current risk position and the corresponding measures taken in-depth.

The early risk identification system set up by the Executive Board pursuant to Section 91(2) 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 annual company accounts. 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 guidelines, for example, those contained in the accounting manual. These accounting-related guidelines and the financial statements calendar form the basis for the preparation of the financial statements. As required, the DMG MORI SEIKI AKTIENGESELLSCHAFT avails itself of external service providers, for example for measuring pension obligations. Employees who are entrusted with drawing up the financial reports undergo regular training.

The effectiveness of the ICS at the company is judged on the basis of annual self-assessments by 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 and implemented for economically appropriate and insurable risks.

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

In addition, the following risks arise directly from the DMG MORI SEIKI AKTIENGESELLSCHAFT‘s holding company activities:

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 about € 10.4 million with a low probability of occurrence (0% – 20%).

Procurement and purchasing risks are those that we are particularly exposed to due to price increases for materials in the machine tools business. Further risks exist in possible supplier shortfalls and quality problems. We counteract these risks through the 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 € 3.0 million with a low probability of occurrence.

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 € 2.9 million 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 about € 2.1 million.

The essential components of the financing of DMG MORI SEIKI AKTIENGESELLSCHAFT are: a syndicated loan, which comprises a cash and aval tranche and is firmly agreed until 2016, and factoring programmes. All financing agreements include an agreement on compliance with standard covenants. The liquidity of the DMG MORI SEIKI AKTIENGESELLSCHAFT is considered sufficient. In principle, DMG MORI SEIKI AKTIENGESELLSCHAFT bears 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 € 9.2 million. The probability of occurrence of any loss is low (0% – 20%).

Risks with respect to the assets of DMG MORI SEIKI AKTIENGESELLSCHAFT arise mainly through the accounting and assessment of financial assets. Financial assets are accounted for at acquisition cost or with the lower fair value. The value retention of financial assets is determined annually with the aid of the capitalised income value calculation, which is based on the budget overview of the associated companies. Due to the values determined, there was no need for downwards adjustment at the reporting date. In the event that the planned results are not achieved, adjustment to the lower fair value may be required. The current existing budget overview gives no reason for impairment in 2014. Insofar as deferred tax assets on loss carry forwards or interest carry forwards are not impaired, it is assumed in the planning period that this potential tax reduction can be used against taxable income. We assume that the tax and social insurance declarations we submit are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. Overall, we have assessed any possible losses arising out of tax risks at € 5.6 million with a low probability of occurrence.

We consider the risks to be manageable and do not consider them to jeopardize the continued existence of DMG MORI SEIKI AKTIENGESELLSCHAFT as a going concern. In comparison with the previous year, the risks have increased overall.

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

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

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

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

DMG MORI SEIKI COMPANY LIMITED holds 24.33% of the voting rights as of 31 December 2014.

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

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

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

Pursuant to Article 5(3) of the articles of association, 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 during the period 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). For this purpose, the Executive Board is authorised to issue shares to company employees and companies affiliated with the company with respect to a partial amount of € 5,000,000. Shareholders' statutory pre-emptive rights are excluded to this extent.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to disapply the statutory pre-emptive rights of shareholders in certain cases that are stipulated in detail in the articles of association (authorised capital) or in other cases stipulated in detail.

Moreover there has been a contingent increase in the registered capital pursuant to Article 5(4) of the articles of association of up to a further € 37,500,000 through the issue of up to 14,423,076 no par value bearer shares (contingent capital). The contingent capital increase is to be effected only insofar as options or conversion rights relating to options or convertible bonds are issued or guaranteed pursuant to the authorisation resolution of the Annual General Meeting of 15 May 2009 and any holders of options or conversion rights exercise their right to conversion or fulfil any obligation to exercise an option or conversion right.

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 function.

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

As material agreement that is subject to a change of control condition in the event of a takeover, the syndicated credit facility of € 450 million of DMG MORI SEIKI AKTIENGESELLSCHAFT must be stated. The threshold for a change of control is 30%. The banks can then only effectively give notice of termination as of this threshold if more than 50% of the shares in the facilities want to give notice. An individual right to terminate of the banks only exists if more than 50% of the shares are taken over. € 24 million of the additional aval lines are granted under the condition of change of control. The bank also has the right of termination for this.

The termination of the credit facility of € 450 million and the aval line of € 24 million would have negative effects, since cash collateral would have to be deposited with the bank for the aval tranche of the credit facility (€ 250 million) and the aval line until alternative financing options can be found. DMG MORI SEIKI COMPANY LIMITED stated in its tender offer of 21 January 2015 that after a possible completion of the tender offer it is willing to enter into an agreement with DMG MORI SEIKI AKTIENGESELLSCHAFT to substitute financing at usual market conditions or to ensure a substitute financing agreement that will equip the DMG MORI SEIKI AKTIENGESELLSCHAFT with the necessary funds.

Forecast Report

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

The overall economic development in 2015 will likely 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%. Economists expect energy prices to remain low worldwide – especially in the advanced industrialised countries. In contrast, the current geopolitical conflicts continue to burden economic development. Also, exchange rate shifts between leading international currencies could lead to increased fluctuation in economic growth.

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 each increase in terms of value by 7.3%. Experience shows that these forecasts will be revised considerably during the current year. For 2016, the VDW is forecasting a rise in consumption of 7.3% (as at October 2014).

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 facility in Ulyanovsk and our new technology centre in Moscow are progressing according to schedule. With the DMG MORI Systems GmbH, we have taken initial steps to bundle our shared competences in the system and automation solution segment worldwide. In Baden-Württemberg, we will build a new assembly centre for this purpose, from where we will supply system solutions for large series production starting in 2016, in particular to our customers in the automotive industry.

Besides growth markets such as South Korea, we perceive future sales markets to be foremost the Southeast Asian countries, where invigorated demand for machine tools stands out. 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.

For the current financial year, we are planning order intake of about € 2.4 billion. We see potential in our innovations as well as in cooperation projects. We are also anticipating growth in "Industrial Services".

For the first quarter 2015 we are expecting sales revenues higher than 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 under those of the previous year's quarter. For the entire year, we are planning EBIT of about € 165 million as well as EBT of about € 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 cash flow between € 10 and € 20 million. In addition, we are planning to pay a dividend.

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

FINANCIAL AND KEY PERFORMANCE INDICATORS OF DMG MORI SEIKI AKTIENGESELLSCHAFT	Actual 2013 € K	Actual 2014 € K	Plan 2015 € K
Sales revenues	15,294	15,505	20,000
EBT	62,468	96,754	roughly unchanged
Investments in tangible fixed assets / intangible assets	7,822	5,093	3,300
Number of employees (annual average)	87	107	slight increase

Overall statement of the Executive Board on future business development

In view of the general global economic conditions, we expect an increasingly volatile situation overall during financial year 2015. On the one hand, economic experts assume that energy prices will remain low around the world – particularly 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. Moreover, exchange rate changes in the international lead currencies can increasingly lead to fluctuations in economic growth in the future, as can currently be seen with Swiss francs. And the situation in Greece shows that disparities within the Euro zone are also steadily increasing. Therefore, we expect that volatility in the markets will increase and all of these developments will also have effects on the machine tool industry.

On these conditions and on the assumption that the global market will develop in line with our expectations, DMG MORI SEIKI group is planning an EBIT of about € 165 million and an EBT of rounded € 160 million. 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 cash flow between € 10 and € 20 million.

For the DMG MORI SEIKI AKTIENGESELLSCHAFT, based on the economic conditions in 2015, we plan income from financial assets roughly on the level of the previous year. Overall, we plan an EBT roughly on the level of the previous year. In 2015 we do not expect significant changes in the net worth and financial positions.

Other Disclosures

Concluding statement of the Executive Board regarding the report on relationships with affiliated companies

The DMG MORI SEIKI COMPANY LIMITED holds 24.33% of the shares of DMG MORI SEIKI AKTIENGESELLSCHAFT as of 31 December 2014. Because of this, a stable (de facto) majority of votes at future annual general meetings is expected. Therefore, in the judgement of the Executive Board, for financial year 2014, a dependency relationship as defined by Section 17 (1) AktG (German Stock Corporation Act) between DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED exists.

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

Therefore, 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 financial year 2014, 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."

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.

Notes for the Financial Year 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT

A. General Declaration

The annual financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the year ending 31 December 2014 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The form of the previous year's statement, particularly the subdivision of the balance sheet and the income statement, has been retained. The income statement is drawn up according to the total cost method of accounting.

B. Accounting and Valuation Principles

The intangible assets acquired against payment and tangible fixed assets were recognised at their acquisition costs and, if applicable, reduced by amortisation and depreciation. For depreciation the straight-line method was applied in accordance with the useful life expectancy.

USEFUL LIFE OF ASSETS

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

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

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

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

Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years corresponding to their remaining term. For pension provisions or comparable long-term obligations, a flat discounting rate was applied at an average market interest rate that results upon an assumed remaining term of 15 years. Provisions with a remaining term of exactly one year or less are not liable to discount and are not discounted.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) on the basis of an interest rate for accounting purposes of 4.62% (previous year: 4.90%). For this purpose, the reference tables of Prof. Klaus Heubeck published in July 2005 were taken as a basis. Externally funded pension benefits are measured at the fair value of the plan assets. Provisions for obligations arising from partial retirement agreements include expenses for wage and salary payments to employees during the pre-retirement passive phase and for top-up payments. Furthermore, the provisions include top-up payments, which the employer cannot avoid due to a collective pay agreement or a works agreement. These provisions are accumulated proportionally from the start of the active phase of the partial retirement and measured at present value, based on an actuarial interest rate of 3.37% (previous year: 3.98%). Partial retirement claims are safeguarded against possible insolvency within the framework of a two-way trust relationship. To safeguard these claims, liquid funds are transferred to a contractual trust arrangement and set off against provisions for partial retirement. The remaining provisions were calculated so that they allow for all identifiable risks and contingent obligations.

The measurements were made on the basis of prudent business judgement. In each case the expected probable settlement amount was taken into account. Provisions for payments on the occasion of employee jubilees are discounted at an interest rate of 4.62% p.a. (previous year: 4.9%).

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

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

C. Notes on the individual balance sheet items

Assets

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

1 INTANGIBLE ASSETS AND FIXED ASSETS

The value disclosed for industrial property rights and similar rights includes mainly data processing software.

2 FINANCIAL ASSETS

The changes in financial assets of DMG MORI SEIKI AKTIENGESELLSCHAFT are set out in the balance sheet supplement to the notes. The companies included in the "Shares in affiliated companies" item, and the corresponding information on registered office, equity, capital shares and results as of 31 December 2014 are set out in a separate summary at the end of the notes.

No impairments of financial assets were carried out in the financial year.
DMG MORI SEIKI AKTIENGESELLSCHAFT has concluded control and profit and loss transfer agreements with the following companies:

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

3 RECEIVABLES AND OTHER ASSETS

Receivables owed by affiliated companies of € 474,128 K (previous year: € 455,036 K) primarily arose from profit and loss transfer agreements and financial clearing (€ 440,525 K) and cost allocation (€ 33,603 K). Other assets to the value of € 17,026 K (previous year: € 11,341 K) increased due to a deposit payment made in 2014 in the amount of € 5,000 K for a subsidiary's construction project. In addition, they include receivables from derivatives of € 7,410 K (previous year: € 4,228 K) and tax refund claims of € 3,865 K (previous year: € 6,553 K) amongst others.

Receivables and other assets to the value of € 137 K (previous year: € 144 K) include receivables with a remaining term of more than one year.

4 CASH ASSETS, BANK BALANCES

The disclosure refers to credit balances with banks and the cash in hand value and fell slightly to € 256,282 K (previous year: € 263,307 K).

5 PREPAID EXPENSES

The prepaid expenses under assets relates to payments amounting to € 182 K (previous year: € 254 K) before the reporting date which are expenses for the following years.

6 DEFERRED TAX ASSETS

Deferred tax assets totalling € 8,105 K (previous year: € 7,837 K) arise as of 31 December 2014 from temporary differences in the carrying amount between the financial statements and the tax accounts. Temporary differences in the carrying amount exist at the balance sheet date in provisions for anticipated losses for the subsequent effects of the tax audit for receivables from subsidiaries and for tax consolidated companies essentially through differences in carrying amounts in provisions. In determining deferred tax assets, an average tax rate of 29.6% has been taken as a basis (previous year: 29.4%).

7 EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

DMG MORI SEIKI AKTIENGESELLSCHAFT has taken out appropriate reinsurance policies for certain pension obligations. The disclosure in 2013 relates to the part that exceeds the corresponding pension obligations. In 2014, the fair value of fixed assets were fully balanced with the pension provisions. The costs of acquisition of the offset assets are € 7,773 K (previous year: € 7,524 K). The settlement amount of the provision is € 9,391 K (previous year: € 6,945 K); of which € 796 K (previous year: € 876 K) pursuant to Section 67(1) Introductory Act to the Commercial Code (EGHGB – Einführungsgesetz zum Handelsgesetzbuch) have not yet been recognised as a provision as of 31 December 2014.
In conformity with the offsetting of assets and debts, income of € 249 K and expenses of € 841 K are shown balanced in interest expenses.

Equity and liabilities

Subscribed capital

8 EQUITY

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

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

The following statements have essentially been taken from the articles of association of DMG MORI 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 authority can be exercised once or several times in partial amounts.

The new shares may be taken over by one or more banks or companies, designated by the Executive Board, with the obligation to offer them to the shareholders (indirect pre-emptive right).

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

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

a) capital increases through contribution in kind so as to acquire in suitable cases companies, parts of companies or interests in companies, or other assets in return for shares,
b) 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 total pro rata amount of the share capital attributable to the new shares, for which the shareholders‘ pre-emptive rights are excluded, neither on the

effective date nor on the date of exercise of this authorisation exceeds 10 percent 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) sentence 4 of the German Stock Corporation Act, are to be included in the maximum limit of 10% of the share capital,

c) to exclude any fractional amounts from the pre-emptive right

All the shares issued on the basis of the aforementioned authorisation disapplying pre-emptive rights of shareholders pursuant to point a) and b) 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 stipulate additional details of the capital increase and its implementation. The Supervisory Board is authorised to amend the articles of association according to the respective utilisation of authorised capital or, if the authorised capital is not utilised or not utilised in full by 15 May 2019, shall cancel this upon the expiry of the term.

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

The 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 function.

Capital reserves

DMG MORI SEIKI AKTIENGESELLSCHAFT decided during the reporting year to sell its own company shares (1,805,048 shares or 2.29% of the share capital) held at the beginning of the financial year. The own shares were sold at 21.80 euros each as per 19 March 2014. DMG MORI SEIKI AKTIENGESELLSCHAFT achieved total revenue of € 39,350,046 from the sale. Accordingly, subscribed capital increased by € 4,693,125 and retained earnings increased by € 15,993,015 on the balance sheet. The amount which exceeded the original acquisition costs by € 18,663,906 was placed in capital reserves.

The capital reserves of DMG MORI SEIKI AKTIENGESELLSCHAFT also include the premiums from the issue of shares from past capital increases. As at the reporting date, capital reserves amounted to € 516,197,471 (previous year: € 497,533,565).

Retained earnings

Statutory reserves

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

Reserves for shares in a controlling enterprise

Pursuant to Section 272(4)(1) German Commercial Code (HGB) a reserve has to be recognised for shares in a majority investor. The amount to be transferred to this reserve shall correspond to the amount recognised as an asset for shares in a majority investor. As at 31 December 2014, this amount was € 115,903,929 (previous year: € 94,019,900). These reserves may be created from existing distributable reserves, accordingly an allocation is made from other retained earnings, which are not committed pursuant to the articles of association.

Other retained earnings

Other retained earnings are € 81,994,901 (previous year: € 77,885,915). € 10,000,000 were allocated from the annual surplus 2014 to retained earnings. An increase of € 15,993,015 resulted from the sale of the company‘s own shares. Due to the increase of the reserve for shares of a controlling company, there was a reduction of € 21,884,029.

Proposed appropriation of profits

The financial year 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT closes with a profit for the year of € 55,018,050.98. After taking into account the profit carryforward from the previous year in the amount of € 41,110.55 and an allocation of € 10,000,000 to retained earnings, net retained profits of € 45,059,161.53 remain. On 8 May 2015, it will be proposed to appropriate these retained profits as follows:

- to distribute € 43,349,896.70 to the shareholders by payment of a dividend of € 0.55 per share,
- to carry the remaining net retained profit of € 1,709,264.83 forward to new account.

DEVELOPMENT OF NET RETAINED PROFIT

	€ K
Net retained profit at 31 Dec. 2013	39,450
Dividend distribution	39,409
Annual profit 2014	55,018
Allocation to retained earnings	10,000
Net retained profit at 31 Dec. 2014	**45,059**

For the amount of the deferred tax assets of € 8,105,172 (previous year: € 7,837,327) pursuant to Section 268(8) German Commercial Code (HGB) there is a restriction on distribution with respect to the annual earnings insofar as the freely available reserves are not sufficient to cover the basic amount that is barred from distribution. However, as the current freely available other revenue reserves of € 81,995 K exceed the amount of the deferred tax assets of € 8,105 K, there is no restriction on distribution according to Section 268(8) HGB of the net retained profits.

9 PENSION PROVISIONS

The measurement of pension obligations was carried out by the projected unit credit method (PUC method). The provisions amount has been determined by taking account of trend assumptions with respect to future development of entitlements or pensions as well as of fluctuation probabilities. An actuarial interest rate of 4.62% p.a. and a pension increase of 2.00% p.a. have been assumed. The provisions for widows' / widowers' entitlements are carried out in accordance with the collective method, in which the probability of marriage that arose from the calculation basis employed was taken as a basis. In principle the contractually agreed pension age was used as the age for ending the financing. Within the framework of implementing the German Accounting Law Modernisation Act (BilMoG) as of 1 January 2010, DMG MORI SEIKI AKTIENGESELLSCHAFT exercised the option under Art. 67(1)(1) of the Introductory Act on the German Commercial Code (EGHGB). Art. 67(1)(1) EGHGB contains the option to accumulate at least a fifteenth of the allocations to provisions determined on the basis of the revised measurement of current pensions and vested pensions rights at the latest by 31 December 2024 in each financial year. The total allocation determined as of 1 January 2010 was € 3,178 K. Of this, as in the previous year, one-fifteenth (€ 212 K) (previous year: € 212 K) was recognised as an expense and recognised under extraordinary expense in financial year 2014. An amount of € 2,118 K remains from this obligation for non-established provisions for subsequent years. As of the reporting date, provisions were € 9,994 K (previous year: € 9,424 K).

10 PROVISIONS FOR TAXES

Tax provisions of € 11,303 K (previous year: € 11,103 K) include liabilities for trade tax for financial year 2014 and company tax audits of previous years.

11 OTHER PROVISIONS

Other provisions include anticipated bonus payments of € 14,569 K (previous year: € 15,547 K) and expenses for other personnel expenses in an amount of € 3,714 K (previous year: € 3,810 K), of these severance payments accounted for € 2,630 K (previous year: € 2,630 K). Further a provision for anticipated losses is included of € 1,145 K (previous year: € 3,544 K) from the ineffectiveness of an interest rate hedging instrument (interest rate swap). The reserve for unsettled invoices amounts to € 2,597 K. Additionally, other provisions include expense for legal, advisory and annual financial statement costs of € 1,714 K (previous year: € 1,621 K), provisions for Supervisory Board members‘ remuneration of € 1,085 K (previous year: € 976 K) and other provisions of € 967 K (previous year: € 139 K). The increase of the latter item occurred primarily due to a probable interest expense of company tax audits starting 2007 (€ 582 K).

12 LIABILITIES

		Statement of financial position as of 31 Dec. 2014	of which residual term up to 1 year	of which residual term 1 to 5 years	of which residual term more than 5 years	Statement of financial position as of 31 Dec. 2013
		€ K	€ K	€ K	€ K	€ K
1.	Trade payables	1,561	1,561	0	0	6,832
2.	Liabilities to affiliated companies	478,394	478,394	0	0	383,476
3.	Other liabilities [1]	9,979	9,979	0	0	7,341
		489,934	489,934	0	0	397,649
Outstanding in each maturity period at 31 Dec. 2013			**397,619**	**30**	**0**	**397,649**

1) of which from taxes: € 2,887 K (previous year: € 2,308 K), of which accrued interest payments: € 691 K (previous year: € 394 K), of which relating to social insurance € 1 K (previous year: € 0 K).

The short and mediumterm working capital needs of DMG MORI SEIKI AKTIENGESELLSCHAFT and, as part of the intragroup cash management system, of the majority of domestic subsidiaries, are covered by cash flow from operations as well as by a syndicated loan agreement. Our syndicated credit facility with a volume totalling € 450 million has a term until 2016. It comprises a cash tranche of € 200 million and an aval tranche of € 250 million. The syndicated loan will bear interest depending on the current money market interest rate (1- to 6-month EURIBOR) plus a premium of a maximum of 2.30%. Also, there are additional aval lines with a volume of € 78.6 million.

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

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

The liabilities to affiliated companies in the amount of € 478,394 K (previous year: € 383,476 K) primarily resulted from liabilities from financial clearing (€ 466,631 K) and trade creditors (€ 11,763 K).

13 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

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

CONTINGENCIES	31 Dec. 2014 € K	31 Dec. 2013 € K
Guarantees	523,281	490,781
Warranties	65,740	79,387
	589,021	**570,168**
OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE		
within 1 year	332	315
within 1 to 5 years	432	244
after 5 years	0	0
	764	**559**

The guarantees of DMG MORI SEIKI AKTIENGESELLSCHAFT include maximum-amount guarantees for affiliated companies of € 15,144 K (previous year: € 16,664 K) and payment sureties of € 76,506 K (previous year: € 76,884 K). The corresponding bank liabilities are valuedated as of 31 December 2014 at € 7,996 K (previous year: € 6,208 K). DMG MORI SEIKI AKTIENGESELLSCHAFT was jointly and severally liable for liabilities of € 162,050 K (previous year: € 144,095 K) as of the balance sheet date.

An amount of € 2,940 K (previous year: € 3,925 K) was given as prepayment guarantees to customers of several group companies.

DMG MORI SEIKI AKTIENGESELLSCHAFT also has a guarantee line, which can be used to guarantee advance payment and warranties of domestic and foreign subsidiaries with secondary liability of DMG MORI SEIKI AKTIENGESELLSCHAFT. As of 31 December 2014 the amount availed of was € 121,281 K (previous year: € 149,529 K).

Moreover, DMG MORI SEIKI AKTIENGESELLSCHAFT has issued comfort letters for GILDEMEISTER Italiana S.p.A., Sauer GmbH, a+f GmbH, DMG Mori Seiki Benelux B.V., DMG Mori Seiki Malaysia SDN BHD, DMG asia PTE, FAMOT Pleszew Sp. z o.o., DMG Mori Seiki Benelux B.V.B.A. and DMG Mori Seiki Used Machines GmbH totalling € 19,437 K. The liabilities in this respect were valued at € 826 K as at 31 December 2014.

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

14 DERIVATIVE FINANCIAL INSTRUMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS IN DMG MORI SEIKI AKTIENGESELLSCHAFT	Nominal volume		Fair market value	
	31 Dec. 2014	31 Dec. 2013	31 Dec. 2014	31 Dec. 2013
	€ K	€ K	€ K	€ K
Forward foreign exchange contracts	308,437	317,879	1,023	−351
Interest rate swap	60,000	60,000	−1,397	−3,782
	368,437	**377,879**	**−374**	**−4,133**

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

The fair market values of the forward foreign exchange contracts are balanced at € 1,023 K (previous year: € −351 K) and comprise positive market values of € 7,410 K (previous year: € 4,228 K) in other assets and negative market values of € 6,387 K (previous year: € 4,579 K) in other liabilities. If the pre-conditions exist, the forward foreign exchange contracts are combined in hedges per currency.

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

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

The forward foreign exchange contracts concluded show a residual term of up to two years as of the balance sheet date and serve to hedge foreign currency receivables from group companies in USD, CAD, SGD, JPY, GBP, AUD, RUB and PLN.

As at 31 December 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT concluded interest rate swaps with a notional amount of € 60,000 K with a hedged interest rate of 4.79% and a term until 29 May 2015. The remaining interest rate swaps bind DMG MORI SEIKI AKTIENGESELLSCHAFT to pay a fixed interest rate for the term on the volume concluded. In exchange, DMG MORI SEIKI AKTIENGESELLSCHAFT receives the payment of a 6-month EURIBOR from the contractual partner to the interest rate swap. As of 31 December 2014, the market value (dirty fair value) was € 1,397 K. Of these, € 1,145 K (clean fair value) are recognised in other provisions and € 252 K (deferred interest) are recognised in other liabilities.

Due to the conformity of the important characteristics of the transactions of a valuation unit, the value changes or cash flows balance out for the most part. The unrealised losses which are not balanced by unrealised gains of the same amount are recognised as expenses. The hedge remains for the entire term of each underlying transaction. The dollar offset method is used to test the effectiveness of the hedge.

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

No	TYPES OF HEDGES IN DMG MORI SEIKI AKTIENGESELLSCHAFT Underlying transaction	Nominal amount of underlying transaction in € K	Hedged risks in in € K (offset)
1	Internal forward exchange contracts (not offset): Cash flow hedges from order intake and subsidiaries' debts to suppliers	107,670	−5,242
2	Internal group foreign currency loans (not offset)	87,439	−5

Valuation units are generated from external forward exchange contracts and intra-group forward exchange contracts to hedge order intake and supplier payments with a nominal value of € 107,670 K. The hedged risk was € −5,242 K as of 31 December 2014. Also, valuations units from external forward exchange contracts and intragroup foreign currency loans were generated with a nominal amount of € 87,439 K. The hedged currency risk was € −5 K as of 31 December 2014.

15 TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

In financial year 2014, DMG MORI SEIKI AKTIENGESELLSCHAFT only concluded transactions at customary market conditions with related companies and persons. In the reporting period, an amount of € 1,728 K (previous year: € 729 K) for consulting services rendered was paid to the Institute for Manufacturing Excellence GmbH. The institute was founded by Prof. Klinkner, who is also the managing partner.

D. Notes to individual items in the Income Statement

16 SALES REVENUES

Sales revenues of € 15,505 K (previous year: € 15,294 K) essentially involve sales arising from the group-wide holding functions. Of this, Germany had € 13,266 K (previous year: € 13,205 K), the rest of Europe € 1,026 K (previous year: € 1,024 K), and the rest of world € 1,213 K (previous year: € 1,065 K).

17 OTHER OPERATING INCOME

Other operating income of € 18,743 K (previous year: € 11,042 K) includes exchange rate gains from the valuation of receivables and liabilities in foreign currencies and from the valuation of forward exchange contracts amounting to € 13,719 K (previous year: € 7,841 K) as well as income from cost allocations and cost refunds of € 4,558 K (previous year: € 2,718 K). In addition, income unrelated to the accounting period is included from the reversal of provisions of € 53 K (previous year: € 31 K).

18 PERSONNEL EXPENSES

For financial year 2014, the employee pension plan expense totalled € 2,764 K (previous year: € 2,553 K). Direct remuneration of the members of the Executive Board, was € 9,679 K (previous year: € 10,538 K). Of this, € 2,252 K was allocated to the fixed remuneration (previous year: € 2,673 K), € 5,804 K (previous year: € 5,400 K) to the STI and € 581 K to the individual performance remuneration (previous year: € 1,200 K). The STI thus takes account of the target achievement of the Executive Board. The fair value of LTI on the granting date was € 924 K (previous year: € 1,109 K). Benefits in kind accounted for € 118 K (previous year: € 156 K).

Former members of the Executive Board and their surviving dependents received € 610 K (previous year: € 575 K) in pensions. The amount of pension obligations (entitlement cash value of future pension commitments or defined benefit obligation) for former executive board members and their surviving dependants were € 9,126 K (previous year: € 7,265 K). Of this obligation, € 879 K remains for non-recognised provisions for the following years.

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

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

EMPLOYEE DEVELOPMENT

	2014	2013
Salary earners	107	87

19 OTHER OPERATING EXPENSES

Other operating expenses resulted among other things from other external services amounting to € 8,956 K (previous year: € 7,001 K), expenses for legal and consultancy fees and costs for the preparation of the annual accounts of € 7,109 K (previous year: € 6,805 K), travel and entertaining expenses of € 2,705 K (previous year: € 2,419 K), insurance contributions of € 1,879 K (previous year: € 1,835 K) and rental and lease expenses of € 718 K (previous year: € 680 K). In the previous year, the expense for capital increases of € 11,762 K were included. Exchange and currency losses from the valuation of receivables and liabilities in foreign currencies and from the valuation of forward exchange contracts of € 12,863 K (previous year: € 7,319 K) were set off against exchange and currency gains of € 13,719 K (previous year: € 7,841 K). Other operating expenses do include expenses unrelated to the accounting period of € 328 K (previous year: € 749 K).

Auditor's fees and services

In the financial year 2014, the fees of the auditor of the financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, were recognised as expense of € 387 K (previous year: € 374 K) and include the fees and expenses for the statutory audit of the annual and consolidated financial statements. In addition, for other assurance or assessment services € 252 K (previous year: € 944 K), for tax advisory services € 405 K (previous year: € 492 K) and for other services € 508 K (previous year: € 763 K) were recognised in expense.

Remuneration of the Supervisory Board

In the financial year 2014, € 1,085 K (previous year: € 976 K) were allocated to provisions for Supervisory Board members' remuneration. Further details of the remuneration of the Supervisory Board are given in the Management Report.

20 INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

DMG MORI SEIKI AKTIENGESELLSCHAFT achieved income from profit and loss transfer agreements of € 123,219 K (previous year: € 97,880 K) from GILDEMEISTER Beteiligungen GmbH and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

21 INCOME FROM EQUITY INVESTMENTS

The income from equity investments of € 2,150 K (previous year: € 1,229 K) relates to the dividend distribution of DMG MORI SEIKI COMPANY LIMITED.

22 OTHER INTEREST AND SIMILAR INCOME

In the reporting period, interest and guarantee commissions were invoiced to related companies in the amount of € 19,593 K (previous year: € 23,521 K).

23 INTEREST AND SIMILAR EXPENSES

The interest expense of € 13,809 K (previous year: € 13,437 K) includes interest of € 8,790 K (previous year: € 9,558 K), which has been charged by affiliated companies as well as an interest expense from addition of accrued interest from provisions of € 592 K (previous year: € 672 K). The remaining part of interest expense was primarily interest and commitment fees for liabilities to banks.

24 EXTRAORDINARY RESULT

In extraordinary expenses of € 212 K (previous year: € 212 K) the amount recognised in expenses in the financial year for allocations to pension provisions due to measurement adjustments in accordance with the BilMoG is disclosed. We refer to our explanatory notes in Section (9) Provisions.

25 TAX ON INCOME AND EARNINGS

Taxes on income and earnings includes expenses unrelated to the accounting period in an amount of € 3,088 K (previous year: € 300 K) as well as tax expenses of € 38,704 K (previous year: € 25,545 K). In addition, an amount of € 268 K deffered tax revenue is included (previous year: € 1,182 K deferred tax expenses).

E. Other Disclosures

26 STATUTORY NOTIFICATION PURSUANT TO SECTION 26 WPHG

Deutsche Asset & Wealth Management Investment GmbH, Frankfurt / Main, Deutschland, informed us pursuant to Section 21(1) WpHG by letter of 17 October 2014, that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Bielefeld, Germany, as of 14 October 2014 crossed the threshold of 5% and as of that date amounted to 5.18% (4,082,543 voting rights).

The Norges Bank (the Central Bank of Norway), Oslo, Norway, informed us pursuant to Section 21(1) WpHG by letter of 2 June 2014 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, as of 30 May 2014 crossed the threshold of 3% and as of that date amounted to 3.88% (3,056,178 voting rights).

The Ministry of Finance on behalf of the State of Norway, Oslo, Norway, informed us pursuant to Section 21(1) WpHG by letter of 2 June 2014 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, as of 30 May 2014 crossed the threshold of 3% and as of that date amounted to 3.88% (3,056.178 voting rights). A 3.88% share of the voting rights (or 3,056,178 voting rights) are to be assigned to the Ministry of Finance on behalf of the State of Norway by Norges Bank pursuant to Section 22(1)(1) of WpHG (German Securities Trading Act).

AXA S.A., 25, Avenue Matignon, 75008 Paris, France, informed us pursuant to Section 21(1) WpHG by letter of 24 April 2014 that its communication to us and our publication thereof on 29 Nov 2013, that it had crossed the threshold of 3% on 25 November 2013, would be withdrawn, since the threshold had in fact never been crossed.

Allianz Global Investors Europe GmbH, Frankfurt / Main, Deutschland, informed us pursuant to Section 21(1) WpHG by letter of 17 March 2014 that its share of the voting rights in DMG MORI SEIKI AKTIENGESELLSCHAFT, Gildemeisterstrasse 60, 33689 Bielefeld, Germany, as of 13 March 2014 crossed the threshold of 3% and as of that date amounted to 3.04% (2,398,628 voting rights). Of these, 233,599 voting rights (equivalent to 0.30%) are attributed to Allianz Global Investors Europe GmbH pursuant to Section 22(1)(1) no.6 WpHG.

27 DECLARATION OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE OF PRACTICE

The latest declaration of conformity in accordance with Section 161 of the German Stock Corporate Act (AktG) was issued in December 2014 – just as the declarations of conformity of the previous years – and has been made permanently accessible on our website at www.dmgmoriseiki.com

F. 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,
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.-Kffr. Kathrin Dahnke,
Bielefeld, until 24 February 2014

Dipl.-Kfm. André Danks,
Bielefeld, since 11 March 2014

Dipl.-Kfm. Christian Thönes,
Bielefeld

Dipl.-Kfm. Dr. Maurice Eschweiler,
Bielefeld

Affiliated Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of FInancial Year 2014 [1] € K
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	10
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	407
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	2,577
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			31,685	100.0	−12,170
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			23,354	100.0	4,535
DMG Service Drehen Italia S.r.l., Brembate di Sopra (Bergamo), Italy [9]			970	100.0	181
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [9]			1,537	100.0	182
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [9]			−176	100.0	−187
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	−1,908
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			43	100.0	16
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			113	100.0	16
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	

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2014 [1] € K
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	52,870
Cellstrom GmbH, Klaus, Austria [16]			18,230	100.0	−1,871
DMG ECOLINE GmbH, Klaus, Austria [23]			3,120	100.0	−880
FAMOT Pleszew Sp.z o.o., Pleszew, Poland [16]	PLN K	281,674	65,916	100.0	14,743
DMG Energie Speichertechnologie GmbH, Vienna, Austria [16]			34	100.0	−1
DMG ECOLINE Holding AG, Winterthur, Switzerland [16]			1,029	100.0	−27
DMG ECOLINE AG, Dübendorf, Switzerland [28]			2,576	100.0	1,116
DMG MORI SEIKI KOREA CO., LTD., Siheung-si / Gyeonggi-do, Korea [16]	KRW K	9,182,393	6,931	100.0	670
DMG Holding AG, Dübendorf, Switzerland [16]			223,309	100.0	53
DMG MORI SEIKI Europe AG, Dübendorf, Switzerland [17]			239,247	60.0	8,007
DMG / MORI SEIKI Austria International GmbH, Klaus, Austria [18]			1,052	100.0	140
DMG / MORI SEIKI AUSTRIA GmbH, Klaus, Austria [19]			7,830	100.0	2,283
DMG / MORI SEIKI BENELUX B.V., Veenendaal, Netherlands [18]			4,638	100.0	690
DMG – MORI SEIKI Benelux BVBA – SPRL., Zaventem, Belgium [18]			2,215	100.0	397
DMG MORI SEIKI Czech s.r.o., Brno, Czech Republic [18]	CZK K	127,912	4,612	100.0	1,556
DMG MORI SEIKI DENMARK ApS, Copenhagen, Denmark [18]	DKK K	6,730	904	100.0	−13

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2014 [1] € K
DMG MORI SEIKI FRANCE SAS, Paris, France [18]			12,084	100.0	2,060
DMG / MORI SEIKI Hungary Kereskedelmi és Szerviz Kft., Budapest, Hungary [18]			4,091	100.0	917
DMG MORI SEIKI IBERICA S.L.U., Ripollet, Spain [18]			9,026	100.0	914
DMG MORI SEIKI Italia S.r.l., Milan, Italy [18]			36,855	100.0	1,261
Micron S.p.A., Veggiano, Italy [20]			3,541	100.0	45
DMG MORI SEIKI MIDDLE EAST FZE, Dubai, United Arab Emirates [18]	AED K	4,917	1,103	100.0	466
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	1,332
DMG MORI SEIKI Schweiz AG, Dübendorf, Switzerland [18]	CHF K	10,441	8,683	100.0	325
DMG / MORI SEIKI South East Europe M.E.P.E. Thessaloniki, Greece [18]			247	100.0	89
DMG Mori Seiki Sweden AB, Gothenburg, Sweden [18]	SEK K	65,696	6,994	100.0	675
DMG Scandinavia Norge AS, Langhus, Norway [18]	NOK K	8,984	994	100.0	68
DMG MORI Finland Oy Ab, Tampere, Finland [18]			973	100.0	−27
DMG MORI SEIKI UK Limited, Luton, Great Britain [18]	GBP K	19,021	24,420	100.0	3,389
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	364
DMG Management AG, Winterthur, Switzerland [17]	CHF K	100	83	100.0	
DMG Europe Holding AG, Dübendorf, Switzerland [17]			14,362	100.0	4,255
DMG MORI SEIKI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey [22]	TRY K	8,574	3,028	100.0	1,652
DMG MORI SEIKI Rus O.O.O., Moscow, Russia [22] (previously: DMG Russland O.O.O.)	RUB K	369,093	5,102	90.0	874
DMG MORI SEIKI CANADA INC., Toronto, Canada [17]	CAD K	20,424	14,523	51.0	234
DMG MORI SEIKI ELLISON CANADA INC., Vancouver, Canada [27]	CAD K	25,587	18,195	67.0	298
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	23	100.0	

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of Financial Year 2014 [1] € K
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 & Service, Cairo, Egypt [29]	EGP K	300	35	100.0	
DMG Nippon K.K., Yokohama, Japan [17]	JPY K	254,152	1,750	100.0	−98
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	−1,966
DMG Mori Seiki South East Asia Pte. Ltd., Singapore [17]	SGD K	26,303	16,380	51.0	335
DMG Mori Seiki (Malaysia) SDN BHD, Shan Alam / Selangor, Malaysia [24]	MYR K	12,042	2,835	100.0	68
DMG Mori Seiki (Vietnam) Co. Ltd., Hanoi, Vietnam [24]	VND K	14,872,330	573	100.0	10
DMG America Inc., Itasca, USA [17]	USD K	38,463	31,680	100.0	−1,041
DMG MORI SEIKI MEXICO S.A. de C.V., Queretaro, Mexico [25]	MXN K	100,870	5,645	51.0	1,848
DMG Asia Pte. Ltd., Singapore [17]			24,178	100.0	3,996
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	426
DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED, Bangalore, India [10]	INR K	633,268	8,254	51.0	477
DMG MORI SEIKI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	99,693	13,229	100.0	1,073
a+f GmbH, Würzburg [3/4/10/11]			52,100	100.0	
GILDEMEISTER energy efficiency GmbH, Stuttgart [3/26]			129	60.0	83
GILDEMEISTER ENERGY SERVICES IBERICA, SOCIEDAD LIMITADA, Madrid, Spain [26]			−386	100.0	−63
Simon Solar, S.r.l., Milan, Italy [26]			1,260	100.0	327
Rena Energy S.r.l., Milan, Italy [26]			806	100.0	141
Winch Puglia Foggia S.r.l., Milan, Italy [26]			1,172	100.0	201
Cucinella S.r.l., Milan, Italy [26]			225	100.0	57

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %	Earnings of FInancial Year 2014 [1] € K
Jointly-controlled entities (joint Ventures)					
DMG / Mori Seiki Australia Pty. Ltd., Clayton Victoria, Australia	AUD K	4,945	3,335	50.0	240
SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India	INR K	60,000	782	50.0	0
Associates					
DMG MORI Finance GmbH, Wernau (previously: MG Finance GmbH)			20,687	42.6	1,484
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	6,311,291	43,457	44.1	1,193
Magnescale Europe GmbH, Wernau [30]			2,623	44.1	62
Magnescale Americas, Inc., Davis, USA [30]	USD K	947	780	44.1	115
Shareholdings of other large corporations					
DMG MORI SEIKI CO. LTD., Nagoya, Japan				9.6	
Mori Seiki Manufacturing USA, Inc., Davis, USA				19.0	

1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated at the market price on reporting date. Foreign currencies with respect to earnings were translated at the average market price.
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.

Income Statement for the period 01 January to 31 December 2014 of DMG MORI SEIKI AKTIENGESELLSCHAFT

		Notes	2014 €	2013 €
1.	Sales revenues	16	15,504,983	15,294,099
2.	Other operating income	17	18,743,057	11,042,041
			34,248,040	26,336,140
3.	Cost of materials			
	a) Cost of purchased goods		0	49,938
	b) Cost of purchased services		3,049,672	2,249,470
			3,049,672	2,299,408
4.	Employee expenses	18		
	a) Wages and salaries		20,858,638	22,999,807
	b) Social contributions, pensions and other benefits		3,995,085	3,564,871
			24,853,723	26,564,678
5.	Depreciation of tangible and intangible assets		3,000,881	2,433,202
6.	Other operating expenses	19	37,977,693	41,846,963
7.	Income from profit and loss transfer agreements	20	123,218,951	97,880,475
8.	Income from investments	21	2,149,660	1,229,063
9.	Other interest receivable and similar income	22	19,828,317	23,604,258
10.	Interest payable and similar expenses	23	13,809,035	13,437,203
11.	Profit on ordinary activities		96,753,964	62,468,482
12.	Extraordinary expense		211,849	211,849
13.	Extraodinary result	24	−211,849	−211,849
14.	Tax on income	25	41,524,064	27,027,180
15.	Net profit		55,018,051	35,229,453
16.	Profit carryforward from previous year		41,111	4,220,655
17.	Appropriation to other revenue provisions		10,000,000	0
18.	**Net profit for the year**		**45,059,162**	**39,450,108**

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

ASSETS	Notes	31 Dec. 2014 €	31 Dec. 2014 €	31 Dec. 2013 €
A. Fixed assets				
I. Intangible assets	1			
Industrial property and similar rights and values and licences to such rights and values			287,641	5,393
II. Tangible assets	1			
1. Land and buildings		24,050,062		20,094,408
2. Other equipment, factory and office equipment		14,418,003		13,431,965
3. Payments on account and construction in progress		1,579,201		4,862,296
			40,047,266	**38,388,669**
III. Financial assets	2			
1. Shares in affiliated companies		525,628,032		417,953,026
2. Investments		180,099,180		158,041,184
			746,062,119	**614,388,272**
B. Current assets				
I. Receivables and other assets	3			
1. Receivables from affiliated companies		474,127,659		455,035,574
2. Other assets		17,026,163		11,340,865
			491,153,822	466,376,439
II. Cash assets and bank balances	4		256,281,615	263,306,669
C. Prepaid expenses	5		**182,454**	**253,787**
D. Deferred tax assets	6		**8,105,172**	**7,837,327**
E. Assets arising from the overfunding of pension obligations	7		**0**	**1,454,213**
			1,501,785,182	**1,353,616,707**

EQUITY AND LIABILITIES	Notes	31 Dec. 2014 €	31 Dec. 2014 €	31 Dec. 2013 €
A. Equity				
I. Subscribed capital	8		204,926,785	204,926,785
Treasury shares				−4,693,125
II. Capital provision			516,197,471	497,533,565
III. Revenue provisions				
1. Statutory provision			680,530	680,530
2. Provisions for shares of a controlling company			115,903,929	94,019,900
3. Other revenue provisions			81,994,901	93,878,930
Treasury shares				−15,993,015
IV. Net profit			45,059,162	39,450,108
			964,762,778	**909,803,678**
B. Provisions				
1. Pension provisions	9	9,993,861		9,424,040
2. Tax provisions	10	11,302,867		11,103,000
3. Other provisions	11	25,791,238		25,637,473
			47,087,966	**46,164,513**
C. Liabilities	12			
1. Trade payables		1,561,278		6,831,681
2. Amounts owned to affiliated companies		478,394,349		383,476,115
3. Other liabilities		9,978,811		7,340,720
			489,934,438	**397,648,516**
			1,501,785,182	**1,353,616,707**

Fixed Asset Movement Schedule as at 31 December 2014
of DMG MORI SEIKI AKTIENGESELLSCHAFT

AQUISITION AND PRODUCTION COSTS

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

DEPRECIATION

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

As at 01 Jan. 2014 €	Additions €	Disposals €	Book Transfer €	**As at 31 Dec. 2014 €**
17,551,869	129,523	0	267,500	17,948,892
17,551,869	**129,523**	**0**	**267,500**	**17,948,892**
42,747,638	1,553,030	0	3,728,234	48,028,902
23,962,488	1,850,800	140,000	835,734	26,509,022
4,862,296	1,577,739	29,366	−4,831,468	1,579,201
71,572,422	**4,981,569**	**169,366**	**−267,500**	**76,117,125**
417,953,026	107,675,006	0	0	525,628,032
158,041,184	22,057,996	0	0	180,099,180
575,994,210	**129,733,002**	**0**	**0**	**705,727,212**
665,118,501	**134,844,094**	**169,366**	**0**	**799,793,229**

					CARRYING AMOUNT	
As at 01 Jan. 2014 €	Additions €	Disposals €	Book Transfer €	**As at 31 Dec. 2014 €**	**As at 31 Dec. 2014 €**	As at 31 Dec. 2013 €
17,546,476	114,775	0	0	17,661,251	287,641	5,393
17,546,476	**114,775**	**0**	**0**	**17,661,251**	**287,641**	**5,393**
22,653,230	1,325,610	0	0	23,978,840	24,050,062	20,094,408
10,530,523	1,560,496	0	0	12,091,019	14,418,003	13,431,965
0	0	0	0	0	1,579,201	4,862,296
33,183,753	**2,886,106**	**0**	**0**	**36,069,859**	**40,047,266**	**38,388,669**
0	0	0	0	0	525,628,032	417,953,026
0	0	0	0	0	180,099,180	158,041,184
0	**0**	**0**	**0**	**0**	**705,727,212**	**575,994,210**
50,730,229	**3,000,881**	**0**	**0**	**53,731,110**	**746,062,119**	**614,388,272**

Responsibility Statement

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

Bielefeld, 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 financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of DMG MORI SEIKI AKTIENGESELLSCHAFT, Bielefeld, for the financial year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the financial statements and management report in accordance with German commercial law are the responsibility of the company's management. Our responsibility is to express an opinion on the financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer). These standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

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

Berlin, 9 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Tonne	Bröker
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

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

Forward-looking statements

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

DMG MORI SEIKI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in major business areas as well as the consequences of a recession) as these directly impact processes, suppliers and customers. Due to their differences, not all business areas are affected to the same extent by changes in the economic environment; significant differences exist with respect to the timing and extent of the effects of any such changes. This effect is further intensified by the fact that, as a global entity, DMG MORI SEIKI AKTIENGESELLSCHAFT operates in various markets with very different economic rates of growth. Uncertainties arise inter alia from the risk that customers may delay or cancel orders or they may become insolvent or that prices become more depressed by a persistently, unfavourable market environment than we expect at the current time; developments on the financial markets, including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as in financial assets in general; growing volatility and further decline in the capital markets and a deterioration in the conditions for the credit business and in particular in the growing uncertainties that arise from the financial market and liquidity crises including that of the euro debt crisis as well as in the future economic success of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other essential portfolio measures; the introduction of competing products or technology by other companies or the entry onto the market of new competitors; a change in the dynamics of competition (primarily on developing markets); a lack of acceptance of new products and services in customer target groups of the DMG MORI SEIKI group; changes in corporate strategy; interruptions in the supply chain, including the inability of a third party, for example due to a natural catastrophe, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other acts of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI SEIKI AKTIENGESELLSCHAFT and various other factors. Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI SEIKI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI SEIKI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any events or developments occurring after the end of the reporting period. Forward-looking statements must not be understood as a guarantee or assurance of the future developments or events contained therein. There are two companies using the name "DMG MORI SEIKI": DMG MORI SEIKI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI SEIKI COMPANY LIMITED with registered office in Nagoya, Japan. This report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT. If reference is made in this report to the "DMG MORI SEIKI group", this refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT and its group companies.

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