DMG MORI SEIKI

AKTIENGESELLSCHAFT

Annual Report 2013

ONE BRAND FOR THE WORLD

KEY FIGURES ___ The Consolidated Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT as at 31 December 2013 were prepared in accordance with the International Financial Reporting Standards (IFRS), as they have to be applied in the European Union. This financial report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT and its affiliated companies in the group (in the following referred to as the DMG MORI SEIKI group).

01 **DMG MORI SEIKI GROUP**

	2013 € million	2012 € million	€ million	Changes 2013 against 2012 %
Sales revenues				
Total	2,054.2	2,037.4	16.8	1
Domestic	676.5	722.1	−45.6	−6
International	1,377.7	1,315.3	62.4	5
% International	67	65		
Order intake				
Total	2,101.1	2,260.8	−159.7	−7
Domestic	705.8	735.8	−30.0	−4
International	1,395.3	1,525.0	−129.7	−9
% International	66	67		
Order backlog*				
Total	1,031.9	1,003.5	28.4	3
Domestic	277.5	252.2	25.3	10
International	754.4	751.3	3.1	0
% International	73	75		
Investments	**213.5**	**74.5**	**139.0**	**187**
whereof tangible assets / intangible assets	106.6	74.5	32.1	43
Personnel costs	**465.2**	**440.4**	**24.8**	**6**
Personnel ratio in %	22.6	21.4		
Employees	6.497	6.267	230	4
plus trainees	225	229	−4	−2
Total Employees*	6.722	6.496	226	3
EBITDA	193.9	173.8	20.1	12
EBIT	147.6	132.9	14.7	11
EBT	135.0	120.1	14.9	12
Annual result	**93.2**	**82.4**	**10.8**	**13**

* Reporting date 31 December

Page reference

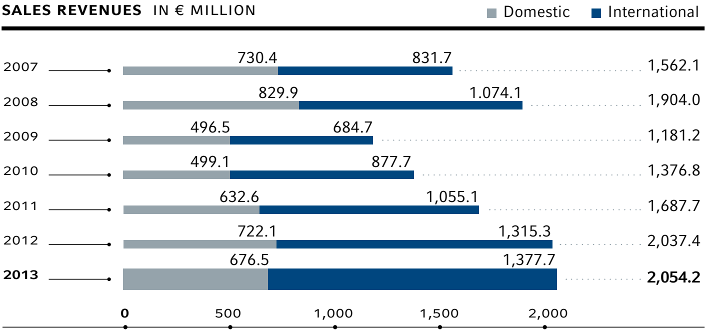
P — Page reference for further information in the Annual Report

G — Reference to a diagram or table providing visual represenation

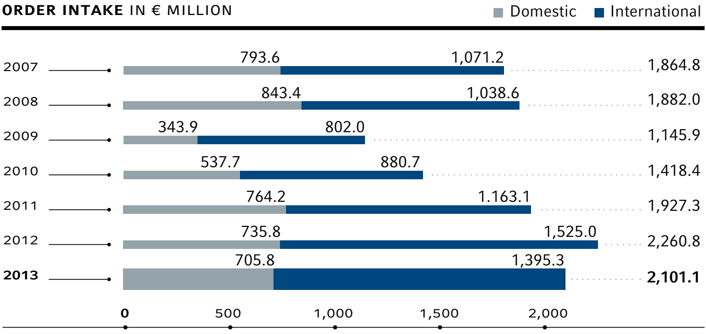
I — Reference to further / updated Information in the internet

KEY FIGURES

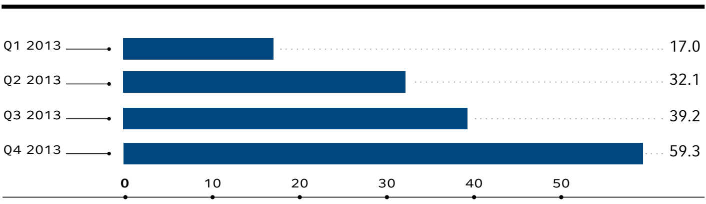
02 **SALES REVENUES** IN € MILLION



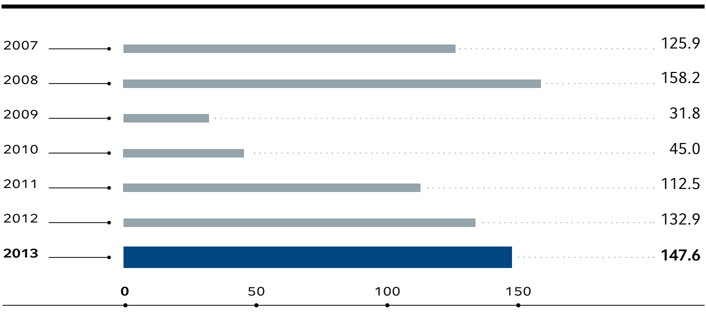
03 **ORDER INTAKE** IN € MILLION



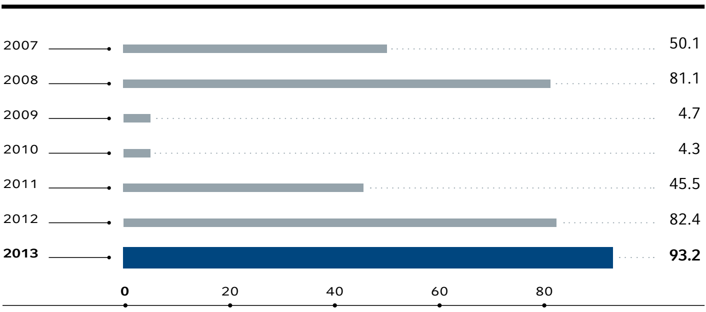
04 **QUARTERLY RESULTS (EBIT)** IN € MILLION



05 **EBIT** IN € MILLION



06 **ANNUAL RESULT** IN € MILLION



The DMG MORI SEIKI group in brief

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

The "Machine Tools" segment comprises the divisions Turning, Milling, Advanced Technologies (ultrasonic / lasertec) and the ECOLINE product range, as well as our electronics and automation products. The "Industrial Services" segment comprises the business activities of the Services and Energy Solutions divisions.

Our company's success is sustained by 6,722 employees. In total, 145 national and international sales and service locations, bearing the worldwide brand name of DMG MORI, maintain direct contact with our customers. Together with our cooperation partner, DMG MORI SEIKI COMPANY LIMITED, we are present on all the major markets worldwide.

ONE BRAND FOR THE WORLD

We strengthen our competitive position by combining two global networks, bundling resources and shared expertise.

MILESTONES OF THE COOPERATION

'09
START OF THE PARTNERSHIP
with the Japanese machine tool manufacturer Mori Seiki.

'10
DEVELOPING THE COOPERATION
in India, the USA, Australia and South East Asia.

'11
FIRST JOINT TRADE FAIR APPEARANCE
of DMG MORI SEIKI at the EMO in Hanover.

'12
BUNDLING STRENGTHS IN EUROPE
by the joint European headquarter in Switzerland.

2013

March

COOPERATION AGREEMENT
Consolidation of the strategic cooperation that has been in place since 2009. The Cooperation Agreement sets the framework for strengthening the partnership founded on trust between GILDEMEISTER and Mori Seiki.

JOINT COMMITTEE // *The Joint Committee set up jointly by GILDEMEISTER and Mori Seiki took up its work on 26 August 2013. The committee is composed of top executives from both companies. It manages and coordinates the joint activities worldwide.*

August / September

CAPITAL INCREASE
Successful conclusion of the capital increases for GILDEMEISTER Aktiengesellschaft as provided for in the Cooperation Agreement.

September

EMO IN HANOVER
DMG MORI SEIKI presents CELOS for the first time, as well as the new corporate design and 18 world premieres in total.

October

DMG MORI SEIKI

ONE PARTNERSHIP, ONE NAME
GILDEMEISTER Aktiengesellschaft becomes DMG MORI SEIKI AKTIENGESELLSCHAFT, and Mori Seiki Co., Ltd. becomes DMG MORI SEIKI COMPANY LIMITED.

DMG MORI

The new common branding for all sales and service companies worldwide.

Our new corporate design optionally in "BLACK" or "WHITE".

'14

ANNUAL REPORT 2013

TO OUR SHARE-HOLDERS

The Supervisory Board

Prof. Dr.-Ing. Raimund Klinkner (49)

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

The Supervisory Board closely monitored the business performance and results of the DMG MORI SEIKI group in financial year 2013. The strengthening of the cooperation with the Japanese cooperation partner was a focal point of this. The year was marked overall by change: Subsequent to the 111th Annual General Meeting on 17 May 2013, the Supervisory Board was constituted anew. On 1 October 2013 GILDEMEISTER Aktiengesellschaft became DMG MORI SEIKI AKTIENGESELLSCHAFT.

The Supervisory Board continues to comprise twelve members. The newly-elected chairman of the Supervisory Board, **Prof. Dr.-Ing. Raimund Klinkner**, has been a member of the Supervisory Board since April 2012. Among the representatives for the owners re-elected on 17 May are Prof. Dr. Edgar Ernst, Dr.-Eng. Masahiko Mori, Ulrich Hocker and Hans Henning Offen. A new member of the board is Prof. Dr.-Ing. Berend Denkena, head of the Institute of Production Engineering and Machine Tools (IFW) at the Hanover Centre for Production Technology (PZH) of the Leibniz University of Hanover. The employee representatives already confirmed on 5 March were: Dr. Constanze Kurz, Mario Krainhöfner and Matthias Pfuhl; new members are Dietmar Jansen, Hermann Lochbihler and Peter Reinoss. The Supervisory Board elected Hermann Lochbihler as the first deputy chairman; on 28 November 2013 Mario Krainhöfner was appointed as an additional deputy chairman.

Hans Henning Offen, the former chairman of the Supervisory Board, resigned from his position as a member of the Supervisory Board as of 31 December 2013. The Executive Board and Supervisory Board thank Mr. Offen sincerely for his dedication and close collaboration.

Alongside the changes on the Supervisory Board there were also **personnel changes on the Executive Board**. Dr. Maurice Eschweiler was nominated as deputy member of the Executive Board by resolution of 12 March 2013 with effect from 1 April 2013 for a period of three years; on 20 September 2013 he was appointed as a full member of the Executive Board effective as of 1 October 2013. He is responsible for the newly-created “Industrial Services” executive portfolio. Günter Bachmann, member of the Executive Board for Production and Technology, retired from the Executive Board at the end of 2013; his duties have been taken over by the board member Christian Thönes.

As in previous years, the Executive Board informed the Supervisory Board timely, regularly and comprehensively in meetings of any events that were of material importance for the company in the meetings as well as by telephone and in writing; in addition, the Supervisory Board was notified regularly of the performance of the main key figures at the company. The main focus of discussions was intensifying the cooperation with the DMG MORI SEIKI COMPANY LIMITED; the Executive Board and Supervisory Board discussed this matter in-depth and thoroughly examined the Cooperation Agreement, the associated capital measures and the change of name in advance. In this regard, amongst others, the Supervisory Board set up the Capital Market Committee 2013.

Additionally, the Executive Board and Supervisory Board discussed in detail the corporate strategy, the risk position, the risk management and compliance topics. Together they dealt with the question of what requirements were made of the group management report by the new DRS 20 regulations. In addition, discussions also centred on the planning and development of the group until 2016, including investments.

The Supervisory Board carried out its duties with the utmost care pursuant to the articles of association and statutory requirements. The chairs of the Supervisory Board committees reported regularly to the plenum on the matters reviewed and the recommendations drawn up at committee meetings.

The Supervisory Board discussed in detail the planned conclusion of an agreement with the "Institute for Manufacturing Excellence" (IMX), whose managing partner is the chairman of the Supervisory Board, Prof. Dr.-Ing. Raimund Klinkner. The Supervisory Board closely examined the contractual agreement, the budget and objectives; subsequently, the members of the Supervisory Board, without the participation of Prof. Dr.-Ing. Klinkner, approved the agreement. They determined that it is to the company's advantage to use the acknowledged expertise of IMX in order to complete and enhance the production and logistics systems at the companies and that no conflicts of interest exist. Also for the financial year just ended, there were no conflicts of interest to report with respect to any member of the Supervisory Board.

At the **balance sheet meeting on 12 March 2013** the annual auditors and the entire Executive Board were present, only one member of the Supervisory Board was unable to attend. A key item on the agenda was the Cooperation Agreement; the plenum decided to set up the Capital Market Committee 2013 at once. In addition to this, the Supervisory Board also unanimously approved the annual and consolidated financial statements of GILDEMEISTER Aktiengesellschaft as at 31 December 2012. Furthermore, the board agreed on the agenda and on the proposal for the appropriation of profits to be made at the 111th Annual General Meeting of the company. The plenary meeting concerned itself with the reports from the Personnel, Nominations and Remuneration Committee, from the Technology and Development Committee and from the Technology Advisory Council.

The latter is composed of acknowledged experts from sience and industry, who advise the Executive Board on technological trends as well as on product and technology developments.

At the second **meeting on 16 May 2013** all members of the Supervisory Board and of the Executive Board took part. The main items under discussion were, firstly, the preparations for the 111th Annual General Meeting, which was to take place the following day. Secondly, reporting on compliance at the group was also on the agenda. The discussions also centred on the results from the meeting of the Capital Market Committee of 20 March 2013.

Following the 111th Annual General Meeting, the **inaugural meeting** of the newly-elected Supervisory Board took place on **17 May 2013**. All members of the Supervisory Board and one member of the Executive Board participated. The Supervisory Board elected new members to the committees.

At the fourth **meeting on 20 September 2013**, all the members of the Executive Board and the Supervisory Board attended. One of the most important agenda items was the implementation of the Cooperation Agreement including the report on the accompanying capital measures. The change of name, as well as the impact on the corporate identity of the group, was discussed. Furthermore, the business performance was reviewed in detail and resolutions were passed on the appointment of Dr. Maurice Eschweiler as full member of the Executive Board. The Supervisory Board approved the increase in the group's investment budget in accordance with the IFRS for the reporting period from € 75 million to € 110 million for property, plant and equipment and intangible assets (excluding goodwill).

All members of the Supervisory Board participated in the **planning meeting on 28 November 2013**, one member of the Executive Board was unable to participate; the emphasis of the meeting was on the corporate planning for the years 2014 to 2016 and on the capital expenditure planning for the year 2014. Ultimately the Supervisory Board approved the investment budget as well as the group planning for 2014, including the consolidated balance sheet and the consolidated statement of cash flows; the Board also agreed to the medium-term planning for the years 2015 and 2016, likewise with the inclusion of the relevant consolidated balance sheet and consolidated statement of cash flows. In addition, the plenary session agreed the structure of the variable remuneration for the Executive Board for the year 2014. To conclude, the key aspects of the annual audit of 31 December 2013 were determined, these include: the goodwill impairment test, in particular with respect to underlying assumptions; the recognition, measurement and disclosure of trade receivables, in particular their age structure; the group management report, primarily taking account of the extent to which the new requirements of DRS 20 are met. Moreover, the election age for members of the Supervisory Board was reduced from 73 to 70 years of age.

A large proportion of the Supervisory Board's work is carried out by various committees; all the committee members attended all the meetings of the respective committee. As already mentioned, the **Committee for Capital Market Matters 2013** was formed in the reporting period; it met a total of four times before its objectives were met in September. Prof. Dr. Edgar Ernst, Prof. Dr.-Ing. Raimund Klinkner and Mario Krainhöfner were appointed as members; Prof. Dr.-Ing. Klinkner was elected as chairman. The Committee agreed the conclusion of the "Cooperation Agreement" between GILDEMEISTER Aktiengesellschaft and Mori Seiki Co., Ltd., respectively Mori Seiki International S.A., and approved the entire contents including, inter alia, a capital increase through contribution in kind disapplying the pre-emptive rights of shareholders in favour of Mori Seiki Co. Ltd., respectively Mori Seiki International S.A., up to an increase in the equity investment in GILDEMEISTER Aktiengesellschaft to 24.9% as well as a capital increase with pre-emptive rights of shareholders of up to 25% of the share capital existing after carrying out the capital increase through contribution in kind, a successive accumulation of shares in Mori Seiki Co., Ltd. to 10.1% and the setting up of a joint committee and a change of name to DMG MORI SEIKI AKTIENGESELLSCHAFT.

The Executive Board was authorised to take all necessary and reasonable measures to conclude and to implement the Cooperation Agreement. The Committee reserved the right to consent to the details of the measures. On 7 August, following close examination, the Committee approved the resolution of the Executive Board of the same date on an increase in the share capital from authorised capital for contributions in kind. On 28 August it agreed to a resolution of the Executive Board on an increase in the share capital from authorised capital. In its last meeting on 12 September, the Committee then resolved to amend Article 5 of the Articles of Association.

The **Finance and Audit Committee** held five meetings in financial year 2013 and since the inaugural meeting of the Supervisory Board on 17 May 2013 has comprised: Prof. Dr. Edgar Ernst, Prof. Dr.-Ing. Raimund Klinkner, Dr.-Eng. Masahiko Mori, Hermann Lochbihler, Matthias Pfuhl and was enlarged to include Dr. Constanze Kurz on 20 September 2013. In its meetings the Committee concerned itself with the respective status of the finances, net working capital, taxes and the ongoing tax audits. It also examined and discussed the risk management, the 2012 audit report and the compliance report. The Committee examined the annual financial statements, prepared the approval and adoption of the annual financial statements and assessed the proposal on appointing the annual auditor; it monitored the independence of the annual auditor and obtained the auditor's declaration of independence pursuant to Section 7.2.1 of the German Corporate Governance Code.

The **Personnel, Nominations and Remuneration Committee** held two meetings. In May, Prof. Dr.-Ing. Raimund Klinkner, Ulrich Hocker, Mario Krainhöfner and Dr. Constanze Kurz were elected as members; on 28 November 2013 the Supervisory Board elected Hermann Lochbihler as an additional member. Under the chair of Prof. Dr.-Ing. Klinkner, the Committee prepared the resolution proposals for Executive Board matters. In addition, the Committee dealt with corporate governance issues. Other key items were issues regarding diversity in the company and the rules of procedure for the Supervisory Board.

The **Technology and Development Committee** met once; Dr.-Eng. Masahiko Mori, Prof. Dr.-Ing. Berend Denkena, Prof. Dr.-Ing. Raimund Klinkner and Matthias Pfuhl were elected as members on 17 May; Prof. Klinkner was elected chairman of the committee. In November the Committee was enlarged to include Hermann Lochbihler and Dr. Constanze Kurz. In the meeting the members dealt primarily with the "GILDEMEISTER 2015" project as well as with the subjects of standardisation and complexity management. Furthermore, they discussed at length the recommendations of the Technology Advisory Council, which had met in March.

The **Nominations Committee**, whose members are Hans Henning Offen and Mario Krainhöfer, and as of 17 May Prof. Dr.-Ing. Raimund Klinkner and Ulrich Hocker, convened twice in financial year 2013; the Committee drew up election proposals for the Supervisory Board representatives and for the successor to Hans Henning Offen.

The **Mediation Committee** of Prof. Dr.-Ing. Raimund Klinkner, Hermann Lochbihler, Ulrich Hocker and Mario Krainhöfner did not need to convene.

The **Corporate Governance** section on page 38 describes the activities of the Supervisory Board with respect to the declaration of conformity pursuant to Section 161 German Stock Corporation Act (AktG). Since the increased shareholding of DMG MORI SEIKI COMPANY LIMITED in the company on 20 August 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT has complied with the recommendations of the Government Commission on the **German Corporate Governance Code** in the version of 13 May 2013 and will continue to do so in the future. Even before 20 August 2013, the recommendations of the

Code, as amended from time to time, were complied with although with one exception in each case because the Supervisory Board member Dr.-Eng. Masahiko Mori was the president of a foreign producer of machines for metal machining and thus a competitor.

At the **balance sheet meeting of 10 March 2014**, at which all members of the Supervisory Board and the Executive Board attended, the Supervisory Board approved the annual financial statements as well as the consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for financial year 2013; thus the annual financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT have been adopted pursuant to Section 172 German Stock Corporation Act (AktG). The resolutions were prepared by the Finance and Audit Committee. The Supervisory Board endorses the Executive Board's proposal for the appropriation of net retained profits. The Executive Board prepared the Management Report and the Annual Financial Statements 2013 and the Group Management Report of DMG MORI SEIKI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The 2013 consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT were prepared in accordance with the International Financial Reporting Standards (IFRS), as applicable within the European Union. Pursuant to the exemption provision in Section 315a of the German Commercial Code (HGB), consolidated financial statements in accordance with the German Commercial Code were not prepared. The annual auditors have reported in detail on their audit procedures and findings and were available for any supplementary questions; KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, issued in each case an unqualified auditor's report for both the financial statements and the management report. The chairman of the Finance and Audit Committee reported to the Supervisory Board in detail on the findings of the Finance and Audit Committee as well as on the discussions held with the annual auditors and the Executive Board.

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

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

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

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

The DMG MORI SEIKI group continued its successful growth trend in the reporting period. The Supervisory Board would like to thank the Executive Board and all employees for their commitment and contribution.

Prof. Dr.-Ing. Raimund Klinkner
Chairman of the Supervisory Board
Bielefeld, 10 March 2014

1 Dr. Rüdiger Kapitza (59)

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

Dear Shareholders,

the 2013 financial year was once again a successful year: The DMG MORI SEIKI group was able to improve the quality of earnings in a challenging market environment. We have achieved the highest earnings before taxes (EBT) and the highest annual profit in the company's history. Sales revenues once again exceeded the € 2 billion mark; thus we have clearly outperformed the industry average. This success is reflected in our share price: With growth of 41% (year-on-year), our share was one of the MDAX winners of the year. The Executive Board and Supervisory Board will propose to the Annual General Meeting to increase the dividend to € 0.50 per share (€ 0.35 in the previous year).

The year was not marked only by our commercial success; on 1 October 2013 GILDEMEISTER Aktiengesellschaft became DMG MORI SEIKI AKTIENGESELLSCHAFT and in Japan, Mori Seiki Co., Ltd., became DMG MORI SEIKI COMPANY LIMITED. Together we appear worldwide under the brand name DMG MORI: Two strong companies and an internationally recognised leading partnership in machine tool building. That is why this annual report takes the slogan **"One Brand for the World"**.

The cooperation with DMG MORI SEIKI COMPANY LIMITED is an essential component of our long-term strategy. By strengthening our partnership we can leverage synergies in areas such as product development, production, purchasing and sales. Through this we are expanding the foundations of our success in order to reach our main goal: We want to create long-term values and through this secure a permanent and steady return on your invested capital for you.

First of all, I would like to summarise the **key business development figures in the financial year**. The reporting period year was marked more by a general reluctance to invest. In line with our expectations, the machine tool market worldwide was slightly in decline.

Our business grew according to plan over the course of the year in this challenging market environment. We were able to improve the quality of earnings considerably and even exceed our forecasts. Sales revenues reached € 2,054.2 million and were therefore still higher than the record level of the previous year (previous year: € 2,037.4 million). EBIT improved by 11% to € 147.6 million (previous year: € 132.9 million) and EBT rose by 12% to € 135.0 million (previous year: € 120.1 million). The group reports annual profits for the year as at 31 December 2013 of € 93.2 million (previous year: € 82.4 million).

This represents a rise of 13% compared to the previous year. Despite the difficult market conditions, we were able to book order intake of € 2,101.1 million (previous year: € 2,260.8 million). The EMO industry trade fair in Hanover played a significant role in this, more information about this can be found on page 101.

We have successfully expanded the **cooperation** with our Japanese partner. We are also combining our sales and service activities in the Chinese and Russian markets; the cooperation in Canada and Brazil is currently being implemented. This means we are **present on all the major markets worldwide** and from now on can jointly exploit any growth potential. Today 4,041 employees are already working at the joint sales and service companies and serve 309,212 enterprises.

An important condition for strengthening our cooperation was the successful implementation of the capital measures, which we had announced in March 2013. They are an integral part of the Cooperation Agreement, in which we have set out the framework for intensifying our partnership.

With the **capital increase in kind** we have acquired shares in two key strategic subsidiaries of our cooperation partner. In the current financial year this will open up access for us to production capacity in the state of the art production workshops for machine tools in Davis (USA), and to the high-precision position measuring technology of Magnescale (Japan).

From the **subscription rights capital increase** we achieved net proceeds of around € 210 million. You, our shareholders, made extensive use of your pre-emptive rights; the placement ratio was 99.6% and shows the trust that you have in the development of our company and in the cooperation. We intend to use the net proceeds for the most part to further establish ourselves on the Russian market, particularly through the construction of our production and assembly plant in Ulyanovsk as well as through the expansion and reconstruction of a technology centre in Moscow. We will also use part of the proceeds for the construction of our European headquarters in Winterthur (Switzerland).

The **Joint Committee** has set to work. Thus, alongside the capital measures and the change in name, we have implemented a further material aspect of the Cooperation Agreement. The Joint Committee is composed of senior executives from both companies. It manages and coordinates the joint worldwide activities, in this way we will grow even closer together.

The success of our cooperation is also evident in the **innovations** that we presented at international trade fairs in the past financial year. In this respect, the year was dominated by the EMO in Hanover. The main interest of the visitors fell on **CELOS** – from the idea to the finished product, the new Corporate Design and the 18 world premieres. In CELOS we have introduced a unique joint software development. CELOS offers a standard user interface for our new high-tech machines and simplifies and speeds up the process from the idea to the finished product. Our innovative Corporate Design has extended functionality, further enhanced user-friendliness and thus even greater value retention.
In future, we will offer our machines in a joint design.

In December 2013, we also presented the prototype of a unique hybrid machine, which combines the traditional cutting procedure with trend-setting additive machining. Together with our cooperation partner, in the financial year just ended we presented 27 world premieres, five of which are joint developments. Read more about this on pages 51 – 56.

We intend to intensify our **international presence** even further. An important step is the construction of our European headquarters in Winterthur (Switzerland), where a ground-breaking ceremony was held on 1 October 2013. After completion of the Technology and Service Centre at the end of this year, around 150 employees will manage the European sales and service activities from there.

The focus of our further cooperation will be placed in the future more intensely on leveraging **synergies** in product development and in production. We intend to achieve this by increasingly developing joint products, streamlining our product range and achieving purchasing advantages through further standardisation. In addition to this, we will specifically use our worldwide production capacity for local production. With our international centres of excellence we are targeting growing industries, such as the aerospace, automotive, medical technology and power engineering industries.

Dear shareholders, to conclude I would like to mention our **expectations for the current financial year**. My colleagues on the Executive Board and I consider the general economic conditions to be positive: We anticipate that demand for machine tools will continue to rise. Worldwide consumption of machine tools is expected to grow by 5% this year according to the latest forecast of the German Machine Tool Builders' Association (VDW) and the British economic research institute, Oxford Economics. We also expect a positive boost from our European core markets. We see growth potential in markets such as Russia, China, South Korea and Brazil. Based on our global market presence, we are expecting positive business performance overall for the financial year, considerably higher order intake and a continuing rise in sales revenues. The results are also expected to improve further.

On behalf of the Executive Board, I would like to thank you, our shareholders, for your trust. I would also like to thank above all our customers and business partners, who value our products and services, as well as our employees, whose commitment has contributed significantly to our success and who will continue to do so.

Yours sincerely,

Dr. Rüdiger Kapitza
Chairman of the Executive Board
Bielefeld, 10 March 2014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2 Dr. Thorsten Schmidt (41)
(41) has been a member of the Executive Board since October 2006, he has held the position of deputy chairman of the Executive Board since 23 November 2012. He holds a doctorate in economics from Munster University and has been working at the group since January 2002. He took over management responsibility for sales and services in America, after which he became a managing director in Asia. Dr. Thorsten Schmidt is responsible for sales, marketing and information technology (IT).

3 Günter Bachmann (62)
member of the Executive Board responsible for production and technology, retired as of 31 December 2013. His area of responsibility fell as of 1 January 2014 under the responsibility of board member, Christian Thönes, as part of the succession planning. The Supervisory Board and the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT would like to thank Günter Bachmann for his many years of successful work and offer him their best wishes for the future.

4 Kathrin Dahnke (53)
has been a member of the Executive Board since May 2010. The business studies graduate (Diplom-Kauffrau) joined the group in 2005 as the head of finance. Previously she held various roles, most recently as general manager for finance. Kathrin Dahnke is responsible for controlling, finance, accounting, tax and risk management.

5 Christian Thönes (41)
has been a member of the Executive Board since January 2012. The business graduate (Diplom-Kaufmann) joined the group in 1998, built up Advanced Technologies (ultrasonic and lasertec) and was most recently managing director of DECKEL MAHO Pfronten GmbH. Since then Christian Thönes has been responsible for product development, technology and further internationalisation of the production workshops. As of 1 January 2014 he holds executive responsibility for product development, production and technology.

6 Dr. Maurice Eschweiler (39)
has been a member of the Executive Board since April 2013. He received a doctorate in economics from the University of Munster and joined the group in 2007, becoming managing director of DMG Vertriebs und Service GmbH. He is responsible for the Industrial Services division. This takes account of the growing importance of this segment, which comprises the Services unit and Energy Solutions within the group.

Share

Stock Market Listing, Trading Volume and Shareholder Base

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

As of year-end, the stock market volume traded was 96.9 million shares (previous year: 80.1 million shares); on the basis of the number of shares and taking account of the two capital increases carried out, a weighted turnover is calculated for the financial year of 1.5 times (previous year's period: 1.3 times). The average **trading volume** rose to around 383,000 shares per trading day (previous year: 315,000 shares).

The DMG MORI SEIKI AKTIENGESELLSCHAFT shares remained in a relatively high level of free float in 2013. Three companies and affiliated enterprises held more than 3% of the voting rights up to 31 December 2013 pursuant to the notifications of voting rights. Following the capital increase, DMG MORI SEIKI COMPANY LIMITED, Nagoya, Japan, holds a share in the voting rights of 24.33% of the share capital of the company. Norges Bank, Oslo, Norway, as well as affiliated enterprises, holds 3.85% of the share capital according to the latest notification of voting rights, AXA S.A., Paris, France, holds 3.04%.

Share Performance and Market Capitalisation

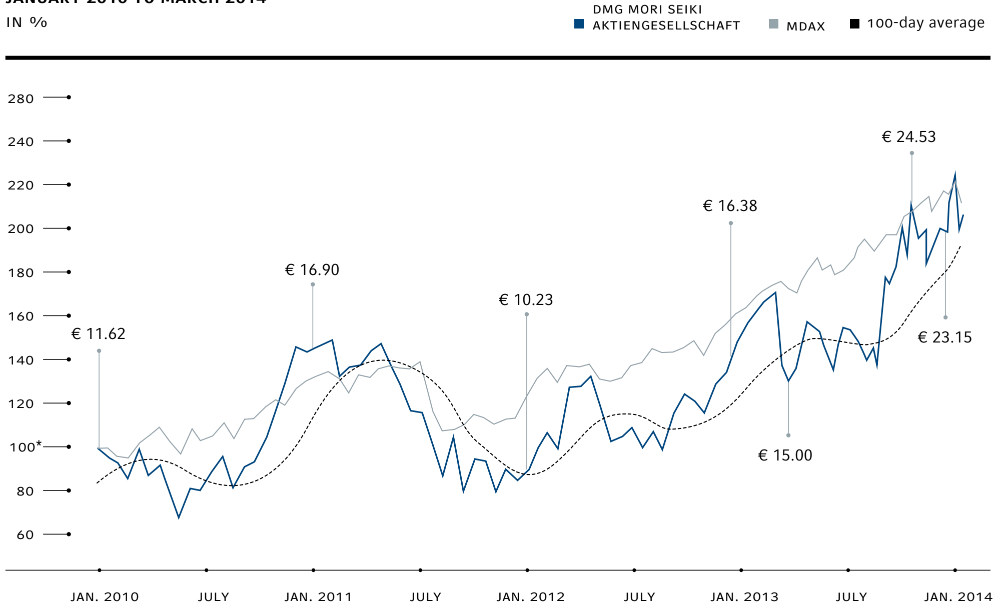
The DMG MORI SEIKI AKTIENGESELLSCHAFT share recorded a positive performance in the past year and gained 41% from the start of 2013. The decisive factors in this were the excellent business performance, the positive dynamic on the stock markets, the successfully implemented capital increases and the good growth in order intake during the EMO, the leading trade fair. In comparison, the MDAX achieved a gain of around 36%.

The good share performance had a positive impact on **market capitalisation**. This rose in the reporting period by 98.9% or € 907.1 million to € 1,824.6 million.

In the stock market year 2013, the share was initially quoted at € 16.38 (2 January 2013) and reached its highest value of € 24.53 on 6 November 2013. The lowest value of the year was € 15.00 (5 / 8 April 2013). The share closed on 30 December 2013 at € 23.15. At the date of preparing the report on 11 March 2013, the share was quoted at € 22.53.

At the present time the company is being analysed by 15 banks, of whom six recommend the share as a buy and two banks rate the share as "overweight". One bank recommends "accumulating" the share, five analysts recommend holding the share and one study advises selling the share.

A . 01 **THE DMG MORI SEIKI SHARE IN COMPARISON WITH THE MDAX®**
JANUARY 2010 TO MARCH 2014
IN %



* 04 January 2010 = 100, stock performances indexed, XETRA stock prices
Source: Deutsche Börse Group

P. 85 – 86
Dividend

The Executive Board and the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT will propose to the Annual General Meeting on 16 May 2014 to distribute a higher **dividend** of € 0.50 per share for financial year 2013 following the distribution of a dividend of € 0.35 per share for the previous year. For the approximate 77.0 million no par value shares with dividend rights (total number of shares of around 78.8 million less treasury shares of around 1.8 million) the amount to be distributed totals € 38.5 million. Taking the annual closing price 2013 as a base, this will result in a dividend yield of 2.2%.

A . 02

KEY FIGURES OF THE DMG MORI SEIKI AKTIENGESELLSCHAFT SHARE

		2013	2012	2011	2010	2009	2008	2007
Registered capital	€ million	204.9	156.4	156.4	118.5	118.5	112.6	112.6
Number of shares	million shares	78.8	60.2	60.2	45.6	45.6	43.3	43.3
Closing price 1)	€	23.15	15.25	9.75	16.70	11.33	7.85	18.50
Annual high 1)	€	24.53	16.11	17.50	17.19	11.69	23.38	22.80
Annual low 1)	€	15.00	9.74	8.69	7.53	4.25	4.79	9.20
Market capitalisation	€ million	1,824.6	917.6	586.6	761.2	516.4	339.9	801.1
Dividend	€	0.50*	0.35	0.25	–	0.10	0.40	0.35
Dividend total	€ million	38.5	20.4	14.6	–	4.6	17.3	15.2
Dividend yield	%	2.2	2.3	2.6	–	0.9	5.1	1.9
Earnings per share 2)	€	1.33	1.32	0.85	0.09	0.10	1.87	1.16
Price-to-earnings ratio 3)		17.4	11.6	11.5	185.6	113.3	4.2	15.9

1) XETRA-based closing price
2) Pursuant to IAS 33
3) Closing price / earnings per share
* Proposal for the Annual General Meeting 2014

Treasury Shares

Within the framework of a share buy-back programme in 2011, DMG MORI SEIKI AKTIENGESELLSCHAFT bought back a total of 1,805,048 of its own shares. This is the equivalent of 2.29% of the voting rights. The shares acquired may be used for all purposes stated in the authorisation granted by the Annual General Meeting.

Capital increases

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

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

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

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

Investor Relations and Corporate Public Relations

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

DMGMORISEIKI.COM
Financial reports

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

ANNUAL REPORT 2013

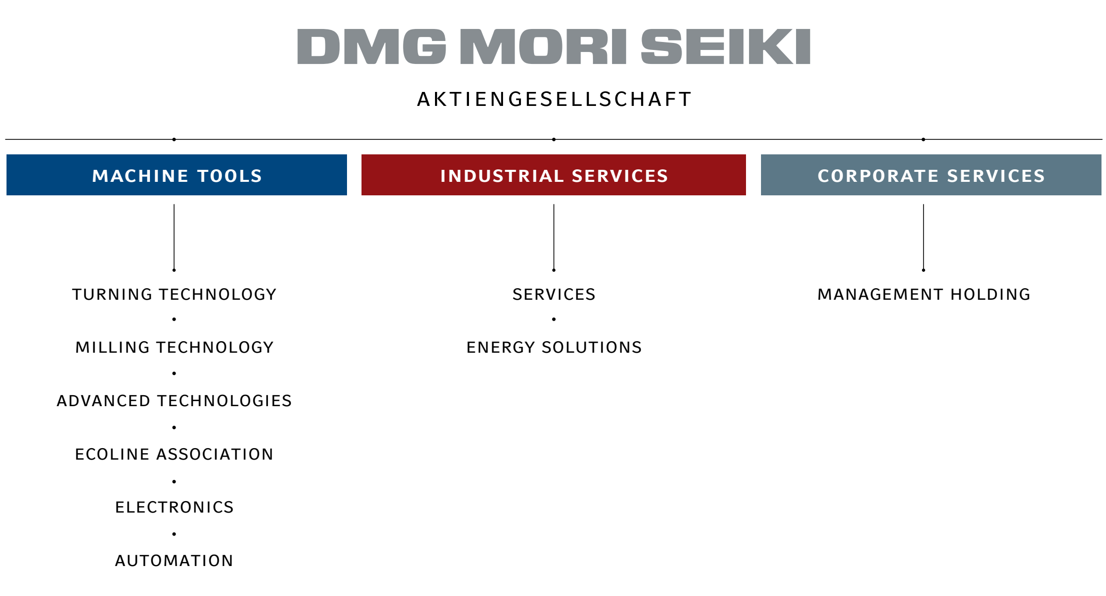
GROUP MANAGEMENT REPORT

The Basis of the Group

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

B . 01

SEGMENTS OF THE DMG MORI SEIKI GROUP



B . 02

SEGMENTS AND BUSINESS DIVISIONS

MACHINE TOOLS

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

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

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

AUTOMATION
- Standard automation
- Flexible manufactoring
- Production lines

ADVANCED TECHNOLOGIES
- Ultrasonic
- Lasertec

ELECTRONICS
- Software development
- Software marketing
- Machine controls
- Components
- CELOS

INDUSTRIAL SERVICES

SERVICES
- Marketing of machine tools
- LifeCycle Services
  - Service / Maintenance
  - Spindel service
  - Spare parts
  - Training
  - Retrofitting
  - Used machines
  - Presetters

ENERGY SOLUTIONS
- Cellstrom
- Energy Efficiency
- Service
- Components

CORPORATE SERVICES

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

As at: 12 March 2014

Group Structure

The DMG MORI SEIKI group is a globally operating company: 145 national and international sales and service locations under the worldwide brand DMG MORI are in direct contact with our customers.

B . 03

GROUP STRUCTURE

CORPORATE SERVICES

DMG MORI SEIKI AKTIENGESELLSCHAFT; Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Production (12)

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

INDUSTRIAL SERVICES

Worldwide Sales and Service Locations (145***)

DMG MORI SEIKI Germany Stuttgart (8)

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

DMG MORI SEIKI Europe Dübendorf / Switzerland (35)

- DMG MORI SEIKI Italia S.r.l.,* (Bergamo, Milan, Tortona, Padova)
- DMG MORI SEIKI France SAS (Paris, Lyon, Scionzier, Toulouse)
- DMG MORI SEIKI (Schweiz) AG (Dübendorf Zurich)
- DMG MORI SEIKI Austria GmbH (Klaus, Stockerau)
- DMG MORI SEIKI Sweden AB (Gothenburg)
- DMG MORI SEIKI Polska Sp. z o. o. (Pleszew)
- DMG MORI SEIKI Czech s.r.o. (Brno, Trencin)
- DMG MORI SEIKI UK Ltd., (Coventry)
- DMG MORI SEIKI Ibérica S.L.U. (Barcelona, Madrid, San Sebastian)
- DMG MORI SEIKI Benelux (Veenendaal, Zaventem)
- DMG MORI SEIKI Denmark ApS (Copenhagen)
- DMG Russland o.o.o. (Moscow, St. Petersburg, Ekaterinburg)
- DMG MORI SEIKI Hungary Kft. (Budapest)
- DMG Scandinavia Norge AS (Stokke)
- DMG MORI SEIKI South East Europe M.E.P.E. (Thessaloniki)
- DMG MORI SEIKI Romania S.R.L., (Bukarest)
- DMG MORI SEIKI Middle East FZE (Dubai)
- DMG MORI SEIKI Egypt for Trading in Machines Manufactured LLC. (Cairo)
- DMG MORI SEIKI Turkey Ltd. (Istanbul, Izmir, Ankara)

DMG MORI SEIKI Asia Shanghai, Singapur (59)

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

DMG MORI SEIKI Asia / Australia**

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

DMG MORI SEIKI America Itasca / Illinois (16)

DMG NORTH AMERICA

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

DMG SOUTH AMERICA

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

DMG MORI SEIKI USA**

- DMG MORI SEIKI USA (Chicago, Charlotte, Boston, Los Angeles, Dallas, Detroit, San Francisco, Seattle, Houston, Cincinnati, New Hampshire, Connecticut)

DMG MORI SEIKI Services Bielefeld, Pfronten (21)

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

a+f GmbH Wurzburg, Stuttgart (6)

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

* four new group companies 2013
** These markets are worked and consolidated by our cooperation partner DMG MORI SEIKI COMPANY LIMITED.
*** 46 of these sites are consolidated by our cooperation partner.

Simplified organisational structure according to management criteria. The legal corporate structure is presented in the Notes to the Financial Statements 2013 on pages 232 et seq.

As at: 10 March 2014

Organisation and Legal Corporate Structure

P. 87 – 95
Segment report

P. 30 – 31
Group structure

The DMG MORI SEIKI AKTIENGESELLSCHAFT manages the DMG MORI SEIKI group centrally and across all functions as the management holding company; it comprises all cross-divisional key functions of the group. Further holding functions are assumed by GILDEMEISTER Beteiligungen GmbH as the parent company of all the production plants and by DMG Vertriebs und Service GmbH as the controlling company of all sales and service companies.

All the DMG MORI SEIKI group companies are managed as profit centres and follow clear guidelines to ensure the best possible performance and results. A uniform IT infrastructure throughout the group standardises the main processes and workflows and thus forms an integrative link for the group. The organisational costs of DMG MORI SEIKI AKTIENGESELLSCHAFT in the reporting period amounted to € 23.1 million (previous year: € 20.6 million).

The material changes in the **legal corporate structure** of the DMG MORI SEIKI group in the reporting period arose primarily from the capital increases at DMG MORI SEIKI AKTIENGESELLSCHAFT as well as from the expansion of the cooperation with our Japanese partner. Specifically, the following material changes took place:

- In February 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT increased its investment in MG Finance GmbH from a former 33.0% to 42.55%. This underlines the importance of offering financial solutions to our customers.
- In March 2013, GILDEMEISTER energy efficiency GmbH with registered office in Stuttgart was founded. This new company, in which a+f GmbH holds a 60% equity investment, offers solutions on improving energy efficiency for industrial companies.
- In May 2013, DMG / MORI SEIKI Italia S.r.l., Brembate die Sopra (Italy), acquired 100% of the shares in Micron S.p.A., Veggiano (Italy). This company is intended primarily to further strengthen the sales and service business for our cooperation partner's products in Italy.
- In June 2013, DMG Holding AG, Dübendorf (Switzerland), founded DMG Ecoline AG, Dübendorf, Switzerland, as a 100% subsidiary. This company will take over control of the global activities of the Ecoline Association in future.
- In July 2013, DMG Holding AG, Dübendorf (Switzerland), founded DMG MORI SEIKI Canada, Inc. with registered office in Toronto (Canada), as a 51% subsidiary; 49% of the shares are held by DMG MORI SEIKI USA Inc. The new company will take over sales and services in the cooperation market of Canada.
- In August 2013, DMG MORI SEIKI AKTIENGESELLSCHAFT acquired 44.1% of the shares in Magnescale Co. Ltd., Kanagawa, Japan, by means of a contribution in kind and thus can exercise significant influence; the shares are accounted for at equity in the consolidated financial statements. Likewise as part of the capital increase, 19.0% of the shares in Mori Seiki Manufacturing USA, Inc. (Davis), USA, were acquired. The shares are reported as an equity investment.

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

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

P. 230 – 233
Shareholdings / Notes to the consolidated financial statements

The DMG MORI SEIKI group has no **material financial investments**. Within the strategic cooperation, DMG MORI SEIKI AKTIENGESELLSCHAFT increased its investment in DMG MORI SEIKI COMPANY LIMITED, Nagoya (Japan), in the 2013 financial year by 5.5% to 9.6%.

DMG Holding AG, Dübendorf (Switzerland), is the operative holding company for the worldwide sales and service sites.

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

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

- The share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT is € 204,926,784.40 and is divided into 78,817,994 no par value bearer shares. Each share has a notional value of € 2.60 of the subscribed capital.
- Pursuant to Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board shall appoint and withdraw members of the Executive Board. This authorisation is specified in Article 7(2) of the Articles of Association of DMG MORI SEIKI AKTIENGESELLSCHAFT to the effect that the Supervisory Board appoints the members of the Executive Board, determines their number and assigns their duties.
- DMG MORI SEIKI COMPANY LIMITED was bound not to exercise its voting rights at the Annual General Meeting 2013 insofar as DMG MORI SEIKI COMPANY LIMITED would control the Annual General Meeting as a result. With regard to future annual meetings such an obligation will no longer exist.
- The DMG MORI SEIKI COMPANY LIMITED holds 24.9% of the voting rights.
- Pursuant to Section 119(1)(5) of the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions on changes to the Articles of Association. The correspondingly defined rules of procedure are contained in Sections 179, 181 of the German Stock Corporation Act (AktG) in conjunction with Section 15(4) of the Articles of Association of DMG MORI SEIKI AKTIENGESELLSCHAFT.
- Pursuant to Article 5(3) of the Articles of Association as of 31 December 2013, the Executive Board is authorised to increase the share capital of the company in the period until 17 May 2017 with the consent of the Supervisory Board through a single

or in partial amounts several issues of up to 11,434,370 new bearer shares in exchange for cash or contributions in kind up to a nominal amount of € 29,729,362.00 **(authorised capital)**. At the same time the Executive Board is authorised to issue shares disapplying the pre-emptive rights of shareholders to a value of € 5,000,000.00 to employees of the company and of companies affiliated with the company. In the financial year 2013 and with the consent of the Supervisory Board, the Executive Board made partial use of this authorisation and increased the share capital by € 48,489,352.60 through the issue of 18,649,751 shares in exchange for cash contributions.

- Moreover, by resolution of the Annual General Meeting of 18 May 2012, the company is authorised up to 17 May 2014 to purchase its **own shares** up to a pro rata amount of just less than 10% of the registered capital, which corresponds to € 15,643,743.18. In the period from 26 August 2011 to 31 December 2011, the company made use of the authorisation existing at the time as to 3% (1,805,048 shares) with the result that the authorisation is currently effectively limited to around 7% (4,211,776 shares). This authorisation is intended to place the company in a position of having its own shares available at short notice, without having recourse to the stock market, in order to offer these to a seller in return for the acquisition of companies or interests in other companies.
- The Executive Board is further authorised, with the consent of the Supervisory Board, to disapply shareholders' statutory pre-emptive rights in certain clearly defined cases that are stipulated in the Articles of Association (authorised capital) respectively in the use of its own shares in the authorisation resolution of the Annual General Meeting (treasury shares). The Executive Board made use of this authorisation with the consent of the Supervisory Board in the financial year and issued 3,247,162 no par value bearer shares (no-par shares) from authorised capital disapplying the pre-emptive rights of shareholders.
- Furthermore, there has been a contingent increase in the registered capital up to a further € 37,500,000.00 through the issue of up to 14,423,076 no par value bearer shares (contingent capital I). The contingent capital increase is to be effected only insofar as options or conversion rights relating to warrant or convertible bonds are issued or guaranteed pursuant to the authorisation resolution of the Annual General Meeting of 15 May 2009 and any holders of options or conversion rights exercise their right to conversion or any obligation to exercise an option or conversion right is fulfilled.

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

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

- As at 31 December 2013, the share capital of the company was € 204,926,784.40 divided into 78,817,994 no par value bearer shares. Each share has a voting right and is the determining factor for participation in the profits. The company may not exercise voting rights for treasury shares and may not participate pro rata in the profits.
- The most recent amendment of the Articles of Association took place in October 2013 when Article 1(1) of the Articles of Association was revised.
- In the reporting period the Executive Board did not exercise the above-referred authorisation.
- The change of control conditions comply with customary agreements. They do not lead to an automatic termination of the above-referred agreements but, in the event of a change of control, merely grant our contractual partners the possibility of terminating these.

Corporate Strategy and Main Financial and Key Performance Indicators

The corporate strategy of the DMG MORI SEIKI group is directed towards constantly expanding today's market position as a leading manufacturer worldwide of cutting machine tools in the global market for machine tools (volume 2013: € 59.6 billion). On the basis of an innovative and diverse product portfolio, we are specifically working on growth markets and industries. At the same time, we are aiming to increase our profitability and to use our capital to increase our corporate value sustainably.

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

P. 58 – 61
Production and Logistics

We intend to expand our market presence further in all the relevant markets. For this purpose, we align the DMG MORI SEIKI group with the market, product and customer. The following key aspects form the strategic basis of our business activities:

P. 107 – 117
Opportunities and Risk Report

- **Strategic focus on growth industries and markets:** Expanding our machine tools business is based on a consistent focus on high-growth industries such as aerospace, automotive, medical technology and power engineering. We offer customers in these industries integrated production solutions for the manufacture of complex and specific components. Markets such as Russia and China are of great strategic significance to us due to their above-average growth rates in the consumption of machine tools. In addition, we are working other markets, such as South Korea, Brazil and India, where we see enormous growth potential for us. Our goal is to win new customers in these countries and to boost our market share further. A broader positioning on the world markets will enable us to better compensate for regional market fluctuations. By increasing the number of sales territories in these markets, we will be in an even better position to serve customers locally. In this way we are increasing the degree of market penetration. In addition, we are expanding our production capacity in strategically important markets. We will start producing machine tools in the Ulyanovsk region of Russia as early as 2014.
- **Rigorous services orientation:** The "Industrial Services" segment makes a significant contribution both to the turnover of the group and to its profitability. Our range of services leads the field worldwide, most especially in the areas of maintenance, service and spares parts, and covers the entire life cycle of a machine tool. The partnership since 2009 with DMG MORI SEIKI COMPANY LIMITED provides our customers worldwide with substantial advantages through an improved and faster service as well as improved spare parts supply. In the business area of renewable energies, we are concentrating on offering integrated energy management solutions for industrial customers.
- **Strengthening existing customer relations:** In the field of machine tools we are securing our diverse and broad customers base long-term through targeted measures and are building upon our relationships. On the basis of a comprehensive and customised offer for the customer from the entire product and service portfolio, we work consistently on generating follow-up orders. For this purpose, we are also intensifying relationship with our major customers by expanding our existing global key account management (KAM). Also using our KAM, we intend to position our group as a long-term partner with comprehensive solutions. In order not to become too dependent on any one sector, we pay attention – supported by our diverse product portfolio with universal application – to ensuring a customer base that is as balanced as possible and is spread over many industries. Additionally, together with our cooperation partner, we will increasingly assist our customers, primarily

P. 72
Order intake

medium-sized enterprises, in selected European countries, in financing their new machine tools and will offer them individual financing solutions through our joint venture MG Finance GmbH, Wernau.

P. 51 – 56
Research and Development

- **Innovations as the main driver of growth:** Our goal is to regularly introduce product and service innovations from all business areas onto the market. In the "Machine Tools" segment we will continue to offer innovative and high-quality products in the future through our business lines turning, milling, advanced technologies, the ECOLINE products as well as through electronics and automation. In the field of automation solutions, we will significantly expand our range. Alongside this we will continue to develop software solutions and will consistently press ahead with developing CELOS. CELOS offers a standard user interface for our new high-tech machines and simplifies and speeds up the process from the idea to the finished product. Close collaboration with our Japanese cooperation partner in research and development leads to a focus on the strengths of each company. In this way we boost the efficiency of the joint development activities. In the Energy Solutions division we are selectively extending the product range, for example with software solutions to improve efficiency for industrial customers.
- **Increasing profitability and sustainable use of capital:** The efficient and sustainable use of our capital, as well as an increase in profitability, is an important goal in increasing 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 defined key performance indicators. The attainment of the key performance indicators and the efficient use of our capital are monitored and managed with the aid of our internal controlling and management system as well as our regular reporting system. In doing so, most especially order intake, sales revenues, earnings before taxes (EBT) and capital 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.

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Financial position

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Forecast Report

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

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**KEY FINANCIAL PERFORMANCE INDICATORS
TARGETS AND RESULTS 2013**

	Results 2012	Targets 2013 1)	Targets 2013 2)	Results 2013
Sales revenues	€ 2,037.4 million	around 2 billion	over € 2 billion	€ 2,054.2 million
Order intake	€ 2,260.8 million	around 2 billion	over € 2 billion	€ 2,101.1 million
EBT	€ 120.1 million	around 120 million	around € 130 million	€ 135.0 million
Free Cashflow	€ 99.1 million	more than 75 million	around € 75 million	€ 67.3 million
Net Working Capital	€ 221.3 million	moderate improvement	moderate improvement	€ 196.8 million
Capital investments	€ 74.5 million	€ 80 million	€ 110 million	€ 213.5 million
of which tangible fixed assets / intangible assets	€ 74.5 million	€ 80 million	€ 110 million	€ 106.6 million
Research & Development expenses	€ 55.9 million	around € 52 million	around € 52 million	€ 51.9 million
New developments / world premieres	17	27	27	27

1) As at 10 March 2013
2) As at most recently published target values

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.

DMG MORI SEIKI GROUP COMPLIES WITH CORPORATE GOVERNANCE CODE

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

In November 2013, the Executive Board and Supervisory Board once again issued a declaration of conformity that confirmed without reservation compliance with all recommendations of the “Government Commission on the German Corporate Governance Code” in the version of 13 May 2013 and its publication in the electronic Federal Gazette (Bundesanzeiger) on 10 June 2013 since the increase in the shareholding of DMG MORI SEIKI COMPANY LIMITED in the company on 20 August 2013. The Executive Board and Supervisory Board likewise confirm that the recommendations will also be complied with in the future. The recommendations of the “Government Commission on the German Corporate Governance Code” as amended from time to time were already complied with prior to 20 August 2013, however with the following exception:

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

I DMGMORISEIKI.COM
Declaration of conformity

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

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

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

Responsible Management of Opportunities and Risks

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Opportunities and risk management

For us, part of good corporate governance is the comprehensive and systematic management of opportunities and risks within corporate management. This serves to identify and evaluate such opportunities and risks at an early stage. Our opportunities and risk management system comprises five essential elements: the company specific manual on risk management, central and local risk management officers, specific business unit risk tables to evaluate and prioritise individual risks, the group's reporting structure and the risk reporting at the level of the group and of the individual companies.

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

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

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

Cooperation between the Executive Board and Supervisory Board

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

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

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Remuneration report

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

Objectives in the Composition of the Supervisory Board

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

- The composition of the Supervisory Board with members on the owners' side with experience of management or managing internationally-operating companies should be maintained at the level as at present.

- Employees from significant areas within the DMG MORI SEIKI group should be taken into consideration for the employees' side.
- Knowledge of the group and of the most important markets for the group, as well as of technical relations and the management of technologies should be taken into account. The same applies for special knowledge and experience in applying accounting principles as well as of internal control mechanisms and compliance processes.
- The current female ratio should be increased from one female member at present to four female members by the re-elections to the Supervisory Board in 2018, whereby every effort should be made to achieve equal proportions of females on the owners' and employees' sides.
- The independence of more than 50% of the Supervisory Board members should be retained; conflicts of interest should be avoided and an upper age limit of 70 years at the time of election to the Supervisory Board should be complied with.

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Report of the Supervisory Board

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

Avoiding Conflicts of Interest

Members of the Executive Board and Supervisory Board are obliged to act in the interests of the company. In making decisions and in connection with their functions, the members of the Executive Board and of the 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, authorised by the Supervisory Board. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and on how they are dealt with.

Newly-elected Supervisory Board

Subsequent to the 111th Annual General Meeting of 17 May 2013, the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT was reconstituted. As before, it is composed of twelve members in total. Prof. Dr.-Ing. Raimund Klinkner has been elected as the new chairman of the Supervisory Board. Amongst the re-elected representatives of the owners are Prof. Dr. Edgar Ernst, Dr.-Eng. Masahiko Mori, Ulrich Hocker and Hans Henning Offen (until 31 December). A new member is Prof. Dr.-Ing. Berend Denkena. As representatives of the employees on the Supervisory Board, those confirmed on 5 March 2013 are: Dr. Constanze Kurz, Mario Krainhöfner and Matthias Pfuhl; new members are Dietmar Jansen, Hermann Lochbihler and Peter Reinoß. Mitglieder sind Dietmar Jansen, Hermann Lochbihler und Peter Reinoß.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the annual general meeting. The Annual General Meeting passes resolutions, inter alia, on the appropriation of profits, on the approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the annual auditor or any changes to the articles of association. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the annual general meeting personally are given the opportunity of exercising their voting right by proxy through an authorised person of their choice or by transfer of proxy to a representative of the group who will act as per their 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 to shareholders in good time on our website.

Transparency

Puclic Relations
www.dmgmoriseiki.com

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

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

Compliance

The DMG MORI SEIKI group has drawn up a code of conduct that is applicable worldwide in all group companies and for all employees and, 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 anti-corruption, competition law behaviour, export controls and dealing with insider information.

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

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

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

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

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Other disclosures

Financial Accounting and Annual Audit

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

Share Ownership of the Executive Board and Supervisory Board Members

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

- The Supervisory Board member Dr. Masahiko Mori, as the majority shareholder in DMG MORI SEIKI COMPANY LIMITED (Nagoya, Japan), which holds 24.33 per cent of the share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT, is indirectly a shareholder of DMG MORI SEIKI AKTIENGESELLSCHAFT.
- The Supervisory Board member Hans Henning Offen holds 2,000 no par value shares in DMG MORI SEIKI AKTIENGESELLSCHAFT as at 31 December 2013.
- The Executive Board member Christian Thönes holds 1,080 no par value shares in DMG MORI SEIKI AKTIENGESELLSCHAFT as at 31 December 2013.

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

Suggestions of the German Corporate Governance Code

The DMG MORI SEIKI group also complies with the suggestions of the Code to a large extent. Deviations arise at present in the area of the annual general meeting. The Code suggests that it should be possible to contact the proxy exercising the shareholder's voting rights as instructed by the shareholder during the annual general meeting. As before, for organisational reasons, we have not provided for the complete transmission of the annual general meeting over the internet.

Remuneration report

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

Remuneration of the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT

The Supervisory Board's remuneration is set by the Annual General Meeting and governed by Article 12 of the Articles of Association of DMG MORI SEIKI AKTIENGESELLSCHAFT. It includes non-performance related remuneration elements as well as a performance-based remuneration component. The remuneration components not dependent upon

PERFORMANCE-BASED COMPONENTS

performance include the fixed remuneration that each member of the Supervisory Board receives, remuneration for committee work and attendance fees for meetings. The performance-based component comprises a long-term performance incentive (LTI), whose objective is to support sustainable, value-based corporate management.

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

Remuneration for committee work totalled € 209,672 (previous year: € 217,869) and took account of the work carried out by the Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee, the Technology and Development Committee, the Nominations Committee and the Capital Market Committee. The individual committee members each received € 12,000. The chairperson of a committee also received an additional fixed remuneration of a further € 12,000 and the deputy chairperson a further € 6,000.

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

The LTI performance-based remuneration component is based on target values aligned with key figures. The earnings per share (EPS) is used as the performance-related key figure. The EPS is an established key figure by which specific performance is fulfilled taking the share capital into consideration in each case. It is calculated by dividing the annual profit less the profit share of minority interests by the weighted average number of shares. The LTI is variable, which means it does not involve a secure remuneration. Again the Supervisory Board chairman receives 2.5-times and 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 period but also of the two preceding years. The key figure is the mean average of the EPS figures in the relevant financial years. The LTI is only paid if the average EPS for the relevant three years amounts to at least € 0.15. For financial year 2013 and the two preceding years the corresponding EPS average was € 1.17 (previous year: € 0.75). The performance-based remuneration for the Supervisory Board calculated from the LTI totalled € 337,512 (previous year: € 260,809).

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

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REMUNERATION OF THE SUPERVISORY BOARD OF DMG MORI SEIKI AKTIENGESELLSCHAFT

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

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

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

Remuneration of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT

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

PERFORMANCE-BASED EXECUTIVE BOARD REMUNERATION

Members of the Executive Board receive direct and indirect remuneration components, whereby the indirect remuneration components primarily consist of pension plan expenses. The direct remuneration of members of the Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT contains fixed and variable components. The variable components comprise a short-term incentive (STI), an individual and performance-based remuneration and a long-term incentive (LTI). All variable components are designed in such a way that they present a clear incentive for the Executive Board members to achieve the targets. In this way they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration include, primarily, the tasks rendered by each Executive Board member, his or her personal performance and the performance of the Executive Board, as well as the business situation, the success and the future prospects of the company within its comparative environment.

Direct remuneration of the members of the Executive Board amounted to € 12,595 K (previous year: € 9,005 K). Of this, € 2,673 K was allocated to the fixed remuneration (previous year: € 2,410 K), € 5,400 K to the STI (previous year: € 4,500 K) and € 1,200 K to the individual performance remuneration (previous year: € 1,000 K). The amount paid out as LTI totalled € 3,166 K (previous year: € 955 K). Benefits in kind accounted for € 156 K (previous year: € 140 K). In 2013 the direct remuneration of the Executive Board broke down as follows:

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EXECUTIVE BOARD DIRECT REMUNERATION

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

The fixed remuneration is the contractually defined basic remuneration that is paid monthly in equal amounts.

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

REMUNERATION COMPONENTS WITH SUSTAINABILITY FACTOR

As a remuneration component with long-term incentive effect, the LTI combines the achievement of fixed targets in relation to the EAT of the company with the performance of the company's share. A cap has been set at twice the annual fixed salary of each Executive Board member per tranche for the year in which the award takes place. Should the EAT fall below a set minimum figure over a four-year average, no LTI payment is made.

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

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

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

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

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

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

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

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INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS	€ K
Dr. Rüdiger Kapitza, chairman	411
Dr. Thorsten Schmidt, deputy chairman	120
Günter Bachmann	277
Kathrin Dahnke	120
Christian Thönes	50
Dr. Maurice Eschweiler	50
Total	**1,028**

In financial year 2013, pursuant to the International Financial Reporting Standards (IFRS), a provisions expense of € 411 K arose for the defined benefit plan (previous year: € 318 K), whereby total provisions amounted to € 9,276 K (previous year: € 8,616 K). This figure also takes account of the benefit for surviving dependants included in the plan.

The special purpose payments to the defined contribution pension plan amounted in total to € 617 K (previous year: € 497 K). The entire provisions expense for the financial year just ended amounted to € 1,028 K (previous year: € 815 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.

Companies in the DMG MORI SEIKI AKTIENGESELLSCHAFT group did not pay any remuneration to members of governing bodies for services personally rendered, in particular consulting and introduction services. In financial year 2013, an amount of € 729 K for consulting services rendered was paid to the Institute for Manufacturing Excellence, which was founded by Prof. Dr.-Ing. Klinkner.

Former members of the Executive Board and their surviving dependants were paid € 575 K in pensions (previous year: € 588 K). The amount of pension obligations (present value of future pension obligations or defined benefit obligation) for former members of the Executive Board and their surviving dependants amounted to € 9,689 K (previous year: € 9.788 K).

Directors´ Dealings

Pursuant to Section 15a of the German Securities Trading Act (WpHG), members of the Supervisory Board and the Executive Board and any other persons subject to reporting requirements must disclose any purchase or disposal of shares, as well as any related rights of purchase or disposal, such as options or rights that are directly dependent upon the quoted share price of the company. In the reporting period 2013, the following notifications of directors‘ dealings were made:

B . 09

DIRECTOR'S DEALINGS 2013

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

Research and Development

Traditionally, a high value has been placed on research and development at the DMG MORI SEIKI group. We develop technologically complex products worldwide on the basis of regional market requirements and offer our customers a full-line range. This sets us apart from the competition as a leader in technology. The aim of our joint research and development activities with DMG MORI SEIKI COMPANY LIMITED is to increase the value added of our products even more for our customers. Through the cooperation with our Japanese partner, 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 at more favourable terms. The overriding priorities that are guiding our research and development are:

- Increasing the value added of our products for customers worldwide through joint research and development activities with our cooperation partner,
- Increasing machine functionality through CELOS – from the idea to the finished product,
- Increasing the value retention and user-friendliness of our machines through the new Corporate Design,
- Continuous rollout of the OPERATE 4.5 system platform for all machines with Siemens controls,
- market-directed consolidation and development of the product portfolio,
- Expanding localisation and product transfer through a best practice production concept.

Expenses for research and development (R&D) at € 51.9 million were around 7.2% below the previous year's figure (€ 55.9 million). This can be attributed mainly to synergies in the joint development work with our cooperation partner. The innovation ratio in

CELOS – from the idea to the finished product

CELOS offers a standard user interface for all new high-tech machines from DMG MORI and via CELOS apps enables the constant administration, documentation and visualisation of order, process and machine data.

the “Machine Tools” segment was 4.3%. Capital investments in new developments are listed in the segment reports as capitalised development costs. Research and development activities as drivers of growth make a marked contribution to the group’s results. However, it is not possible to quantify the contribution made by individual measures.

B . 10

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

		2013	2012	2011	2010	2009	2008	2007
R&D employees	number	504	502	485	451	435	471	467
Proportion of R&D employees [1]	in %	15	15	15	15	15	13	13
R&D expense	€ million	51.9	55.9	54.6	48.1	47.9	57.3	49.5
Innovation ratio [2]	in %	4.3	4.8	5.0	6.3	6.3	4.8	4.6
Capitalisation ratio [4]	in %	22	16	19	19	14	12	15
New developments	number	20[3]	17	20	17	15	17	19

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

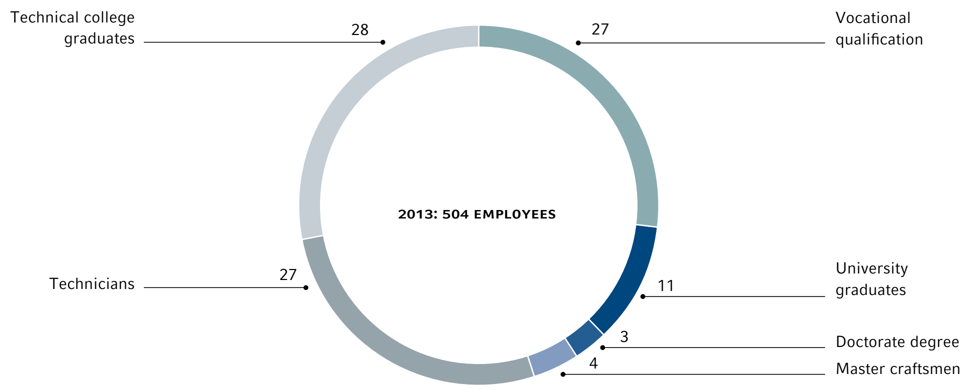
GROUP PRESENTS 27 NEW DEVELOPMENTS

P. 101 – 102
Corporate communication

The success of our R&D work is reflected in the high quality of our innovations and in the demand from our customers. Overall, machines that were developed in the past three years accounted for around 51% of all orders in the reporting period (previous year: 50%). Together with our cooperation partner we presented 27 world premieres at 60 national and international trade fairs, as well as at open house exhibitions in the reporting period and thus demonstrated our innovative capacity. This included 15 of our own new developments, five joint developments and seven world premieres of our cooperation partner. Moreover, in the reporting year we were able to register 61 patents, utility models and designs, as well as brand names and trademarks (previous year: 45 industrial property rights). In total, the value of our portfolio of protected rights, defined by the market value method, amounts to around € 511 million (previous year: € 439 million). This includes trademark rights of DMG MORI SEIKI totalling € 346 million.

A total of 504 employees work on developing our products (previous year: 502 employees); as in the previous year, this corresponds to 15% of the total workforce at the plants.

B.11 **GROUPWIDE QUALIFICATION STRUCTURE IN THE AREA OF DEVELOPMENT / CONSTRUCTION**
IN %



Research and development activities at the sites are decentralised and are coordinated with each other through a product development body. Our development activities are directed towards a close cooperation with DMG MORI SEIKI COMPANY LIMITED. To this end, we are currently developing a standard cooperative R&D platform (CRP), which supports our worldwide development activities. It facilitates an exchange across the group of development-related information, such as CAD data, parts list structure and rules on parts management.

With **CELOS** we have presented a unique, joint development, which simplifies the process from the idea to the finished product and speeds up the basis for paperless production. Via a multi-touch display, CELOS currently makes it possible to use 12 apps for the continuous digitalised administration, documentation and visualisation of the order, process and machine data. CELOS is compatible with other systems, such as PPS and ERP, and enables networking with CAD / CAM applications, for example the DMG Virtual Machine. CELOS thus becomes a key element in networked, intelligent production. In addition, CELOS is open for trendsetting app extensions.

Furthermore, through the new **Corporate Design**, which offers enhanced functionality and user-friendliness, we have emphasised the main features of machine tool construction. By using new surfaces, which improve protection against damage, we are ensuring that our machines enjoy greater value retention. The new design comes in a choice of "BLACK" or "WHITE". High-tech machines, such as the DMC 80 H *linear* and CTV 315 *linear* world premieres, have been given the enhanced STEALTH design, which reduces the machine's space requirements and offers good accessibility for automation solutions. These machines are particularly well-suited to use in series production, for example for automotive construction.

Within the **milling** division we presented 11 new developments. DECKEL MAHO Pfronten GmbH added to the product range in the milling-turning technology with the DMC 65 FD MONOBLOCK®, the DMG 85 FD MONOBLOCK® and the DMU 125 FD MONOBLOCK®. Alongside these, the fourth generation of the DMU 80 P DUOBLOCK® for 5-axis machining was presented. In the high-precision machining of large structural parts, we have extended the product portfolio to include two new machines, the DIXI 210 and the DIXI 270. These newly-developed high-end precision machines, which will be used primarily in the areas of aerospace and tool and mould construction, have a clear competitive advantage with a higher degree of accuracy in their class.

DECKEL MAHO Seebach GmbH presented four new machines. With the DMF 600 *linear* we have enlarged the range of travelling column machining centres to include a highly-dynamic machine with large travels for structural parts weighing up to 10 tonnes. With the experience gained from the supply of more than 10,000 vertical machining centres, the new 3rd generation DMC 650 V vertical machining centre displays this machining concept. The new series is characterised by markedly improved technical data in every area. Furthermore, the two world premieres, the HSC 30 *linear* and the HSC 70 *linear*, have set new benchmarks in precision and surface quality in tool and mould construction. Excellent long-term accuracy of these machines of less than 5 μm is achieved.

The **turning** division presented four new developments in the financial year. The CTX BETA 2000 shows innovations in the working space as well as in the main spindle and the turret. In the CTX BETA 2000 TC we offer customers ideal entry into turn-mill full machining of structural parts of up to 550 mm diameter and up to 2,000 mm turning length. Moreover, we have expanded the successful SPRINT series with the new SPRINT 65 offering an additional size for work pieces of up to 90 mm diameter (65 mm standard). We have added to our range in **Advanced Technologies** with the ULTRASONIC 30 *linear*. A particular highlight is the integration of generative production of 3D structural parts of powdered metal using lasers in our high-tech milling machines. During the Euromold we presented a study for a unique hybrid machine: the LASERTEC 65 Additive Manufacturing combines laser structuring and milling in finished workpiece quality.

The HSC 70 *linear* in the new Corporate Design

The new Corporate Design offers improved functionality through maximum visibility in the working area, with greater user-friendliness and more work stability thanks to its long-life surfaces. The HSC 70 *linear* is available in the new Corporate Design in "Black" or "White" at no extra charge and offers the highest precision and surface quality for machine tools and mould building.

The **ECOLINE Association** showed two new world premieres, the CTX 450 *ecoline* – a joint development with our cooperation partner – and the CTX 650 *ecoline* and thus extended its product portfolio in the field of universal lathes. These machines offer leading-edge technology with qualified components and are available with three different controls.

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

A key priority of our R&D work lies in the standardisation of subassemblies across all machines. This allows us to systematically boost development efficiency and successfully reduce costs. In this respect we started the "SCOPE" cooperation programme in the financial year just ended. The aim of this programme is first of all to achieve effects of scale and purchasing advantages through the standardisation of components. In the medium-term, the focus will be on the joint development of new machines on the basis of modular platforms and concepts. This will allow us not only to respond more flexibly to customer requirements but also to develop new components and platforms more cost-effectively and to produce them in a global production association. CELOS, the "Operate 4.5" system platform and the highperformance spindle "Power-MASTER 1000" are already examples of our innovative capacity, which we have achieved through the joint development of components and systems in the reporting period.

Our portfolio in the **"Industrial Services"** segment has been further optimised in the reporting period in all areas, in particular we have pushed ahead with software development. With DMG MORI SEIKI LifeCycle Services, we offer our customers a unique service portfolio to maximise the productivity of their machines. DMG Automation offers a comprehensive range of loading and unloading systems for machine tools in the areas of standard automation, flexible production cells and fully automatic production lines. The development of customised automation solutions with a high proportion of engineering is the main focus of the reorientation of DMG Automation. The DMG Microset devices for tool presetting make it possible to boost productivity substantially as tools can be prepared for use while machining. Special efficiency improvements already noted at the entry level are facilitated by the modular UNO series, presented as a world premiere, such as the UNO 20|40 for example.

In **Energy Solutions** we have continued to develop the SunCarrier 22 and carried out a value analysis in order to achieve additional cost-savings in the production process. In the area of energy efficiency for industrial customers, we have developed new software tools. First and foremost amongst these is the "GILDEMEISTER energy monitor" for organising and systematically compiling energy consumption data in industrial operations. We have enhanced the software solution for monitoring the CellCube large scale energy storage. In the area of e-mobility, we have optimised our e-fuelling solution in order to speed up the charging process noticeably.

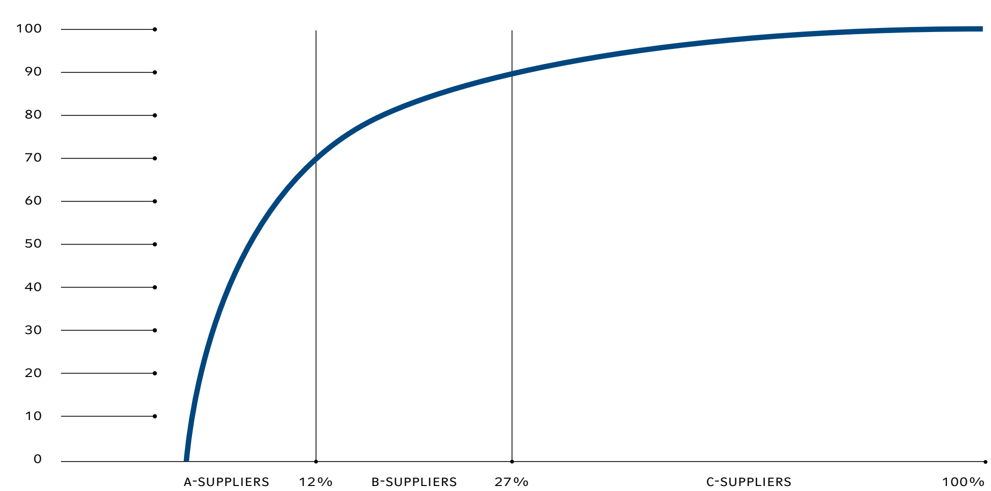
Purchasing

In the reporting period, the main emphasis of the work in **Purchasing** was on expanding the global supply partnerships and ensuring the introduction of product innovations onto the market, especially with respect to the new CELOS controls interface and the new Corporate Design.

The **costs** of materials and purchased services amounted to € 1,086.7 million (previous year € 1,129.3 million), of which raw materials and consumables accounted for € 944.9 million (previous year: € 982.1 million). The **materials ratio** was 52.7% (previous year: 55.0%). Our **depth of value added** was 29.9% (previous year: 28.2%). This improvement was essentially due to a reduction in material expenses.

Our supplier structure is illustrated in the following diagram:

B . 12 **STRUCTURE ANALYSIS OF SUPPLIERS 2013**
SHARE OF SUPPLIERS IN PURCHASING VOLUME IN %



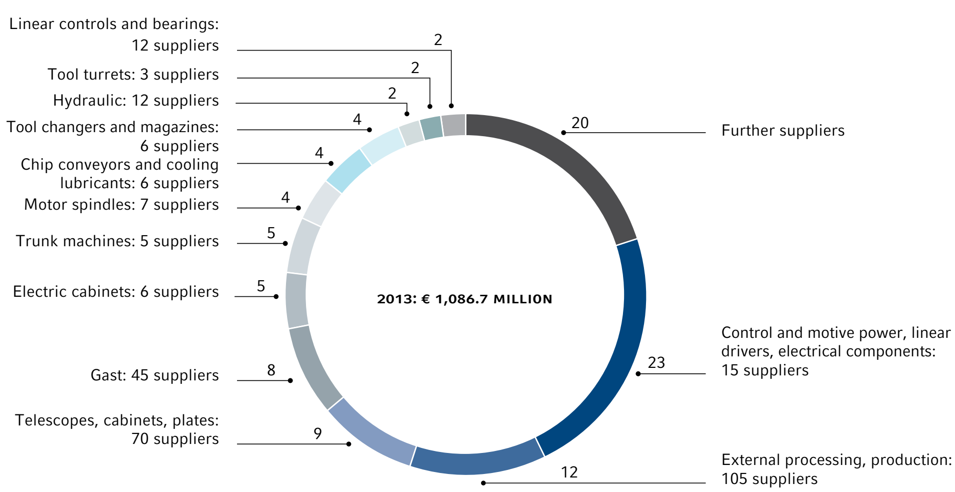
The structure analysis shows that 12% of our suppliers cover around 70% of the total purchasing volume. We refer to these as our A-suppliers. A further 27% of our suppliers have a share of 20% of the purchasing volume (B-suppliers); 40% of our suppliers thus cover 90% of the entire purchasing volume. The remaining 10% share of materials purchased is spread among the remaining 60% of our suppliers, the so-called C-suppliers.

The aim of the multidisciplinary-organised purchasing activities at the DMG MORI SEIKI group is to secure the existing market and technological lead and to ensure quality. In doing so, purchase management activities are based on the integrated approach of the **coSupply© supply management**, the **strategic material groups management** and the **integrated global sourcing**. The www.coSupply.de communications platform is an important element of **supplier management** and is constantly being enhanced. In line with our supplier-capital policy, we consistently added to our **global supply partnerships** in the reporting period in order to cope with the effects of progressive globalisation, which has led to a generally more dynamic state of the markets. We have developed and intensified our global supply relations in order to make use of regional location advantages with respect to quality and cost.

DMGMORISEIKI.COM
CoSupply

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

B.13 **SHARE OF MATERIALS GROUP IN PURCHASING VOLUME**
IN %



In the area of non-production materials and services, the main attention in the reporting period centred on energy purchasing, facility management and IT. Use throughout the group of our own Energy Solutions products was further optimised, allowing us to further improve our electricity terms with our service providers. Purchasing in specific areas was closely coordinated with the competent departments and a decision was taken centrally. In a central committee, proposed capital investments were presented to the Executive Board monthly and a final decision was made.

Production and Logistics

Production and Logistics initiated further measures in the reporting period just ended in order to improve efficiency in production processes. A core element of this is the new **"TAKT"** project. In this project we are combining our joint activities at the plants and setting a standard throughout the group to improve efficiency. The aim of TAKT is the consistent optimisation through a comprehensive analysis of existing processes, as well as standardised implementation of best practice and new methods across all plants.

START OF THE "TAKT" PROJECT

An essential element of TAKT is further improvement to the cross-plant order processing procedures. Throughout the group we have defined binding processing rules and implemented an integrated planning and control process (TAKT model). The consistent application of standardised methods as well as the systematic analysis and elimination of sources of interference leads to an improvement in production procedures. With TAKT we intend to reduce our inventories long-term, further improve delivery reliability and quality, and reduce complexity.

The calculated reach of the order backlog, and thus the average delivery time, of the DMG MORI SEIKI group in the reporting period just ended was some five months. The industry average of the German machine tools industry is calculated at 7.4 months by the German Machine Tool Builders' Association (VDW); this comparative figure is somewhat higher as this calculation includes a considerably larger number of special and project machines that typically involve longer throughput times.

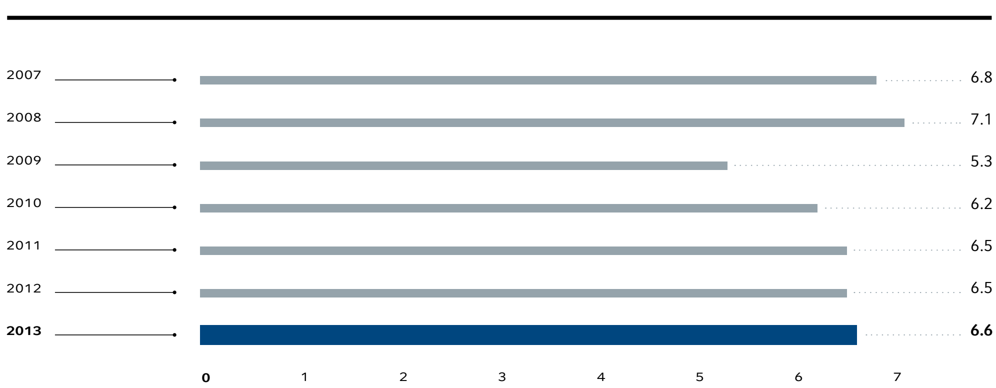
INTENSIFIED COOPERATION WITH DMG MORI SEIKI COMPANY LIMITED

The **cooperation** with DMG MORI SEIKI COMPANY LIMITED has also been intensified in production. Within our close collaboration we are making reciprocal use of production sites worldwide. For example, in the reporting period we transferred production of our cooperation partner's NLX 2500 SY / 700 universal lathe from Japan to Europe. With the start of series production at GILDEMEISTER Italiana S.p.A. at our plant in Bergamo, Italy, we are simultaneously reducing transport costs and lead times. Conversely, we have started preparations for series production of the DMU 50 at our cooperation partner's plant in Chiba, Japan. In future, too, we will increasingly produce "in the market for the market" through the specific, reciprocal use of worldwide production capacity.

SUCCESS IN INDUSTRY'S RANKING OF IDEAS MANAGEMENT

The ideas management system was also able to demonstrate excellent figures in the past year. The suggestion scheme established at our operations enables us to make use of the innovative ideas of our employees. The DMG MORI SEIKI group encourages continuous improvement in **Process Capital** with special incentives. The excellent quality of the internal ideas management is reflected in the industry's ranking of ideas management carried out by the Deutsche Institut für Betriebswirtschaft (DIB – German Institute for Business Economics), in which our plants traditionally take the top places. In the latest ranking of the DIB (June 2013), our plants DECKEL MAHO Seebach, DECKEL MAHO Pfronten and GILDEMEISTER Drehmaschinen achieved the first three places.

B.14 **SUGGESTIONS FOR IMPROVEMENT AT PRODUCTION PLANTS**
NUMBER PER EMPLOYEE



PFRONTEN IMPLEMENTS TAKT MODEL

In the **Milling** division we have implemented several measures at DECKEL MAHO Pfronten within the scope of the TAKT project and thus increased production efficiency. For example, we have broken down the process of production planning and order processing in horizons with milestones in which specific tasks are worked through in a standard procedure. The aim is to achieve smooth, evenly flowing production. Moreover, we have introduced the cluster assembly approach. In this type of assembly a set group of employees work together to build several machines; the employees take responsibility for the entire assembly process.

By optimising the test area, we have successfully completed the entire motor spindle assembly project in Pfronten and produced 2,100 motor spindles in synchronised line assembly.

SEEBACH EXTENDS TRIED AND TESTED CLUSTER ASSEMBLY CONCEPT

At DECKEL MAHO Seebach GmbH the principle of cluster assembly has been rolled out to other subassemblies. Besides widespread implementation for the DMF series, a test cluster for the HSC series has been set up. As a consequence of this production reorganisation, we have relocated assembly of the HSC 30 *linear* from SAUER GmbH to our site at Seebach. In pursuing the goal of a plant without forklift trucks, the assembly is now supplied with materials via “tugger trains” as they are known. Order picking trolleys are delivered to the assembly place “just in sequence”. This contributes to a continuous reduction in stocks and simplifies the assembly process.

In the **Turning** division we have carried out numerous optimisation measures in the financial year just ended. GILDEMEISTER Drehmaschinen GmbH implemented the best practices system of cluster assembly in a section of production. In addition, a new ERP-supported system for tool administration was introduced to improve tool availability during production. For GILDEMEISTER Italiana we have drawn up a new site concept and commenced work on its implementation. In addition to an improvement in logistics sequences, we have optimised mechanical production and the assembly process. Assembly now follows state of the art production principles. As an example, we have set up synchronised line assembly for the SPRINT 50 and the SPRINT 65.

In financial year 2013 we reclassified the **ECOLINE Association**. With the foundation of DMG ECOLINE AG in Switzerland we are bringing together the ECOLINE production plants Famot Sp.z.o.o, DMG Shanghai Machine Tools Co. Ltd., and our plant in Ulyanovsk in Russia that is currently under construction under uniform management. In future DMG ECOLINE AG will manage the global activities of the ECOLINE Association.

In Pleszew, Poland, we have commenced series production of the CTX 450 *ecoline*. This compact universal lathe is a joint development with our cooperation partner. A highlight at the Shanghai site was the preparation for local production of a DMG 50 with simultaneous 5-sided machining. Thanks to the successful cooperation with the parent plant in Seebach and the training of our Chinese employees there, in November 2013 the first prototype of the DMU 50 was produced in Shanghai.

In **Energy Solutions** we offer efficient solutions in the area of producing, storing and using green energies. Industrial customers specifically benefit from the innovative and intelligent concepts for sustainability and cost reductions. A highlight of the financial year was the installation for a customer of a CELLCUBE energy storage unit with 200 kW output and 1.6 MWh storage capacity on the North Frisian island of Pellworm. With the aid of a vanadium redox flow battery, this project will test and simulate grid stabilisation and decentralised off-grid supply of renewable energies. In addition, the first store of a grocery discounter has been fitted with equipment to produce and store renewable energy. Extensive energy monitoring provides information on the latest electricity flows.

We will continue to stand in the future for innovative technological solutions and first-class **quality**. At the same time we benefit mutually from the cooperation with our Japanese partner and use best practice solutions across all business processes. This high level of quality is implemented across all sites by means of a trend-setting quality management system **First Quality**. In the development area as a technology leader we rely on the continuous innovation of our products to raise quality even further. This includes amongst others the introduction of OPERATE 4.5 as a new system platform for all machines with SIEMENS controls, ensuring the highest precision through innovative cooling concepts as well as sound machine layout – for example through the use of supports with a high load rating in the milling spindles.

The standards in force at our plants go far beyond the requirements of ISO 9001. Amongst other things, all our machines undergo 100 hours of quality testing overall before they are delivered. Even the supplier management contains First Quality standards that have been defined and agreed with all suppliers and have been implemented in their enterprises. Not least, constant further training and qualification measures at the plants and in the services division are an integral element of our customer-focused quality approach. First Quality thus acts as an integrated factor determining processes from the creation of the product to the use of the machine and forms the basis of a continuous improvement process across all companies.

Report on Economic Position

Following a subdued start to the year, the world economy further stabilised in 2013. A large part of the Eurozone was able to leave the recession behind. The economy in the USA also regained its stride. In the emerging countries an economic slowdown took hold in the reporting period. The market for machine tools declined overall.

Business Environment

Overall Economic Development

The world economy gained in stability again in the 2013 reporting period; cyclical development in the first half-year, however, was modest. According to provisional calculations of the Institute for World Economics (IfW) at the University of Kiel, the world economy in 2013 grew somewhat less at 2.9% than in the previous year (+3.2%). Even cyclical momentum in Asia slowed down slightly, nevertheless the economy there continued to grow by 6.3% (previous year: +6.6%). In the emerging countries cyclical growth slowed down overall in the reporting period. Economic growth in Europe was strengthened most recently by developments primarily in Germany and in France; however, there were also signs in the crisis countries in Europe that the economic downturn had bottomed out. For 2013, the IfW forecasts stagnation in economic growth in Europe (previous year: –0.4%). In Germany the economy is following a modest upwards trend; according to figures from the Federal Statistics Office, gross domestic product (GDP) in 2013 grew by 0.4% (previous year: +0.7%).

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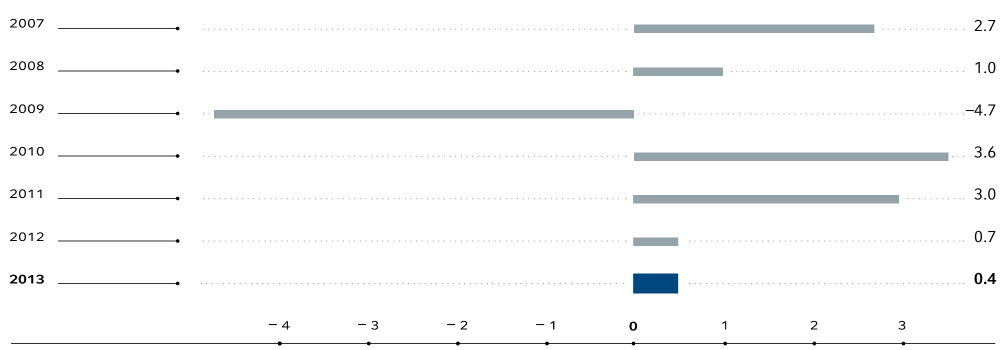
Overall Statement of the Executive Board on the Business Environment

Economic growth in 2013 was strongest in **Asia;** according to official statistics, GDP in China achieved growth of 7.7% (previous year: +7.8%). In Japan growth lost pace slightly to 1.6% (previous year: +2.0%) according to the IfW calculations.

In the **USA** the economy grew moderately. GDP rose over the entire year according to the IfW by 1.6% (previous year: +2.8%).

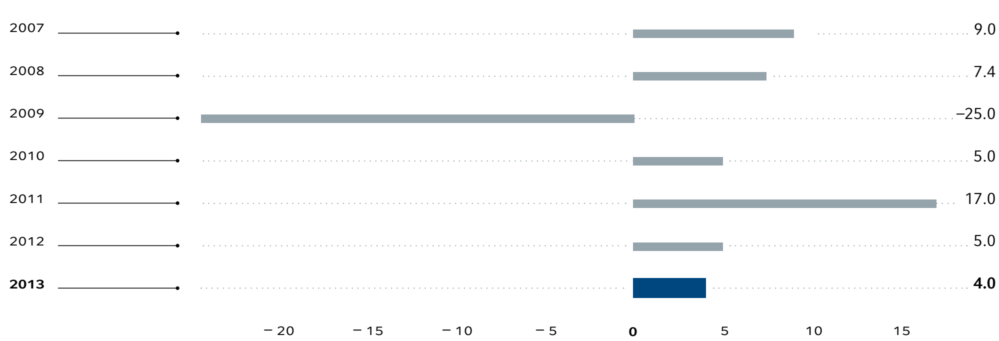
In the eurozone a slight overall recovery in economic development became clear in reporting period 2013. Despite continued need for adjustment, many Member States may have overcome the recession. Due to the weak start to the year, the eurozone GDP in 2013 will probably only show a change of –0.4% (previous year: –0.6%).

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



In **Germany** the economy followed a modest upwards trend; according to figures of the Federal Statistics Office, the GDP in 2013 rose slightly by 0.4% (previous year: +0.7%). In this respect the most important pillar of economic growth was private consumption (+0.9%; previous year: +0.8%). Exports grew by 0.6% but contributed less to economic growth than in the previous year (+3.2%). According to provisional calculations, investments rose in the manufacturing industries by 4.0% (previous year: +5.0%); the following graph shows a multiple year comparison:

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



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

The DMG MORI SEIKI group's international business is affected by the euro's exchange rate. Of particular importance are the US dollar and the Japanese yen. Compared to the previous year, the **exchange rates** of these currencies changed as follows: The euro gained in value against the dollar and closed the year at USD 1.38 (previous year: USD 1.32). The Japanese yen lost considerably in value against the euro and closed the year with an exchange rate of 144.7 yen (previous year: 113.6 yen).

The average exchange rates in the reporting period showed a similar trend: The US dollar against the euro was USD 1.33 (previous year: USD 1.28). The average value of the euro against the yen was 129.66 yen (previous year: 102.5 yen).

Thus the euro recorded a gain in value on average over the year of 3.4% against the US dollar compared to the previous year. Compared to the Japanese yen, the euro achieved a gain in value of 26.5%. The exchange rates led to our products becoming more expensive in the USA and on the dollar-dependent markets. Moreover, the change in value of the Japanese yen led to a reduction in price for components and machines acquired from Japan. As a result, Japanese suppliers had a competitive advantage in Europe; the machines of our cooperation partner, which we market in Europe, could accordingly be offered at more favourable prices.

Development of the Machine Tool Building Industry

International Development

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Forecast Report

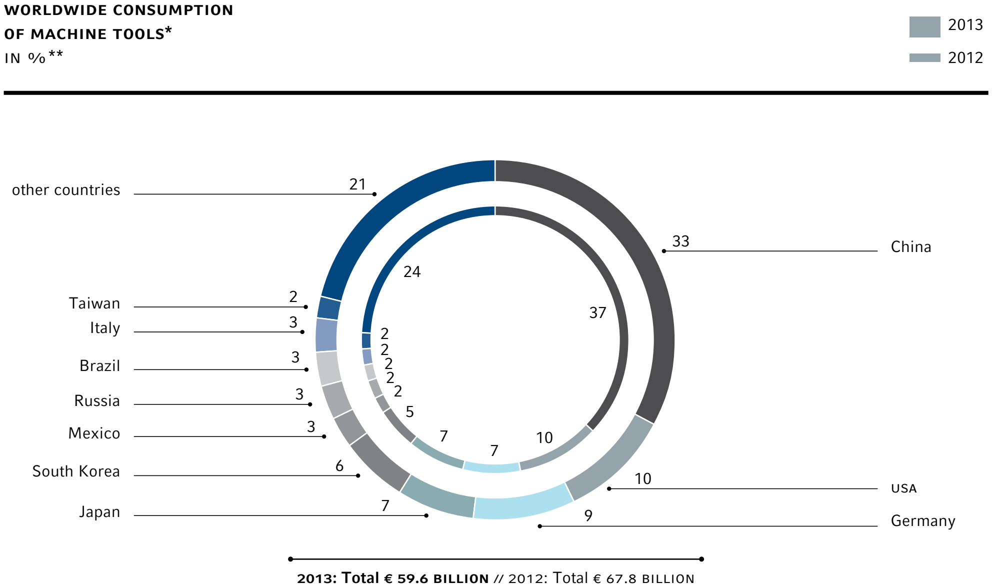
The world market for machine tools declined in 2013 according to the figures of the German Machine Tool Builders' Association (VDW).

World consumption fell by 12.1% to € 59.6 billion (previous year: € 67.8 billion). The decline in Asia was 18.6% (previous year: +8.2%). Essentially this was due to the heavily corrected figures on consumption and production in China. The VDW calculates that consumption in China has fallen by 20.5% or € 5.1 billion to € 19.7 billion. In a worldwide comparison, consumption in Europe fell least at 0.8% (previous year: +6.2%). In America the trend in 2013 was likewise downwards at −5.1% (previous year: +22.1%).

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

€ 5.3 billion. Of this, only € 3.7 billion was attributed to the relevant area for us of cutting machines (previous year: € 3.9 billion; −5.7%). Consumption of metal-forming machines rose to € 1.6 billion (previous year: € 1.1 billion; +46.3%). In Japan consumption decreased in local currency by 13.2% and took fourth place with € 4.0 billion (previous year: € 4.6 billion). South Korea was in fifth place as in the previous year with € 3.4 billion (previous year: € 3.4 billion; −2.2%). In the reporting year, the ten most important consumer markets accounted for 79% of world machine tool consumption; the following diagram presents an overview:

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

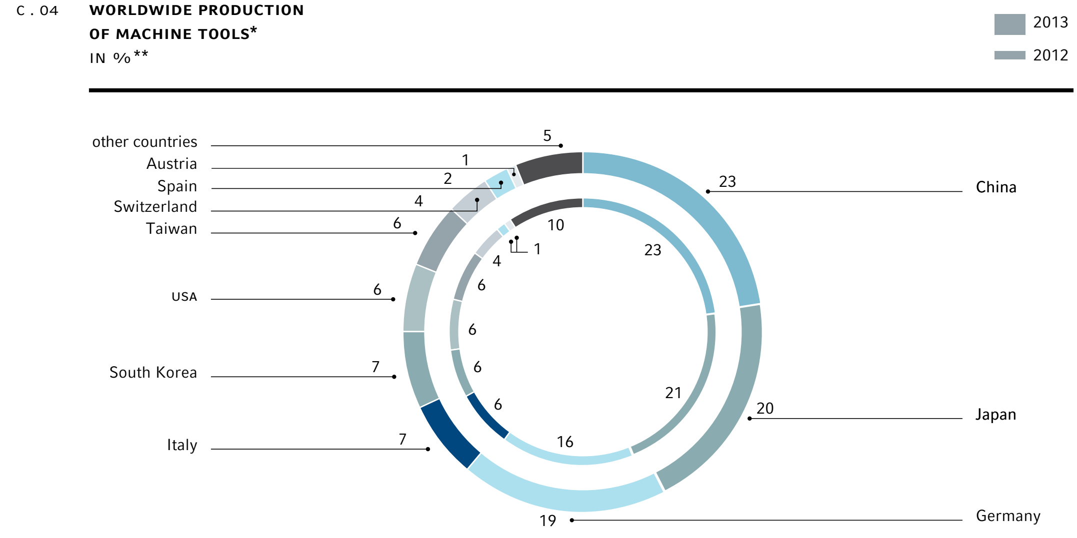


* 2012 figures revised; 2013 figures provisional. Further corrections to the figures cannot be excluded according to VDW information. Japanese consumption calculated on YEN basis.
** figures rounded up / Note 2012: 6th place India, 8th place Italy, 9th place Mexico, 10th place Brazil.

The VDW also calculated a decline in **global production** of 12.1% or € 8.2 billion to € 59.6 billion (previous year: € 67.8 billion). The world's biggest producer of machine tools in 2013 was China with a volume of € 13.5 billion – the equivalent of 23% of machine tools produced worldwide (previous year: −14.3%). Japan followed with production of € 11.7 billion (previous year, in local currency: −17.9%) or 20% of global production. Germany at € 11.1 billion (previous year: +2.9%) was once again the third largest producer; this equates to 19% of world production. The ten most important production countries represent a total of 95% of all machine tools (previous year: 90%).

In the major markets, the production shares developed as follows:

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



2013: Total € 59.6 BILLION // 2012: Total € 67.8 BILLION

* 2012 figures revised; 2013 figures provisional. Further corrections to the figures cannot be excluded according to VWD information, Japanese production calculated on YEN basis
** Figures rounded up / Note 2012 : 6th place Taiwan, 7th place USA, YEN basis

Sources: The basis of the world machine tool statistics is the data published by the VWD (the German Machine Tool Builders' Association) (excluding parts and accessories). This data is requested by the national producers' associations of each individual country and is based on the current actual values or, for the remainder of the year, on careful estimates based on the revised values of the previous year. Status: 24 February 2014

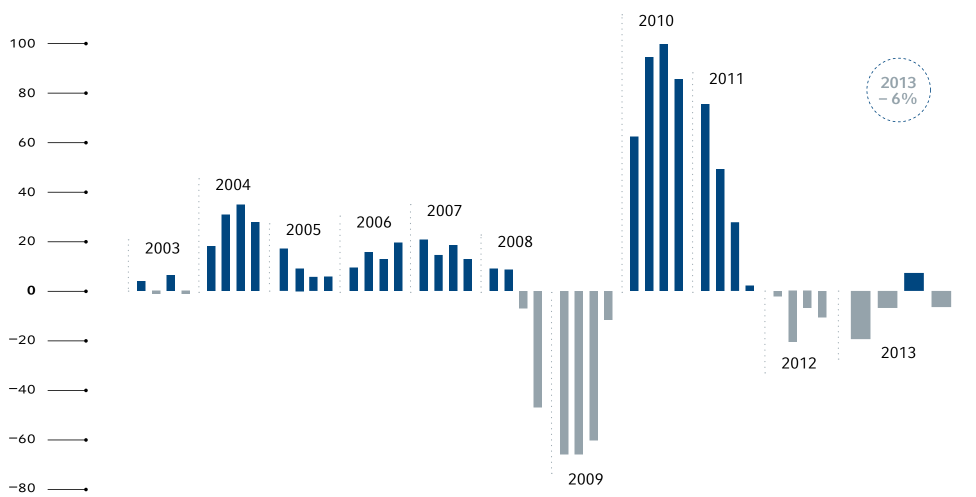
German Machine Tool Industry

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 a rise in values compared to the previous year. This is reflecting the overall positive economic development.

In 2013 the German machine tool industry recorded declining order intake, yet stable production and a rise in sales revenues. At € 14.2 billion, **order intake** at plants in Germany remained 6% below the previous year's figure (€ 15.1 billion). At the same time, domestic demand fell by 7% (previous year: –10%), international demand decreased by 6% (previous year: −11%). The VDW reports that order intake for cutting machines is down 8% on the previous year (previous year: −13%). In the field of forming machines order intake, however, only fell by 2% (previous year: −2%). The order intake of German manufacturers for foreign plants has not been included in these figures. Due to high order backlogs, **sales revenues** of German machine tool producers rose in comparison with the previous year's period by 7% (previous year: +9%).

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

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



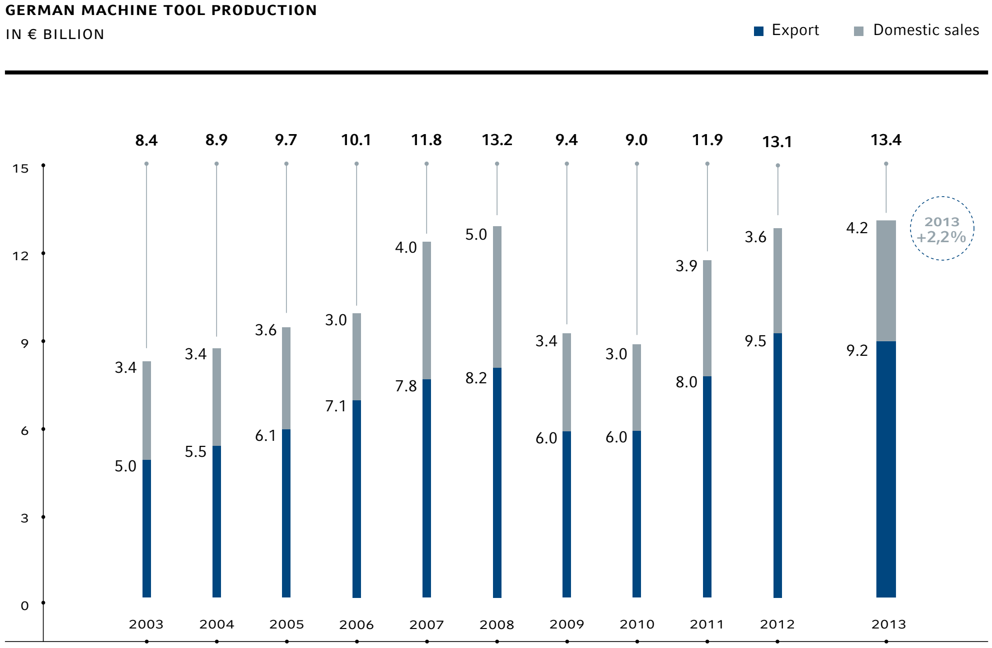
* previous year's figures partly adjusted

The **production** of machines and spare parts reached a volume of € 13.4 billion and thus exceeded the previous year's figure of € 13.1 billion by 2.2%.

Machines with a value of € 9.2 billion were exported (previous year: € 9.6 billion), **exports** thus fell by 3.5% compared to the previous year; the export ratio reached 68% (previous year: 73%). The most important export market for German machines tools was once again China at € 2.3 billion (previous year: € 2.6 billion); this represents 25% of German machine tool exports (previous year: 27%). The USA took second place with an export volume of € 0.9 billion (previous year: € 1.0 million; export share: 10%). Russia was the third most important export market, to which machines valued at € 0.5 billion were supplied (previous year: € 0.5 billion; export share: 5%).

The development and composition of German machine tool production is shown in the following multiple year comparison:

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



Machine tool **imports** grew by € 0.3 billion or 10.1% to € 2.9 billion (previous year: € 3.2 billion). With an import share of 29%, more than every fourth machine tool imported came from Switzerland. The other two places in the top three import countries were taken by Japan (11%) and Italy (9%).

Domestic consumption of machines and spare parts reached € 7.1 billion (previous year: € 6.8 billion).

Over the course of the year, the **capacity utilisation** of German machine tool producers fell. The capacity utilisation of producers of cutting machines was 94.4% (previous year: 96.1%).

The extent of the **order backlog** fell slightly over the course of the year. It was an average 7.5 months (previous year: 8.5 months). The extent of order backlog is based on calculations and represents an average figure for the industry. The total number of **employees** in German machine tool companies rose on an annual average in total to 71,336 (previous year: 69,314).

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

Overall Statement of the Executive Board on the Business Environment

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

In 2013, the state debt and euro crises, as well as a reluctance to invest, affected the global economy at the start of the year. In the dollar-dependent markets, our products became more expensive; the exchange rate of the US dollar rose in the reporting period to an average euro 1.38. These **economic circumstances** had a substantial effect on our business. By the same token, **customer requirements** in our industry are becoming more diverse and require a range of products specific to the target group – from entry level machines through to comprehensive technology solutions and extensive services. Again in 2013, we have aligned our product portfolio to be even more customer-friendly.

P. 72
Development of regional distribution of order intake

Our worldwide order intake progressed satisfactorily in the reporting period despite difficult market conditions. We responded flexibly to these challenges and were able to position our product innovations quickly on the market.

Industry situation and competitive environment: As before Asia offers great growth potentials for us. Especially in China, Korea and Russia we have expanded our presence and will strengthen it further. China was once again the most important market with a share of 33%. Russia's share of the world market developed positively. We have consolidated our position as a market leader in the machine tools business in the established markets. The intensified cooperation with our Japanese partner in the area of **sales and services** also contributed to this success. We have managed again this year to maintain our traditionally strong **market position** in Germany through our innovative capacity, our technological lead as well as through the successful appearance at the EMO in Hanover.

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

C . 07 **GENERAL ECONOMIC FACTORS AFFECTING BUSINESS DEVELOPMENT IN 2013**

Solid gross domestic product	0
Steady unemployment rate	0
Rising business climate index	+
Exchange rate (strong euro)	–
Rising capital investment	+
Structural shift in the machine tool market	0

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

Results of Operations, Net Worth and Financial Position

Sales revenues

Sales revenues at the DMG MORI SEIKI group reached € 2,054.2 million and were thus still higher than the record level of the previous year (€ 2,037.4 million). In the fourth quarter sales revenues amounted to € 573.7 million (previous year: € 604.5 million).

P. 87 – 95
Segment Reporting

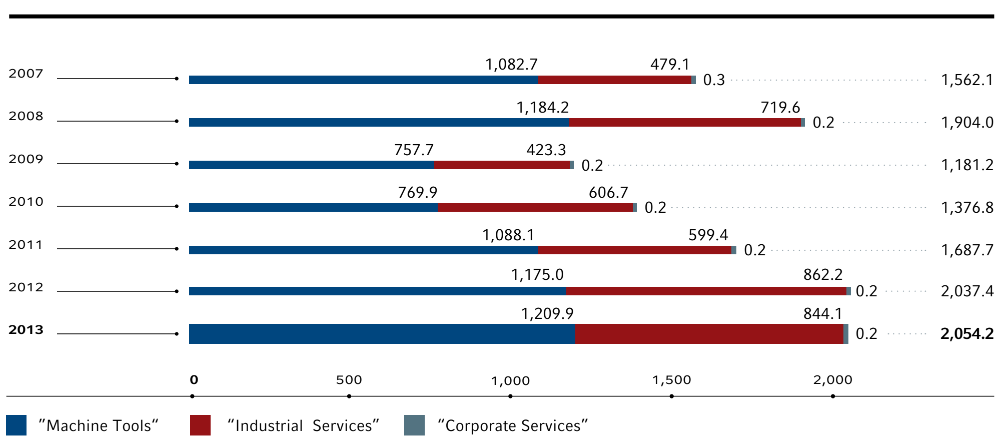
The sales revenues in our core "Machine Tools" business developed positively and were € 1,209.9 million (previous year: € 1,175.0 million). In the fourth quarter sales revenues reached € 344.5 million (previous year's quarter: € 348.4 million).

Sales revenues in the "Industrial Services" segment were € 844.1 million (previous year: € 862.2 million). They rose in the Services area by € 0.3 million to € 790.8 million (previous year: € 790.5 million). The trade turnover with machines of our cooperation partner amounted to € 305.1 million (previous year: € 292.2 million). Energy Solutions accounted for € 53.3 million (previous year: € 71.7 million). In the fourth quarter sales revenues in the "Industrial Services" segment reached € 229.1 million (previous year's quarter: € 256.1 million).

The group's international sales revenues rose by 5% to € 1,377.7 million; domestic sales revenues were € 676.5 million. The export ratio rose to 67% (previous year: 65%).

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

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



Order intake

Despite the difficult market conditions, we were able to book order intake of € 2,101.1 million (previous year: € 2,260.8 million). In the fourth quarter order intake amounted to € 484.5 million (previous year: € 554.4 million).

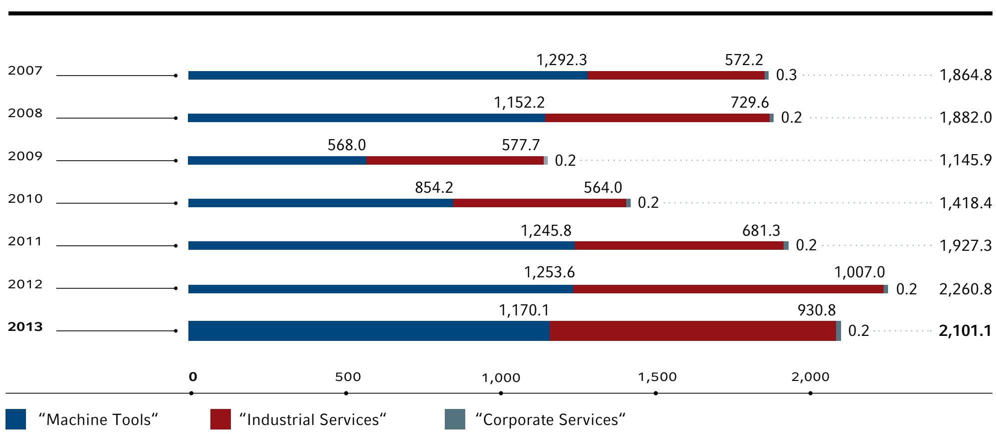
P. 87 – 95
Segment Report

Orders in the "Machine Tools" segment in the reporting period were € 1,170.1 million (previous year: € 1,253.6 million). The "Industrial Services" segment, which includes the Services and Energy Solutions divisions, recorded order intake of € 930.8 million (previous year: € 1,007.0 million). The Services division, where trade with the machines of our cooperation partner is also entered in the books, achieved € 888.7 million (previous year: € 937.1 million). At the same time the business with original LifeCycle Services (including maintenance, repair and spare parts) developed positively. In Energy Solutions, orders were € 42.1 million (previous year: € 69.9 million).

Domestic orders amounted to € 705.8 million (previous year: € 735.8 million). International orders were € 1,395.3 million (previous year: € 1,525.0 million). Thus the proportion of foreign business was 66% (previous year: 67%).

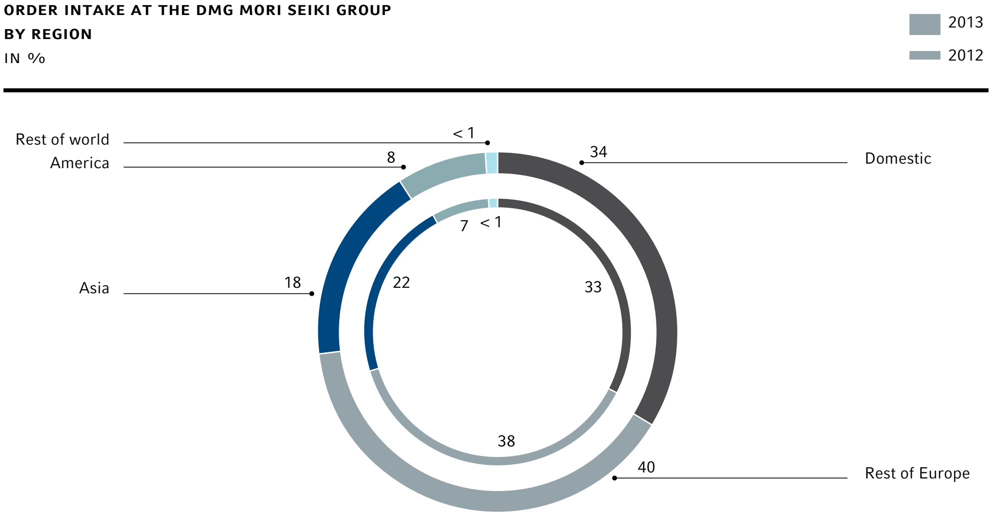
In a multiple year comparison, the segments contributed to group order intake as follows:

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



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

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



TOTAL
2013: € 2,101.1 MILLION // 2012: € 2,260.8 MILLION

With 7,029 machines sold, orders were below the previous year's figure (8,155 machines), which was marked by a major order from the electronics industry (846 machines). The machines were delivered to 4,883 different customers. We have raised our **sales prices** in the reporting period across the entire product range by around 2%. The **Global Key Account Management** once again contributed substantially to order intake with a 13% contribution.

Order backlog

On 31 December 2013, the order backlog at the group was € 1,031.9 million; it was thus € 28.4 million or 3% above the previous year's figure (31 Dec. 2012: € 1,003.5 million).

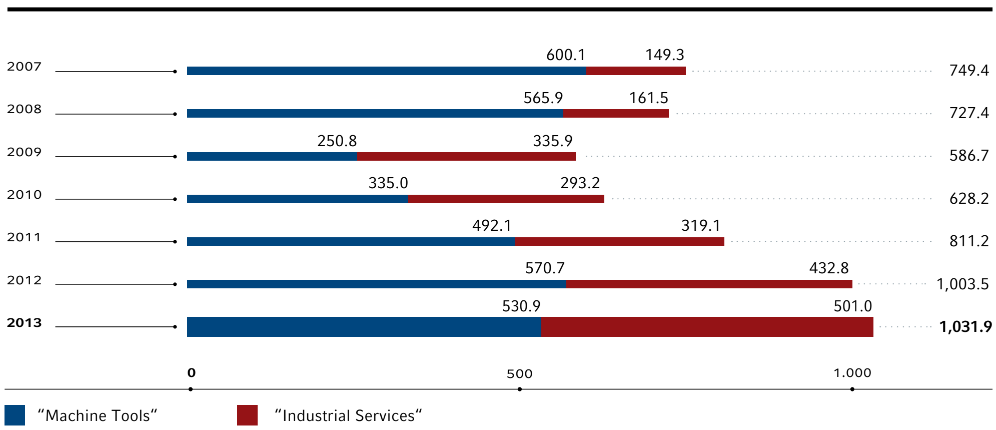
The domestic order backlog was € 277.5 million (corresponding date of the previous year: € 252.2 million). The foreign order backlog rose slightly by € 3.1 million to € 754.4 million (previous year: € 751.3 million); international orders account for 73% of orders in hand (corresponding date of the previous year: 75%).

P. 87 – 95
Segment Report

The order backlog varied in the individual segments. In “Machine Tools” it fell in a year on year comparison by € 39.8 million or 7% to € 530.9 million (31 Dec. 2012: € 570.7 million). “Industrial Services“ had an order backlog as at 31 December 2013 totalling € 501.0 million (31 Dec. 2012: € 432.8 million); of which € 493.8 million was accounted for by the order backlog in the Services division (31 Dec. 2012: € 395.9 million). The Energy Solutions order backlog amounted to € 7.2 million (31 Dec. 2012: € 36.9 million).

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

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



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

Success at the EMO 2013

The DMG MORI SEIKI group takes positive stock of the EMO 2013 in Hanover. With order intake of € 276.4 million and 1,137 products sold, the group achieved a record figure at the leading trade fair for machine tools.

Results of Operations

The DMG MORI SEIKI group was able to improve its key earning figures at 31 December 2013 against the previous year. The **EBITDA** rose over the whole year by 12% to € 193.9 million (previous year: € 173.8 million); **EBIT** amounted to € 147.6 million (+11%, previous year: € 132.9 million). EBT rose by 12% to € 135.0 million (previous year: € 120.1 million) and the **annual profit** reached € 93.2 million (+13%; previous year: € 82.4 million). In EBT, as in the annual profit, we have achieved the highest figures in the company's history.

In the **fourth quarter** EBITDA reached € 71.5 million (previous year: € 60.8 million); EBIT amounted to € 59.3 million (previous year: € 49.6 million). EBT rose to € 55.2 million (previous year: € 47.4 million). Earnings after tax amounted to € 38.1 million (previous year: € 32.6 million).

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

	2013		2012		Changes against previous year	
	€ MILLION	%	€ MILLION	%	€ MILLION	%
Sales revenues	**2,054.2**	**99.7**	**2,037.4**	**99.1**	**16.8**	**0.8**
Changes in finished goods and work in progress	−3.8	−0.2	8.0	0.4	−11.8	147.5
Own work capitalised	10.6	0.5	9.7	0.5	0.9	9.3
Total work done	**2,061.0**	**100.0**	**2,055.1**	**100.0**	**5.9**	**0.3**
Cost of materials	−1,086.7	−52.7	−1.129.3	−55.0	42.6	3.8
Gross profit	**974.3**	**47.3**	**925.8**	**45.0**	**48.5**	**5.2**
Personnel costs	−465.2	−22.6	−440.4	−21.4	−24.8	5.6
Other income and expenses	−315.2	−15.3	−311.6	−15.1	−3.6	1.2
EBITDA	**193.9**	**9.4**	**173.8**	**8.5**	**20.1**	**11.6**
Depreciation of fixed assets	−46.3	−2.2	−40.9	−2.0	−5.4	13.2
EBIT	**147.6**	**7.2**	**132.9**	**6.5**	**14.7**	**11.1**
Financial results	−13.5	−0.6	−13.7	−0.7	0.2	1.5
Results of at equity valued companies	0.9	0.0	0.9	0.0	0.0	0.0
EBT	135.0	6.6	120.1	5.8	14.9	12.4
Taxes on profit	−41.8	−2.1	−37.7	−1.8	−4.1	10.9
Annual profit	**93.2**	**4.5**	**82.4**	**4.0**	**10.8**	**13.1**

P. 78 – 82
Net worth

Gross revenue for the period rose in financial year 2013 to € 2,061.0 million; it was thus some € 5.9 million or 0.3% above the previous year's figure (€ 2,055.1 million). This rise resulted from an increase in sales revenues of € 16.8 million or 0.8% (previous year: € 2,037.4 million).

P. 56 – 58
Purchasing

P. 98 – 101
Employees

P. 174 – 177
Notes to the consolidated financial statements

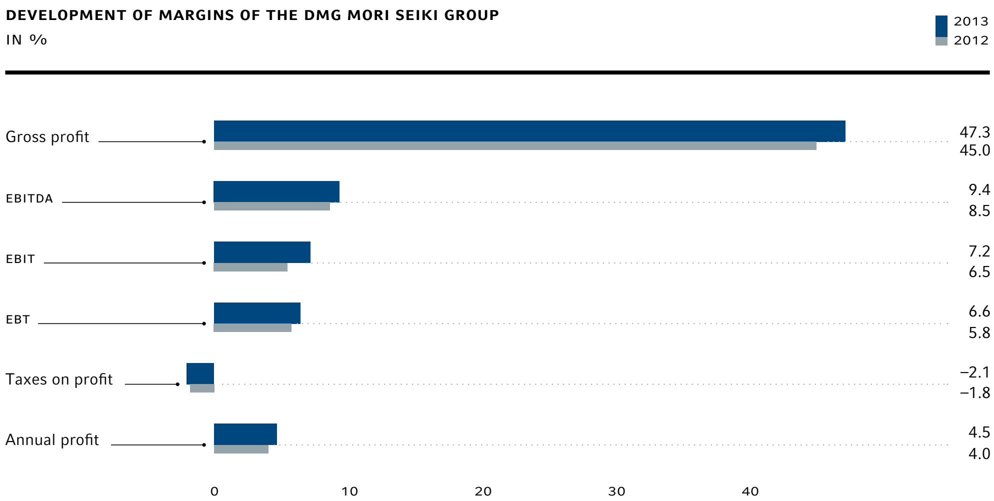
The **materials ratio** improved to 52.7% (previous year: 55.0%) and the material expenses decreased by € 42.6 million or 3.8% to € 1,086.7 million (previous year: € 1,129.3 million.

Employee expenses rose by € 24.8 million to € 465.2 million (previous year: € 440.4 million). The personnel expenses ratio was 22.6% (previous year: 21.4%).

The balance of other expenses and income amounted to € 315.2 million (previous year: € 311.6 million). Other operating expenses rose by € 9.0 million to € 383.4 million (previous year: € 374.4 million). This rise was essentially due to sales-related expenses. Other operating income amounted to € 68.2 million (previous year: € 62.8 million); as in the previous year, this substantially includes the release of provisions as well as currency gains.

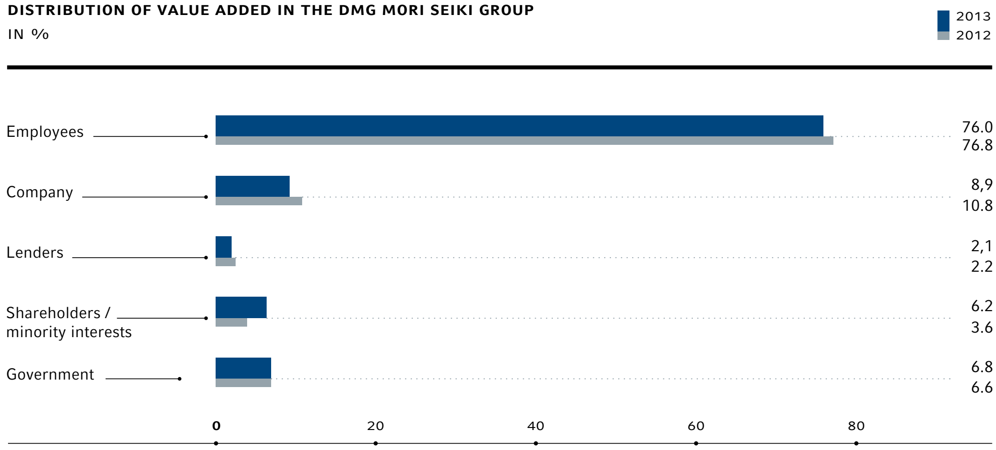
Depreciation rose alongside an increase in capital expenditure to € 46.3 million (previous year: € 40.9 million). The **financial result** decreased to € –13.5 million (previous year: € –13.7 million; at the same time interest expenses improved due to a fall in interest rates and a reduction in the use made of credit lines during the year of € 4.9 million to € 9.2 million (previous year: € 14.1 million). An increasing effect was due to the depreciation on an investment of € 4.3 million. The tax ratio improved to 31.0% (previous year: 31.4%); the tax expense increased alongside a rise in earnings to € 41.8 million (previous year: € 37.7 million).

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



The earnings margins, which are determined on the basis of gross revenue for the period, have changed as follows: The gross margin was 47.3% (previous year: 45.0%). The EBITDA margin reached 9.4% (previous year: 8.5%), the EBIT margin 7.2% (previous year: 6.5%) and the EBT margin was 6.6% (previous year: 5.8%). Taking the tax expenses into consideration, the net income margin was 4.5% (previous year: 4.0%).

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



In financial year 2013, the **value added** of the DMG MORI SEIKI group amounted to € 613.8 million and therefore rose by € 39.6 million against the previous year (€ 574.2 million).

C . 15

VALUE-ADDED STATEMENT OF THE DMG MORI SEIKI GROUP	2013		2012		Changes aginst previous year	
	€ MILLION	%	€ MILLION	%	€ MILLION	%
Source						
Sales revenues	2,054.2	96.5	2,037.4	96.2	16.8	0.8
Other revenues	75.0	3.5	80.5	3.8	−5.5	−6.8
Operating performance	2,129.2	100.0	2,117.9	100.0	11.3	0.5
Cost of materials	1,086.7	51.0	1,129.3	53.3	−42.6	−3.8
Depreciation	46.3	2.2	40.9	1.9	5.4	13.2
Other expenses	382.4	18.0	373.5	17.6	8.9	2.4
Purchased materials and services	1,515.4	71.2	1,543.7	72.9	−28.3	−1.8
Value added	613.8	28.8	574.2	27.1	39.6	6.9
Distribution						
Employees	466.2	76.0	441.3	76.8	24.9	5.6
Companies	54.7	8.9	62.0	10.8	−7.3	−11.8
Lenders	12.6	2.1	12.8	2.2	−0.2	−1.6
Shareholders / minority interests	38.5	6.2	20.4	3.6	18.1	88.7
Government	41.8	6.8	37.7	6.6	4.1	10.9
Value added	613.8	100.0	574.2	100.0	39.6	6.9

Financial position

The group's financial position developed positively overall in the reporting period. **Cash flow from operating activities (cash inflow)** in the financial year was € 171.1 million (previous year: € 168.7 million).

Substantial contributions to this cash flow came from earnings before taxes (EBT) of € 135.0 million (previous year: € 120.1 million) and depreciation, amortisation and depreciation of € 46.3 million (previous year: € 40.9 million). The reduction in trade receivables of € 25.5 million and the rise in provisions of € 3.1 million led to an improvement in cash flow. The lower amount against the previous year of prepayments received (€ 7.7 million) and payments made for income taxes (€ 38.9 million) and interest (€ 8.4 million) reduced cash flow.

C. 16

CASHFLOW	2013 € MILLION	2012 € MILLION
Cash flow from operating activity	171.1	168.7
Cash flow from investment activity	−160.1	−63.0
Cash flow from financing activity	189.5	−39.2
Changes in cash and cash equivalents	197.8	68.1
Liquid funds at the start of the reporting period	173.3	105.2
Liquid funds at the end of the reporting period	371.1	173.3
Free Cashflow*	67.3	99.1

* Balance of cash flow from operating activities and investment activities (excluding payments to financial assets of € 56.3 million)

P. 83 – 84
Investments

The cash flow from **investing activities (cash outflow)** rose by € 97.1 million to € 160.1 million (previous year: € 63.0 million). Investments in property, plant and equipment were € 83.9 million (previous year: € 56.3 million) and in intangible assets were € 21.6 million (previous year: € 15.5 million). Payments for investments in financial assets amounted to € 56.3 million (previous year: € 0 million) and were accounted for, in particular, by the increase in the shareholding in DMG MORI SEIKI COMPANY LIMITED.

The free cash flow at € 67.3 million (previous year: € 99.1 million) was positive. It was essentially used for payments for financial assets and the distribution of the dividend.

Cash flow from **financing activities (cash inflow)** was € 189.5 million (previous year: € −39.2 million). The capital increase for cash resulted in cash receipts of € 223.6 million as well as payments of € 12.1 million. Payments of € 20.4 million (previous year: € 14.6 million) resulted from the distribution of the dividend in May 2013.

The change in cash flow resulted as at 31 December 2013 in an increase in cash funds of € 197.8 million to € 371.1 million (previous year: € 173.3 million); thus the DMG MORI SEIKI group had excellent liquidity at year-end.

As at 31 December 2013, surplus funds of € 356.4 million were available (previous year: € 161.0 million).

The **DMG MORI SEIKI group** covers its capital requirements from the operating cash flow and from taking out short- and long-term financing. The amount of the agreed financing lines totals € 742.7 million. Material elements of this are a syndicated credit facility of € 450.0, with a term until 2016, additional aval lines of € 102.0 million and factoring agreements of € 172.8 million. Factoring remains an important component of our financing mix. In addition to the financing effect, we can also optimise the credit control process. Besides this we still have some long-term loans and short-term bilateral loan commitments to individual subsidiaries with a total volume of € 17.8 million (previous year: € 32.8 million). For its operating activities the DMG MORI SEIKI group requires aval lines in order to have guarantees for pre-payments and warranties issued.

P. 205 – 207
Financial debt

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

Our financing includes customary agreements on compliance with defined key performance indicators (covenants). The financing is supplemented by off balance sheet operating lease agreements. The sum of future obligations from the operating lease agreements is € 64.2 million (previous year: € 60.8 million).

Through this financing mix we have sufficient finance lines which allows us to make the necessary liquidity available for our business. Strategic financing measures are not planned for 2014 as the seasonally required liquidity can be covered by the financial resources available.

P. 210 – 211
Future financial obligations

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

P. 214 – 224
Measurement and financial risks

Net worth

The assets and capital structure developed as follows in the reporting period: The **balance sheet total** rose to € 2,010.0 million (previous year. € 1,618.5 million). A substantial part of this increase was due to the two capital increases over the course of the financial year. Under equity and liabilities equity rose by € 389.1 million to € 1,164.4 million (previous year: € 775.3 million). This rise essentially results from net income for the year and the capital increases. The **equity ratio** thus rose to 57.9% (previous year: 47.9%).

C.17

BALANCE SHEET OF THE DMG MORI SEIKI GROUP

	31 Dec. 2013		31 Dec. 2012*		Changes against previous year	
	€ MILLION	%	€ MILLION	%	€ MILLION	%
Assets						
Long-term assets						
Fixed assets	718.4	35.7	500.7	31.0	217.7	43.5
Long-term receivables and other assets	67.3	3.4	63.7	3.9	3.6	5.7
	785.7	39.1	564.4	34.9	221.3	39.2
Short-term assets						
Inventories	483.8	24.1	486.3	30.0	−2.5	−0.5
Short-term receivables and other assets	369.4	18.4	394.5	24.4	−25.1	−6.4
Liquid funds	371.1	18.4	173.3	10.7	197.8	114.1
	1,224.3	60.9	1,054.1	65.1	170.2	16.1
Balance Sheet total	**2,010.0**	**100.0**	**1,618.5**	**100.0**	**391.5**	**24.2**
Equity and liabilities						
Long-term financing resources						
Equity	1.164.4	57.9	775.3	47.9	389.1	50.2
Outside capital						
Long-term provisions	66.2	3.3	57.5	3.5	8.7	15.1
Long-term liabilities	14.8	0.8	22.0	1.4	−7.2	−32.7
	81.0	4.1	79.5	4.9	1.5	1.9
	1.245.4	62.0	854.8	52.8	390.6	45.7
Short-term financing resources						
Short-term provisions	192.8	9.6	196.9	12.2	−4.1	−2.1
Short-term liabilities	571.8	28.4	566.8	35.0	5.0	0.9
	764.6	38.0	763.7	47.2	0.9	0.1
Balance Sheet total	**2,010.0**	**100.0**	**1.618.5**	**100.0**	**391.5**	**24.2**

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

P. 83 – 84
Investments

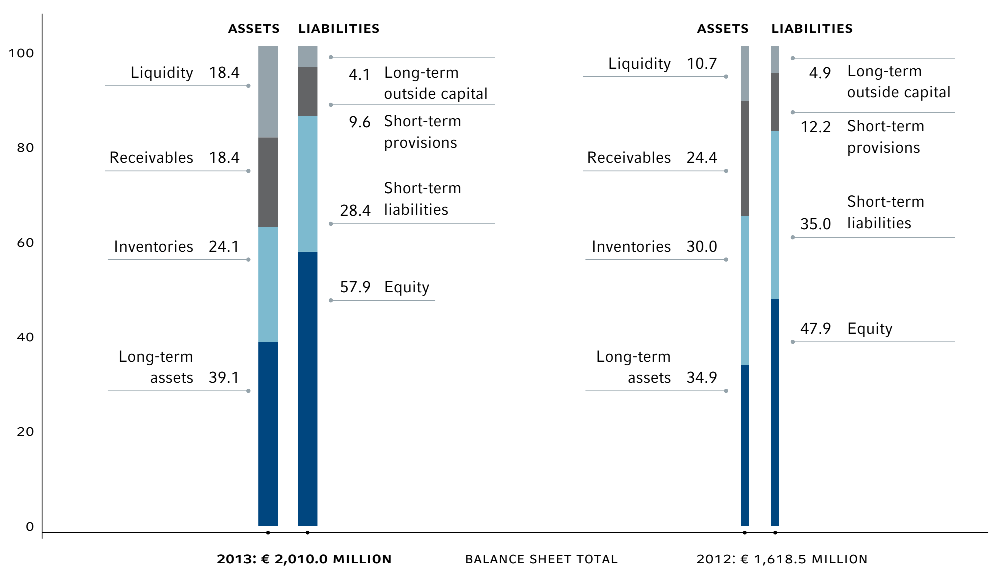
Under **assets, fixed assets** rose by € 217.7 million or 43.5% to € 718.4 million (previous year: € 500.7 million). The intangible assets increased by € 8.2 million to € 192.8 million (previous year: € 184.6 million) and property, plant and equipment by € 54.1 million to € 317.3 million (previous year: € 263.2 million). Financial assets amounted to € 208.3 million (previous year: € 52.9 million). The rise was due firstly to the capital increase through contribution in kind, which was carried out in August, through the contribution of 19% of the shares in Mori Seiki Manufacturing USA, Inc., Davis, USA, and 44.1% of the shares in Magnescale Co., Ltd. Secondly, the rise was due to an increase in our equity investment in DMG MORI SEIKI COMPANY LIMITED from 5.5% to 9.6% of the voting stock and the evaluation of these shares on the stock exchange. The positive share performance resulted in an increase in value of € 51.9 million.

Long-term trade debtors and other long-term assets rose by € 3.6 million or 5.7% to € 67.3 million (previous year: € 63.7 million). At the same time, deferred taxes amounted to € 48.3 million (previous year: € 49.3 million). Other assets include discounted customer bills of exchange of € 0.2 million (previous year: € 0.7 million).

Inventories fell slightly by 0.5% or € 2.5 million to € 483.8 million (previous year: € 486.3 million). Whilst stocks of finished goods and goods for resale rose by € 24.0 million to € 180.6 million (previous year: € 156.6 million). Stocks of raw materials and consumables decreased by € 10.6 million to € 189.7 million (previous year: € 200.3 million) and stocks of work in progress by € 11.4 million to € 111.7 million (previous year: € 123.1 million). The turnover rate of inventories remained unchanged at 4.2.

Overall, the proportion of inventories in the balance sheet total fell to 24.1% (previous year: 30.0%).

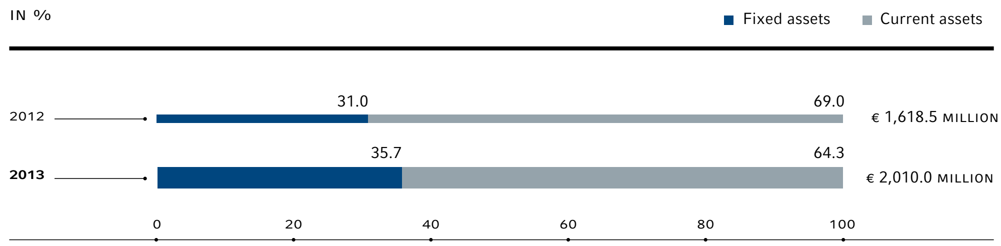
C.18 **ASSETS AND CAPITAL STRUCTURE OF THE DMG MORI SEIKI GROUP**
IN %



Short term receivables and other assets fell in comparison with the previous year by 6.4% or € 25.1 million to € 369.4 million. In doing so, trade debtors decreased by € 28.2 million to € 199.9 million (previous year: € 228.1 million). The turnover rate of trade debtors improved to 10.1 (previous year: 8.9). Other assets rose to € 169.5 million (previous year: € 166.4 million).

At the end of the reporting period, **cash and cash equivalents** amounted to € 371.1 million (previous year: € 173.3 million) or 18.4% of the balance sheet total (previous year: 10.7%). In the assets structure, the share of long-term assets rose by 4.2 percentage points to 39.1% (previous year: 34.9%).

C.19 **STRUCTURE OF ASSETS**
IN %



Under equity and liabilities, equity rose by € 389.1 million or 50.2% to € 1,164.4 million (previous year: € 775.3 million). Alongside the two capital increases totalling € 271.7 million, the net income for the year of € 93.2 million increased equity whereas the distribution of the dividend in May 2013 of € 20.4 million led to a decrease. The **minority interests' share of equity** amounted to € 94.4 million (previous year: € 84.6 million). The equity ratio thus rose to 57.9% (previous year: 47.9%). As at the same date in the previous year, we have surplus funds and thus no **gearing.**

Long-term borrowings rose by € 1.5 million to € 81.0 million (previous year: € 79.5 million). The proportion of the balance sheet total fell by 0.8 percentage points to 4.1% (previous year: 4.9%). The proportion of long-term provisions amounts to 3.3% (previous year. 3.5%). This includes company pension provisions of € 38.4 million (previous year: € 37.6 million). Liabilities of € 6.3 million (previous year: € 7.6 million) relate to deferred tax liabilities.

The **long-term financial resources,** comprising equity and long-term borrowings, rose in the reporting period by € 390.6 million or 45.7% to € 1,245.4 million. Long-term fixed assets are financed as to 158.5% (previous year: 151.5%) by funds that are available on a long-term basis.

Short-term financing resources rose slightly to € 764.6 million (previous year: € 763.7 million). Trade creditors amounted to € 331.8 million (previous year: € 329.5 million). Prepayments received decreased by € 7.7 million to € 148.1 million (previous year: € 155.8 million); the proportion of prepayments amounted to 14.4% (previous year: 15.5%). Short-term provisions were € 192.8 million (previous year: € 196.9 million). Short-term financial debt rose to € 12.7 million (previous year: € 9.1 million). Short-term liabilities are recognised at € 9.6 million in connection with assets held for sale (previous year: € 10.9 million).

The total of fixed assets and inventories of € 1,202.2 million (previous year: € 987.0 million) is covered as to 103.6% (previous year: 86.6%) by long-term financing resources. The structure of equity and liabilities shows in a year on year comparison a rise in the **equity ratio** of 10.0 percentage points to 57.9%. The proportion of provisions decreased by 2.8 percentage points to 12.9% (previous year: 15.7%). The liabilities ratio fell by 7.2 percentage points to 29.2% (previous year: 36.4%).

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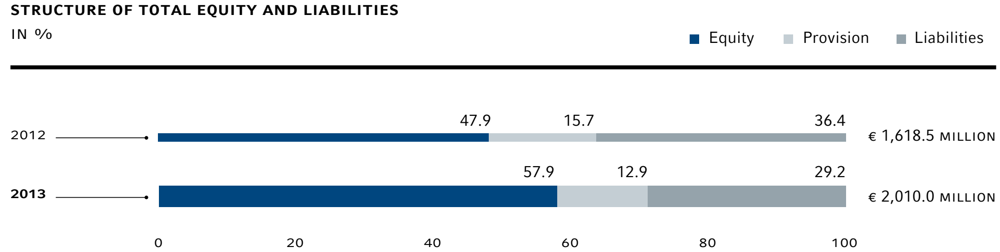
Factoring programme, Operating leasing

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

C.20 **STRUCTURE OF TOTAL EQUITY AND LIABILITIES**
IN %



Investments

Investments in **plant, property and equipment and in intangible assets** amounted to € 106.6 million (previous year: € 74.5 million). As announced, the increase against the previous year is essentially attributable to expanding our production capacity and the realignment of our sales and service activities in Europe. Depreciation of fixed assets, taking into account capitalised development costs and finance leases at € 46.3 million, was above the previous year's level (€ 40.9 million).

P. 87 – 95
Segment report

The main focus of our investing activities were the ongoing construction of our state of the art production and assembly plant in Ulyanovsk in Russia for the production of ECOLINE machines as well as the start of the big machine production expansion at our Pfronten site. In addition, we have started to implement a new site concept in Brembate, Italy. In addition to optimising mechanical production and assembly, as well as numerous modernisation measures, we are setting up a new technology centre here.

On 1 October 2013 was the ground-breaking for the start of construction of our new European headquarters in Winterthur, Switzerland. Together with our cooperation partner, DMG MORI SEIKI COMPANY LIMITED, in future we will coordinate our sales and service activities throughout Europe from Winterthur.

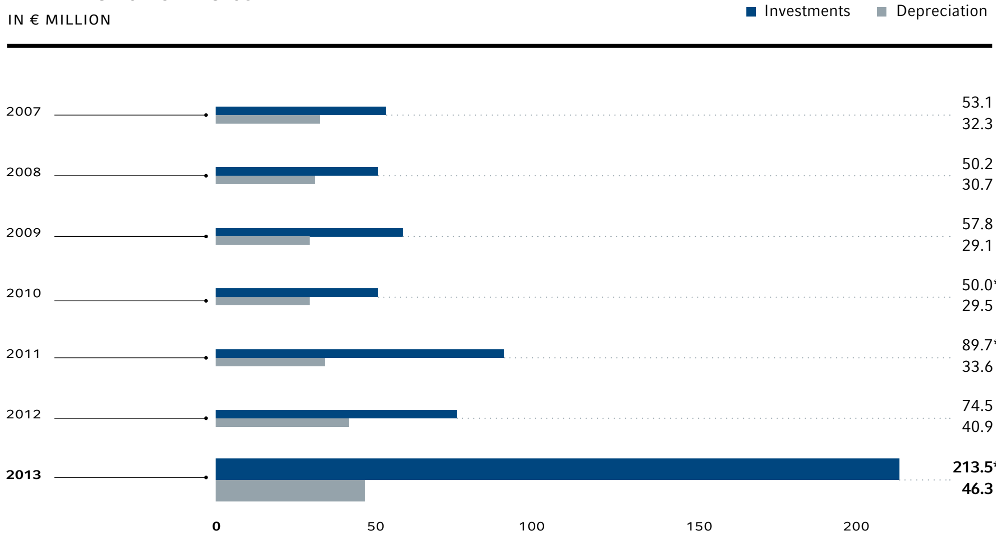
On 27 June we opened the new Spare Parts Centre at our Geretsried site near Munich, which further strengthens our global spare parts supply. Moreover, we have invested in the development of innovative products, in updating technical installations and in making available the tools, models and production equipment necessary for production.

The addition to **financial assets** amounted to € 106.9 million. Essentially this comes from the contribution of DMG MORI SEIKI COMPANY LIMITED within the scope of the contribution in kind and consists of shares from the subsidiaries Mori Seiki Manufacturing USA, Inc., Davis, USA, and Magnescale Co., Ltd., Kanagawa, Japan, of € 56.8 million, as well as from increasing the number of shares with voting rights that we hold in DMG MORI SEIKI COMPANY LIMITED to 9.6%. Investments amounted in total to € 213.5 million (previous year's figure: € 74.5 million).

Spare Parts Centre in Geretsried

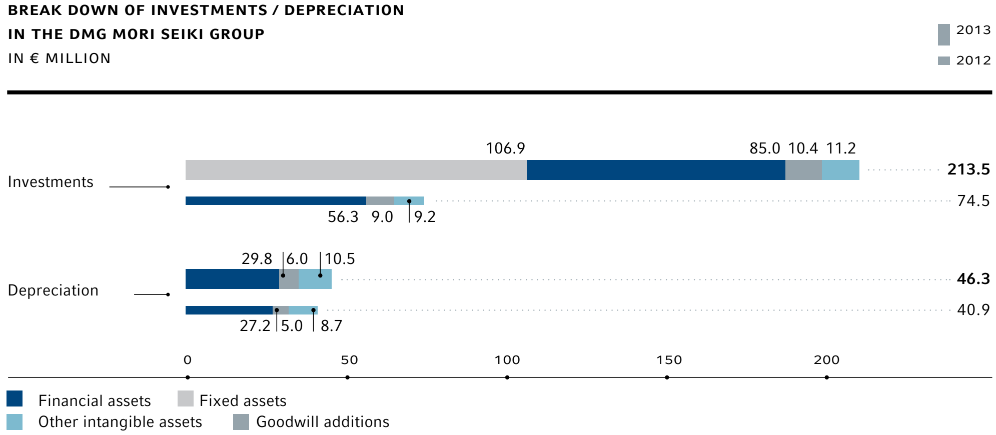
The new Spare Parts Centre at the Geretsried site near Munich: With an investment volume of around € 5 million and a warehouse surface area extended to 25,000 square metres, the DMG MORI SEIKI group is underlining the importance of the after sales business. The new construction also integrates the European spare parts supply for the machines of our Japanese cooperation partner.

C . 21 **INVESTMENTS AND DEPRECIATION IN THE DMG MORI SEIKI GROUP**
IN € MILLION



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

C . 22 **BREAK DOWN OF INVESTMENTS / DEPRECIATION IN THE DMG MORI SEIKI GROUP**
IN € MILLION



Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT (summary)

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

C.23 **BALANCE SHEET OF DMG MORI SEIKI AKTIENGESELLSCHAFT**
GERMAN COMMERCIAL CODE (HGB)

	2013 € MILLION	2012 € MILLION
Assets		
Fixed assets		
Shares in affiliated companies	418.0	415.5
Other fixed assets	158.0	51.1
Übriges Anlagevermögen	38.4	33.0
	614.4	499.6
Short-term assets		
Receivables from affiliated companies	455.0	440.4
Other short-term assets	284.2	100.7
	739.2	541.1
Balance Sheet total	**1,353.6**	**1,040.7**
Equity and liabilities		
Equity	**909.8**	**614.5**
Provisions	**46.2**	**46.9**
Liabilities		
Financial liabilities	0.0	0.6
Liabilities to affiliated companies	383.5	367.6
Other liabilities	14.1	11.1
	397.6	379.3
Balance Sheet total	**1,353.6**	**1,040.7**

The balance sheet total of DMG MORI SEIKI AKTIENGESELLSCHAFT rose by € 312.9 million to € 1,353.6 million (previous year: € 1,040.7 million). This was essentially the result of an increase in equity investments as well as to a rise in bank balances as at 31 December 2013. On the one part the equity investments rose due to the capital increase through contribution in kind carried out in August by the contribution of 19% of the shares in Mori Seiki Manufacturing USA, Inc., Davis, USA, and 44.1% of the shares in Magnescale Co., Ltd., Kanagawa (Japan). On the other part, the rise was due to an increase in our equity investment in DMG MORI SEIKI COMPANY LIMITED from 5.5% to 9.6%.

Bank balances rose by € 179.8 million to € 263.3 million (previous year: € 83.5 million) essentially due to the pre-emptive rights capital increase carried out in August and the associated net proceeds.

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INCOME STATEMENT OF DMG MORI SEIKI AKTIENGESELLSCHAFT GERMAN COMMERCIAL CODE (HGB)	**2013 € MILLION**	2012 € MILLION
Sales revenues	15.3	13.8
Other operating income	11.0	14.9
Other expenses	–73.0	–55.4
Income from financial assets	99.1	92.3
Financial result	10.2	6.1
Result from ordinary activities	62.5	71.7
Extraordinary income	–0.2	–0.2
Income taxes	–27.0	–26.6
Net income	**35.2**	**44.9**
Retained profits brought forward	**4.2**	**2.2**
Appropriation to revenue reserves	0.0	22.4
Net profit	**39.5**	**24.7**

The results of DMG MORI SEIKI AKTIENGESELLSCHAFT were essentially determined by income from the domestic subsidiaries of € 97.9 million (previous year: € 91.1 million), which arise from the transfer of profits and income from equity investment in DMG MORI SEIKI COMPANY LIMITED of € 1.2 million (previous year: € 1.2 million).

The financial result was € 10.2 million (previous year: € 6.1 million). The tax expense was € 27.0 million (previous year: € 26.6 million).

DMG MORI SEIKI AKTIENGESELLSCHAFT closes financial year 2013 with net income for the year of € 35.2 million (previous year: € 44.9 million). Taking into account the profit carryforward of the previous year, net retained profits amount to € 39.5 million (previous year: € 24.7 million).

The Executive Board and the Supervisory Board will propose to the 112th Annual General Meeting on 16 May 2014 that a dividend of € 0.50 per share, € 38.5 million in total, be distributed for financial year 2013 (previous year: € 0.35 or € 20.4 million). This corresponds practically to the entire net retained profits. Furthermore, it will be proposed to the Annual General Meeting to carry the remaining net retained profits of € 1.0 million forward to new account.

Segment Report

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

C.25

SEGMENT KEY INDICATORS OF THE DMG MORI SEIKI GROUP

	2013 € MILLION	2012 € MILLION	Changes 2013 against 2012 € MILLION	%
Sales revenues	**2,054.2**	**2,037.4**	**16.8**	**1**
Machine Tools	1,209.9	1,175.0	34.9	3
Industrial Services	844.1	862.2	−18.1	−2
Corporate Services	0.2	0.2	0.0	
Order intake	**2,101.1**	**2,260.8**	**−159.7**	**−7**
Machine Tools	1,170.1	1,253.6	−83.5	−7
Industrial Services	930.8	1,007.0	−76.2	−8
Corporate Services	0.2	0.2	0.0	
EBIT	**147.6**	**132.9**	**14.7**	**11**
Machine Tools	88.6	69.3	19.3	28
Industrial Services	93,2	88,4	4,8	5
Corporate Services	−33.8	−25.5	−8.3	

“Machine Tools“

The “Machine Tools“ segment is our core segment and includes the new machines business of the group with the divisions Turning and Milling, Advanced Technologies (ultrasonic / lasertec), as well as ECOLINE and Electronics.

The **turning** division comprises GILDEMEISTER Drehmaschinen GmbH in Bielefeld, GRAZIANO Tortona S.r.l. and GILDEMEISTER Italiana S.p.A.

Our full-line range of turning machines includes six product lines and covers the full range from universal lathes and machining centres to turn-mill centres for 5-sided complete machining, through to production lathes with 4-sided mill-turn centres and vertical lathes. In automatic lathes we offer multispindle and multi-slide machining centres.

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

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

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Production and Logistics

DMG Electronics GmbH combines our activities in control and software development throughout the group. The development of CELOS and its adaptation to our machines portfolio are currently being focused on.

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KEY FIGURES
"MACHINE TOOLS" SEGMENT

	2013	2012		Changes 2013 against 2012
	€ MILLION	€ MILLION	€ MILLION	%
Sales revenues				
Total	1,209.9	1,175.0	34.9	3
Domestic	353.8	396.9	−43.1	−11
International	856.1	778.1	78.0	10
% International	71	66		
Order intake				
Total	1,170.1	1,253.6	−83.5	−7
Domestic	358.6	386.3	−27.7	−7
International	811.5	867.3	−55.8	−6
% International	69	69		
Order backlog*				
Total	530.9	570.7	−39.8	−7
Domestic	135.0	130.2	4.8	4
International	395.9	440.5	−44.6	−10
% International	75	77		
Investments	56.8	47.6	9.2	19
Employees	3.412	3.293	119	4
plus trainees	216	221	−5	−2
Total employees*	3,628	3,514	114	3
EBITDA	118.9	95.8	23.1	24
EBIT	88.6	69.3	19.3	28
EBT	75.7	57.4	18.3	32

* reporting date 31 December

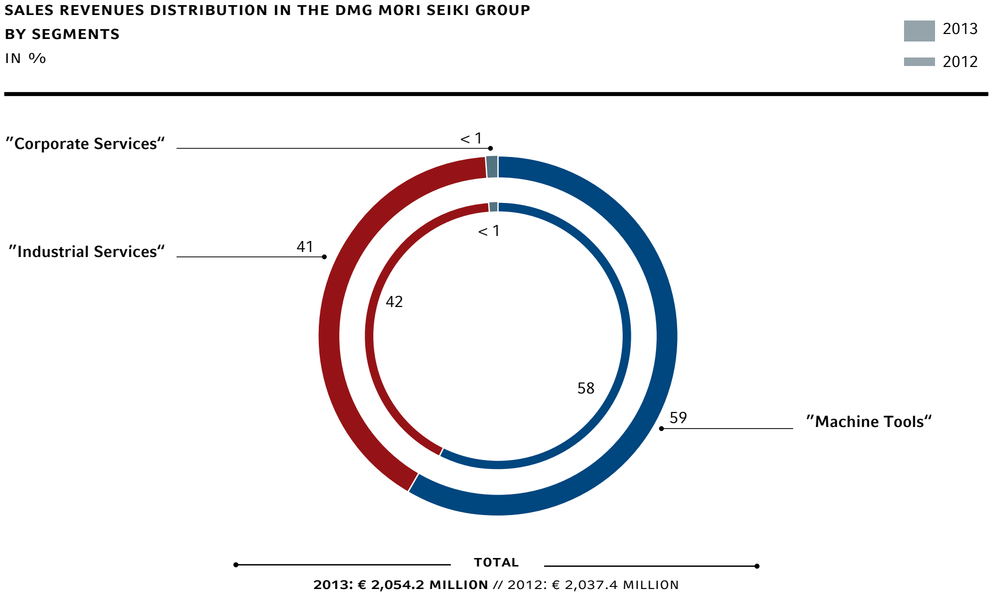
The "Machine Tools" segment performed in order intake, sales revenues and earnings in financial year 2013 as follows: In the fourth quarter **sales revenues** of € 344.5 million reached the previous year's level (€ 348.4 million). For the whole year the "Machine Tools" achieved sales revenues of € 1,209.9 million. This corresponds to an increase of 3% or € 34.9 million against the previous year (€ 1,175.0 million). Whereas domestic sales fell by 11% or € 43.1 million to € 353.8 million (previous year: € 396.9 million), international sales grew by 10% or € 78.0 million to € 856.1 million (previous year: € 778.1 million). International sales accounted for 71% (previous year: 66%).

The "Machine Tools" segment contributed 59% of sales revenues (previous year: 58%). The turning technology of GILDEMEISTER contributed 13% (previous year: 14%). The milling technology of DECKEL MAHO contributed 37% to sales revenues (previous year: 36%); ultrasonic/lasertec accounted for 2% as in the previous year. The ECOLINE business contributed 7% (previous year: 6%).

The **sales quantity** of new machines fell compared to the previous year by 15% to 6,792 (previous year. 7,941).

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

C . 27 **SALES REVENUES DISTRIBUTION IN THE DMG MORI SEIKI GROUP BY SEGMENTS**
IN %



Order intake in our core business in the fourth quarter reached € 262.4 million (previous year's quarter: € 330.2 million). Over the whole year order intake amounted to € 1,170.1 million and was thus € 83.5 million or 7% below the previous year's figure (€ 1,253.6 million).

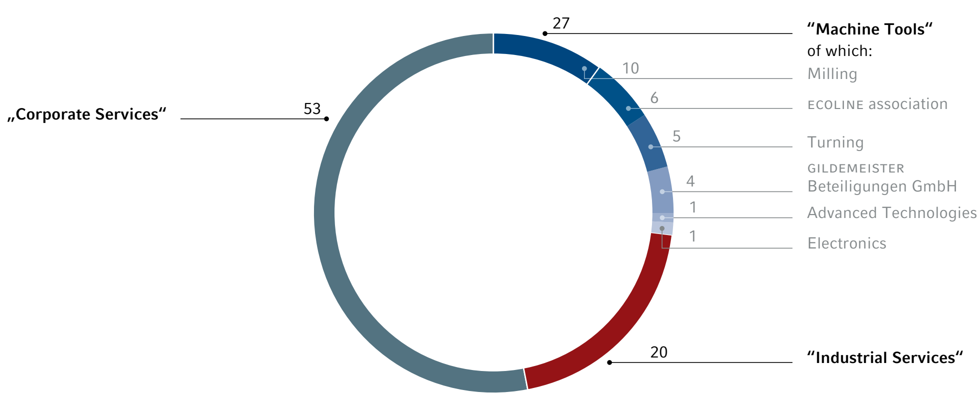
Domestic order intake fell by 7% or € 27.7 million to € 358.6 million (previous year: € 386.3 million). International orders decreased by 6% or € 55.8 million to € 811.5 million (previous year: € 867.3 million); international orders accounted for 69% of orders as in the previous year. The percentage of orders in the "Machine Tools" segment was 56% (previous year: 55%).

The **order backlog** as at 31 December 2013 of € 530.9 million (–7%) was below the previous year's figure (€ 570.7 million). The domestic order backlog rose by € 4.8 million to € 135.0 million (previous year: € 130.2 million). International orders recorded 75% (previous year: 77%); they decreased by € 44.6 million or 10% to € 395.9 million (previous year: € 440.5 million).

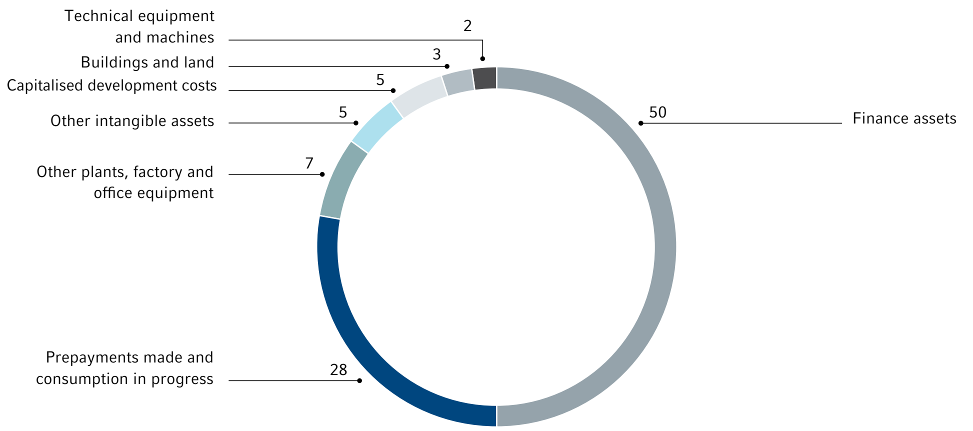
EBITDA reached € 118.9 million (previous year: € 95.8 million). **EBIT** rose to € 88.6 million (previous year: € 69.3 million) and **EBT** improved by 32% to € 75.7 million (previous year: € 57.4 million).

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

C . 28 **SHARE OF INDIVIDUAL SEGMENTS / DEVISION IN INVESTMENTS**
IN %



C . 29 **DISTRIBUTION OF INVESTMENT VOLUME BY TYPE OF INVESTMENT**
IN %



Investments in the **"Machine Tools"** segment amounted to € 56.8 million (previous year: € 47.6 million). The core projects included the construction of a production and assembly plant in Ulyanovsk, Russia, and the expansion of our big machines production in Pfronten. At our Brembate site in Italy we have commenced fundamental optimisation and modernisation measures and build a new technology centre. At our FAMOT production plant in Pleszew, Poland, we have updated the mechanical production. Capitalised development costs totalled € 10.1 million. A highlight was the development of CELOS together with our cooperation partner.

The "Machine Tools" segment had 3,628 **employees** at year-end (previous year: 3,514). This represents 54% of the total staff at the group (previous year: 54%). In comparison with the previous year, the number of employees has risen by 114. The increase in staff was due to hiring additional production staff at our sites in Pleszew, Bielefeld and Pfronten. Furthermore, the first employees were taken on for our production site in Ulyanovsk. The specific job training and further training for these employees will take place at our production site in Poland. The personnel ratio in the "Machine Tools" segment was 17.4% (previous year: 16.9%); employee expenses reached € 211.1 million (previous year: € 198.6 million).

"Industrial Services"

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

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

In **Energy Solutions** we focus on the business areas of Cellstrom, Energy Efficiency, Services and Components. We are no longer developing the project business with large-scale solar plants. We are continuing to expand our activities in the field of storage technology and intend to share with our well-engineered vanadium-redox technology in the market growth in future for decentralised storage.

C . 30 **KEY FIGURES**
"INDUSTRIAL SERVICES" SEGMENT

	2013 € MILLION	2012 € MILLION	Changes 2013 against 2012 € MILLION	%
Sales revenues				
Total	844.1	862.2	−18.1	−2
Domestic	322.5	325.0	−2.5	−1
International	521.6	537.2	−15.6	−3
% International	62	62		
Order intake				
Total	930.8	1,007.0	−76.2	−8
Domestic	347.0	349.3	−2.3	−1
International	583.8	657.7	−73.9	−11
% International	63	65		
Order backlog*				
Total	501.0	432.8	68.2	16
Domestic	142.5	122.0	20.5	17
International	358.5	310.8	47.7	15
% International	72	72		
Investments	41.9	17.6	24.3	138
Employees	2,987	2,894	93	3
plus trainees	9	8	1	13
Total employees*	2,996	2,902	94	3
EBITDA	106.7	100.7	6.0	6
EBIT	93.2	88.4	4.8	5
EBT	86.9	83.8	3.1	4

* reporting date 31 December

The "Industrial Services" segment developed in the reporting year as follows: Overall sales revenues amounted to € 844.1 million (previous year: € 862.2 million). Abroad, **sales revenues** were € 521.6 million (−3%); this represents a proportion of 62% (previous year: 62%).

Domestic sales were at the previous year's level at € 322.5 million (previous year: € 325.0 million). The Services division recorded sales revenues of € 790.8 million (previous year: € 790.5 million). Sales revenues in Energy Solutions were € 53.3 million (previous year: € 71.7 million). "Industrial Services" contributed 41% of group sales revenues (previous year: 42%).

Order intake reached € 930.8 million and was thus 8% below the previous year's figure (€ 1,007.0 million). At the same time the contribution of Services went down to € 888.7 million (previous year: € 937.1 million). Whereas the business with original LifeCycle Services (including repair, maintenance and spare parts) performed positively when compared with the previous year, orders for the machines of our cooperation partner declined to € 324.9 million (previous year: € 358.0 million). The Energy Solutions division achieved order intake of € 42.1 million (previous year: € 69.9 million). Domestic orders in "Industrial Services" amounted to € 347.0 million (previous year: € 349.3 million). Some 63% of all orders came from abroad; they fell by 11% or € 73.9 million to € 583.8 million (previous year: € 657.7 million). Within the group, "Industrial Services" accounted for 44% of all orders (previous year: 44%).

The **order backlog** as of 31 December totalled € 501.0 million (previous year: € 432.8 million €).

EBITDA in the "Industrial Services" segment in the reporting period was € 106.7 million (previous year: € 100.7 million). **EBIT** was € 93.2 million (previous year: € 88.4 million). In Services, EBIT in the financial year was € 111.1 million. Energy Solutions closed the year, following completion of the re-alignment of the business with energy solutions for industrial customers, with EBIT of € –17.9 million. Overall the **EBT** of "Industrial Services" rose to € 86.9 million (previous year: € 83.8 million).

Investments in the **"Industrial Services"** segment amounted to € 41.9 million (previous year: € 17.6 million). Amongst the focal points of our investment activity is the construction of our European headquarters in Winterthur. At our Geretsried site we have put our new Spare Parts Centre into operation. We have expanded our technology centre in Stollberg near Chemnitz. Capitalised development costs in the "Industrial Services" segment were € 1.1 million.

The number of **employees** in the "Industrial Services" segment rose in comparison with the previous year by 94 to 2,996 (previous year: 2,902). The proportion of employees working in the segment was 45% as in the previous year. The rise in personnel numbers was primarily due to expanding our sales and service capacity in Russia, Italy and Germany. Moreover, additional employees were also taken on at Cellstrom GmbH.

The personnel expenses ratio in the "Industrial Services" segment was 27.0% (previous year: 25.6%); employee expenses totalled € 227.9 million (previous year: € 220.5 million).

"Corporate Services"

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

C . 31

KEY FIGURES "CORPORATE SERVICES" SEGMENT

	2013 € MILLION	2012 € MILLION	Changes 2013 against 2012 € MILLION
Sales revenues	0.2	0.2	0.0
Order intake	0.2	0.2	0.0
Investments *	114.8	9.3	105.5
Employees **	98	80	18
EBITDA	−31.3	−23.4	−7.9
EBIT	−33.8	−25.5	−8.3
EBT	−27.3	−21.8	−5.5

* of which € 106.9 million inflow to financial assets
** reporting date 31 December

In the "Corporate Services" segment, both **sales revenues** and **order intake** of € 0.2 million each (previous year: € 0.2 million) consisted mainly of rental income. "Corporate Services" again accounted for less than 0.1% of group sales revenues (previous year: <0.1%). **EBIT** totalled € −33.8 million (previous year: € −25.5 million). This includes increased personnel expenses and increased consultancy costs for international projects. The financial result improved in comparison with the previous year to € 6.5 million (previous year: € 3.7 million). **EBT** was € −27.3 million (previous year: € −21.8 million).

Investments in plant, property and equipment and in intangible assets in the **"Corporate Services"** segment amounted to € 7.9 million (previous year: € 9.3 million). At our Bielefeld site we have further implemented our energy and modernisation concept and invested both in increasing energy efficiency and in renewing the lighting and air-conditioning technology. The goal is to save 30% of energy at the group by 2015 under the "DMG MORI 15/30" programme. In addition, we have set up a modern administration building for the VDW Nachwuchsstiftung (German Machine Tool Builders' Association youth education foundation) which has been based in Bielefeld for years.

The addition to financial assets amounted to € 106.9 million. This essentially comprises the contribution of DMG MORI SEIKI COMPANY LIMITED within the scope of the capital increase through contribution in kind and consists of shares from the subsidiaries Mori Seiki Manufacturing USA, Inc., Davis, USA, and Magnescale Co., Ltd., Kanagawa, Japan, of € 56.8 million, as well as from increasing the number of shares with voting rights that we hold in DMG MORI SEIKI COMPANY LIMITED to 9.6%. In total, investments amounted to € 114.8 million.

As of 31 December 2013, the Corporate Services segment had 98 **employees** (previous year: 80 employees). As in the previous year, this represents 1% of the group workforce.

Non-financial Key Performance Indicators

Sustainability

P. 38 – 44
Corporate Governance

The DMG MORI SEIKI group sees itself as having a duty of creating sustainable value in its commercial dealings. We bear as much a responsibility towards our **employees** as we do to the **environment** and want to treat our resources with respect and care – with our innovative products we also strive to meet this aspiration. We act responsibly and in accordance with applicable law. We also expect sustainable business practices and a transparent supply chain from our suppliers and business partners. Our employees are key for the success of the company; they enjoy equal opportunities according to their skills and abilities in working for the DMG MORI SEIKI group and in advancing in their career. We understand sustainable development as being a continuous process. Thus we are constantly developing our strategy and seeking an active dialogue with customers, employees and business partners.

Sustainability is an essential part of our **corporate dealings.** In 2013 we consolidated the guidelines for sustainable action in a comprehensive code of conduct, which assists our employees in conducting themselves in a manner that is both legal and ethically correct. We want to make our sustainable actions visible in quantitative and qualitative figures. Therefore we measure ourselves against sustainability criteria, the "Sustainable Development Key Performance Indicators" (SD-KPIS). The German Federal Ministry for the Environment and Nature Conservation set out the SD-KPI Standard 2010 – 2014 in 2009. The **non-financial key performance indicators** for sustainable development are comparable within industries:

Development of energy-saving products

P. 51 – 56
Research and Development

From the DMG MORI SEIKI group's point of view, sustainable environmental protection not only includes technological innovations and the eco-friendly manufacture of machines but also that the machines themselves have environmental characteristics. We are constantly increasing the proportion of our products that have been specifically developed to be energy-saving. Thus through the CELOS "Energy Saving" APP, amongst others, CELOS can enable automated energy management of machines." The integrated energy monitor also supplies consumption data, the relevant energy costs and the carbon balance.

DMG ENERGY SAVING INCREASES ENERGY EFFICIENC OF MACHINES

We are co-initiators of the **VDW-Initiative Blue Competence.** The aim of this initiative is to reduce the energy requirements of production machinery in Europe. A condition of membership of the initiative is to meet specific ecological criteria. Our company surpassed the criteria. To further standardise and push ahead with the requirements, the DMG MORI SEIKI group is an active member of the standards committee for ISO 14995: “Machine tools – Environmental evaluation of machine tools“. This committee sets the reference values that are valid worldwide for the **energy efficiency of machine tools.**

In our group, a high value has traditionally been placed on the energy efficiency of machines. For several years we have been setting the benchmarks in the industry and in this way have been serving the growing demand of our customers for energy efficient machine tools. Our activities to increase energy efficiency are combined under the DMG ENERGY SAVING label; they extend in an integrated manner over the electronics, control technology and mechanical areas. The combination of increasing productivity and optimising energy consumption has facilitated energy savings of up to 30%. The results of DMG ENERGY SAVING currently find their way into 85% of the high-tech machines in our product portfolio. Due to the very different arrangement of machine tools, reliable comparative analyses with other company’s products in the industry are not possible.

Greenhouse gas emissions and energy consumption per production unit

We have incorporated the findings from the **“NC+“ research project,** sponsored by the Federal Ministry for Education and Research, into our series production. DECKEL MAHO Pfronten GmbH has proven: with consistent implementation of energy-saving measures in the production and operation of a machine tool, up to an additional 30% of energy costs can be saved; significant potential savings can be found both in the cooling aggregate as well as in the cooling lubricant pumps. We therefore offer intelligent cooling modules for our machines, making them more competitive. Some older machines can also be retrofitted.

In addition to the energy optimisation of our machines, we are also striving to organise our logistics to be as climate-friendly as possible. To keep the CO_2 emissions at our company as minimal as possible, when transporting operational and auxiliary supplies or spare parts, in addition to economic aspects, we also take account of ecological aspects. Thus in selecting our suppliers we also pay attention as to whether their vehicles are equipped with the up-to-date motor technologies and conform to the latest emission standards.

INTEGRATED ENERGY CONCEPT REALISED

Integrated energy concepts

The DMG MORI SEIKI group plants to save 30% of energy costs in total by the year 2015 through its **"DMG MORI 15/30"** programme. In the reporting period significant measures have already been implemented: At our supply plants and at the sales and service locations we have carried out a comprehensive **energy efficiency analysis.** Amongst others, we have started to convert the lighting to up-to-date LED technology, to replace the ventilation equipment and to introduce compressed air management systems. Furthermore, we will implement an **energy management system** throughout the group, which will provide a standardised and automatic record of all energy consumption.

Following Bielefeld and Seebach, we have constructed a further energy park in Geretsried for partial independent supply of renewable energy to the site. Our employees and customers also have the possibility there to charge their electric vehicles with green electricity at a charging point.

In 2013 we reached our goal of producing around 1.4 million kilowatt hours of electricity without any emissions and of preventing around 800 tonnes of CO_2 emissions – as the basis of calculation we have taken the average CO_2 emissions of 559 grammes per kilowatt hour, which were determined by the Federal Environmental Agency for the year 2011 in Germany.

This year we intend to continue along this path. Overall, we will reduce CO_2 emissions by 2,300 tonnes. Once the energy concept has been fully implemented, we expect to achieve savings at the production sites of up to € 1 million per year. We will continue to tap into further savings potential.

No manufacturing-related waste production of harmful substances

TARGET: FURTHER REDUCTION OF ENERGY CONSUMPTION

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

Employees

On 31 December 2013, the group employed 6,722 employees of whom 225 were trainees (previous year: 6,496). The number of employees rose in comparison with the previous year by 226.

In the "Machine Tools" segment we have hired new staff at our sites in Pleszew, Bielefeld and Pfronten. The first employees have been hired for the new production site in Ulyanovsk. The specific job training and further training for these employees will take place at our site in Poland.

The increase in personnel in the "Industrial Services" segment was due predominantly to the expansion of our sales and service capacity in Russia, Italy and Germany. More employees were also taken on at Cellstrom GmbH.

At year-end, 3,816 employees (57%) worked at our domestic companies and 2,906 employees (43%) at our foreign companies.

The number of **agency workers** employed throughout the group was 440 at the end of the financial year (previous year: 609). At individual group sites we have taken on agency workers as permanent employees.

At the end of December 2013, a total of 225 **trainees** were employed at the group (previous year: 229). At the start of the new training year, 48 trainees were hired (previous year: 78). The vocational training ratio at the domestic companies in the "Machine Tools" segment amounted to 8.6% (previous year: 8.8%). Overall, we offer vocational training in 11 different occupations. Moreover, we offer courses of study in cooperation with regional colleges of advanced vocational education and universities of applied sciences. We are continuously expanding and developing these collaborations.

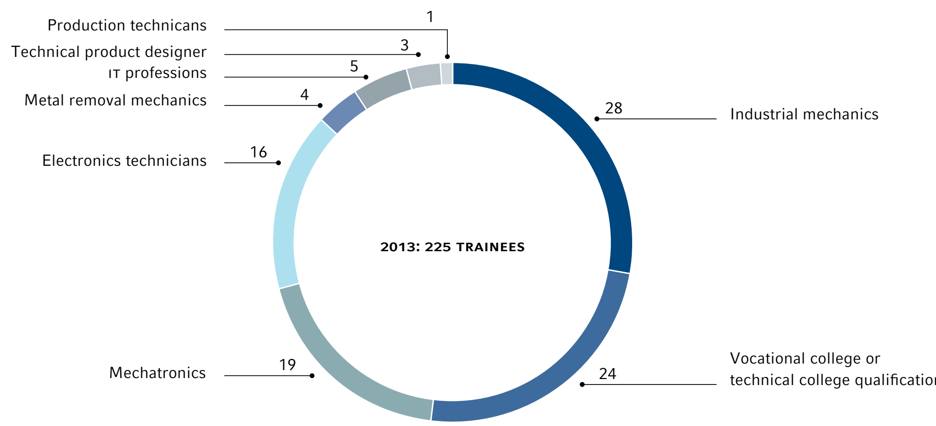
In the reporting year the **number of women** employed at the group rose by 29 to 882 (+3.4%). The **proportion of females** in the group was 13.1% as in the previous year. In the "Machine Tools" segment the proportion of women was 10%, in "Industrial Services" 17% and in "Corporate Services" 30%.

DMG MORI SEIKI AKTIENGESELLSCHAFT supports the reconciliation of work and family life. We support flexible working times, the use of parental leave by both female and male employees, as well as individual solutions for better reconciliation of work and family life. In an industry that has traditionally been preferred by men, we are making every effort to ensure that the proportion of female employees and most especially the number of female employees in vocational training continues to rise. The proportion of female trainees in the reporting year was 17.8% (previous year: 13.5%). Through projects such as MINT relations, we specifically support girls and women in their interest in scientific and technical careers and strengthen their commitment.

Women in senior management positions

The DMG MORI SEIKI group encourages women in senior management positions: Since 1 September 2013, Izabela Spizak has been a managing director at DMG (Shanghai) Machine Tools Co., Ltd. Ms Spizak started her career in 1998 at our Pleszew plant (Poland). Most recently she worked as a quality and service manager for the ECOLINE association.

C.32 **TRAINING IN THE DMG MORI SEIKI GROUP ALLOCATION BY FIELDS**
IN %



In the area of **Human Capital** we have been placing a high value on the skills of our employees for years. The qualifications structure has constantly remained at the high level of previous years. In all, 97% of the workforce has a professional qualification or is currently receiving vocational training (previous year: 97%). Overall 4,379 employees or 65% of the workforce took part in further training courses (previous year: 3,818 employees or 59%). This places us clearly above the industry average of 44%. A key aspect was further training for our domestic and foreign sales and service employees on newly-developed machines. Moreover, skills development courses were held in the fields of information technology, languages and management and working techniques. In total, expenses for vocational and further training amounted to € 10.9 million (previous year: € 9.0 million).

Variable income components reward individual performance and encourage **employee motivation.** Moreover, we have agreed a bonus scheme worldwide, which allows employees to share in the company's success in 2013. Further components of employee motiva-

FutureDay 2013 at DECKEL MAHO SEEBACH

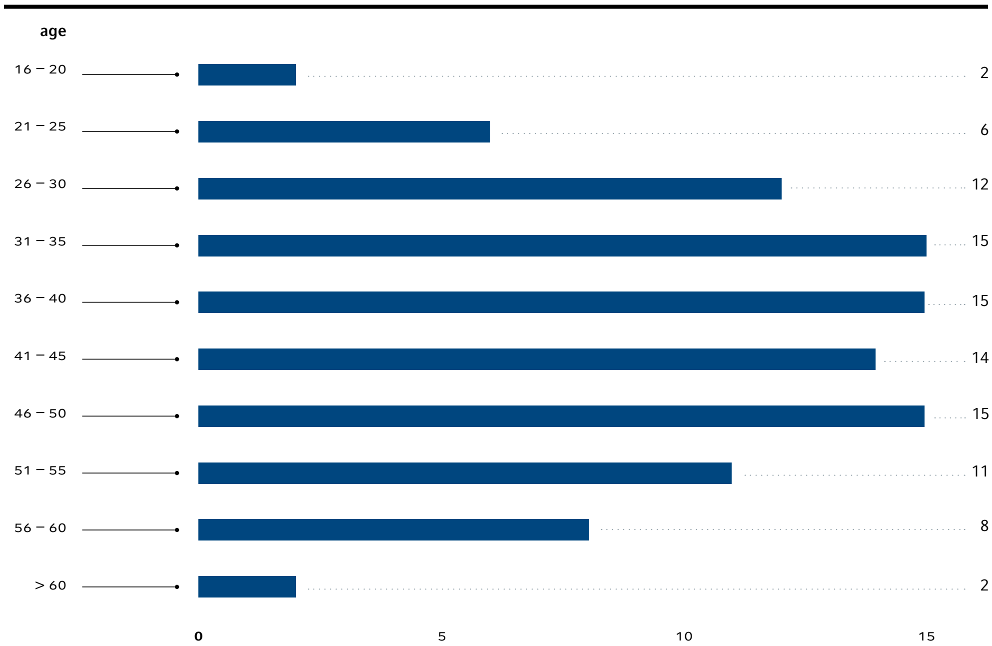
On 4 November 2013, young talent could use the occasion of the 1st Future Day at DECKEL MAHO in Seebach to find out about technical occupations and courses of study. Around 600 young visitors took part in tours of the production facilities and took advantage of the opportunitiy to get a closer look at daily life in vocational training.

tion are occupational safety and health protection, which are a core element in our value creation system both nationally and internationally. Our certified quality management system sets out the working conditions for every country in which we have production plants and sales and service companies.

Employee expenses rose by € 24.8 million to € 465.2 million (previous year: € 440.4 million). Of this, wages and salaries accounted for € 393.3 million (previous year: € 372.0 million), social insurance contributions for € 66.5 million (previous year: € 62.8 million) and the costs of retirement pensions € 5.4 million (previous year: € 5.6 million). The personnel expenses ratio was 22.6% (previous year: 21.4%).

Of our employees, 35% are 35 years of age and younger (previous year: 35%); 79% are 50 years of age and younger (previous year: 80%). Our employees' age structure is balanced and is represented as follows:

C.33 **AGE STRUCTURE OF EMPLOYEES IN THE DMG MORI SEIKI GROUP 2013**
IN %



The part-time retirement plan covered 66 employment agreements (previous year: 80), for which we use the block model. The entire period of part-time retirement is divided into equal active and passive phases. In the active phase there were 17 employees and 49 in the passive phase.

Other key performance indicators have changed as follows: In the reporting year there were 158 commuting and operational accidents (previous year: 158); this corresponds – based on the total number of employees – to an unchanged percentage of 2.4%

(previous year: 2.4%). The sickness rate was 3.7% (previous year: 3.6%) and was thus below the latest industry average of 3.9%. The employee fluctuation rate in the financial year just ended was 5.9% (previous year: 7.1%).

Two employees have been recognised for their 50 years' employment with the company. In addition, 33 employees celebrated 40 years', 62 employees 25 years' and 217 employees 10 years' employment at the company. We would like to thank all our employees who are celebrating their jubilee for their loyalty to the company and their unceasing commitment. At this point we would also like to thank all our employees for their unreserved commitment and performance.

Corporate Communication

The DMG MORI SEIKI group successfully continued its committed and multi-layered corporate communication in the reporting period. Overall this corporate communication contributed to enhancing the public image of the company. Expenses in the area of corporate communication amounted to € 52.6 million (previous year: € 47.6 million). Of this, joint activities with our cooperation partner accounted for € 9.7 million, for which we will split the costs equally. A share of 62% was due to one-off expenses in connection with industry events in 2013.

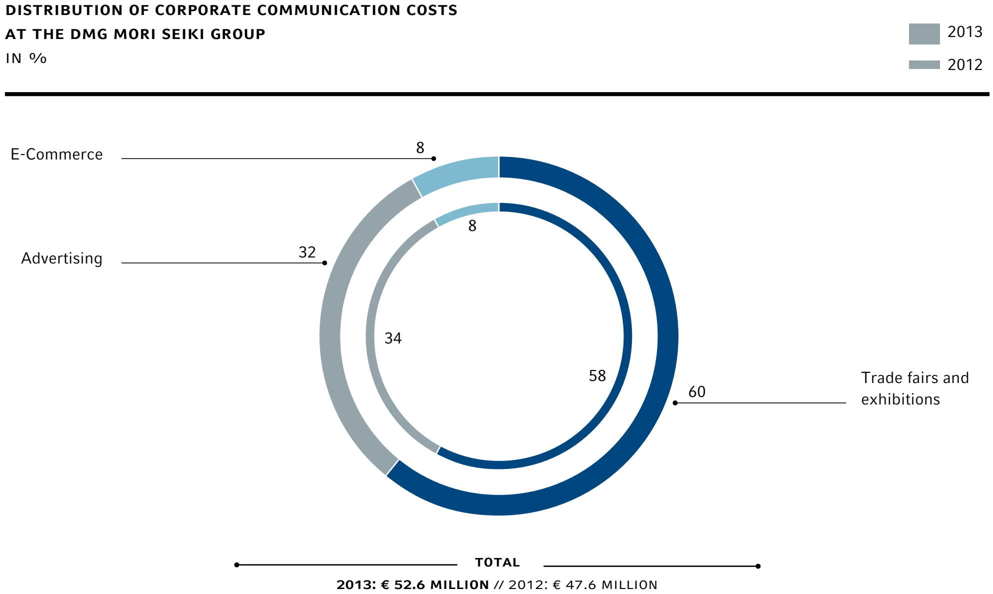
DMGMORISEIKI.COM
Events

Trade fairs and exhibitions play a central role at the DMG MORI SEIKI group as marketing instruments where our products can be experienced directly and experts are available for technical exchanges. The DMG or DMG MORI SEIKI sales and service companies took part in 60 trade fairs and exhibitions both in Germany and abroad during the reporting period. The trade fair highlight was the **EMO in Hanover.** As the largest exhibitor in Hall 2, we presented a total of 104 high-tech exhibits over a display area of more than 10,000 square metres. The main focus of attention of some 145,000 inter-national trade visitors was directed at CELOS – from the idea to the finished product, the new Corporate Design and the 18 world premieres. As a result of this leading trade fair for machine tools, we were able to sell 1,137 products at a value of € 276.4 million. Other important trade fairs were the open house exhibition in Pfronten, the CIMT in Beijing and the Metalloobrabotka in Moscow. The trade fair business grew markedly compared to the previous year, especially that of the EMO. Some 92,428 recorded visitors representing 66,697 companies generated a direct order intake of € 810.3 million. In the reporting year we spent € 31.7 million on trade fairs and exhibitions, including the EMO (previous year: € 27.4 million), which is 60% of the total marketing and corporate communication expenses (previous year: 58%). The costs of the joint activities with our cooperation partner in this area were € 9 million. The expenses were set off against income from the contributions of third parties of € 3.0 million.

Advertising is first and foremost product marketing at the DMG MORI SEIKI group.

Capital expenditure in this area totalled € 16.8 million (previous year: € 16.2 million). This corresponds to 32% of the costs of marketing and corporate communication (previous year: 34%).

C.34 **DISTRIBUTION OF CORPORATE COMMUNICATION COSTS AT THE DMG MORI SEIKI GROUP**
IN %



Overall statement of the Executive Board on Financial Year 2013

The DMG MORI SEIKI group has achieved its goals for financial year 2013. We could improve the quality of earnings. Earnings before taxes (EBT) and the net profit each achieved the highest figure in the company's history. The EBIT amounted to € 147.6 million (+11%); EBT reached € 135.0 million (+12%) and the EBT margin rose to 6.6% (previous year: 5.8%). The annual profit at the group amounted to € 93.2 million (+13%). Sales revenues reached € 2,054.2 million and were therefore slightly higher than the record level of the previous year (previous year: € 2,037.4 million). Despite the difficult market conditions, we were able to book order intake of € 2,101.1 million (previous year: € 2,260.8 million).

The positive free cash flow was € 67.3 million (previous year: € 99.1 million). Equity rose as a consequence, among others, of the successfully completed capital increases in the second half of the year to € 1,164.4 million (previous year: € 775.3 million); this caused the equity ratio to rise to 57.9% (previous year: 47.9%). We further reduced net working capital in the financial year: At the end of the reporting period it amounted to € 196.8 million (previous year: € 221.3 million). The surplus funds rose to € 356.4 million (previous year: € 161.0 million).

Our customers demand offers that are specific to the target group – from entry level machines to comprehensive technology and system solutions as well as services that cover the entire process chain. In 2013 we have further aligned and refined our product portfolio to meet these requirements. "Industrial Services" achieved an EBT of € 86.9 million. The LifeCycle Services sector performed positively. The "Machine Tools" segment contributed € 75.7 million to the group's EBT.

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Supplementary report

Overall the DMG MORI SEIKI group performed in the reporting period within the scope forecast and has started the new financial year according to plan with a solid order backlog.

Supplementary Report

The global economy has followed a positive trend in the first two months of the year. The economic policy changes in China will be the decisive factor for cyclical performance throughout 2014. The trend in demand in the German machine tool industry was generally upwards at the start of the year.

Economic Development 2014

Overall economic development progressed positively in the first two months of the current year. The effects of the economic policy changes in China, however, are momentarily having a negative impact on the outlook whilst the situation in the eurozone countries has been progressively easing.

The Institute for the World Economy (IfW) expects worldwide production to grow by 3.7% in 2014. The ifo business climate index has risen in Germany for the third time in succession; the prospects for future business development continue to be positive. Even estimates about the current economic situation improved considerably at the start of the year. Thus the situation of the German economy is increasingly in line with the positive expectations.

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

The **German machine tool industry** benefited at the beginning of the year from the positive expectations of the economy. The order level at the start of the year was rising when compared to the low figures in the same period of the previous year. The German Machine Tool Builders' Association (VDW) calculates the extent of order backlog to be around 6.8 months.

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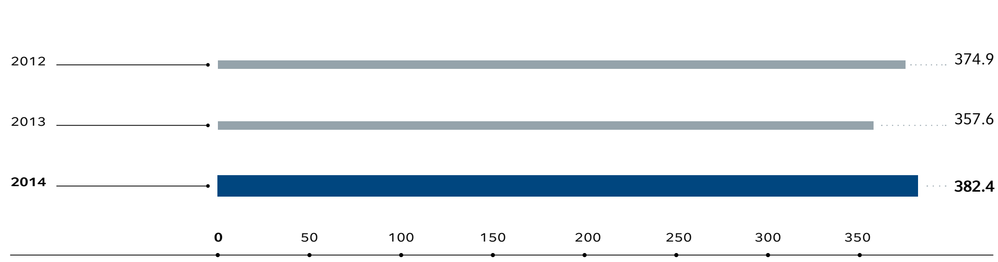
Forecast report

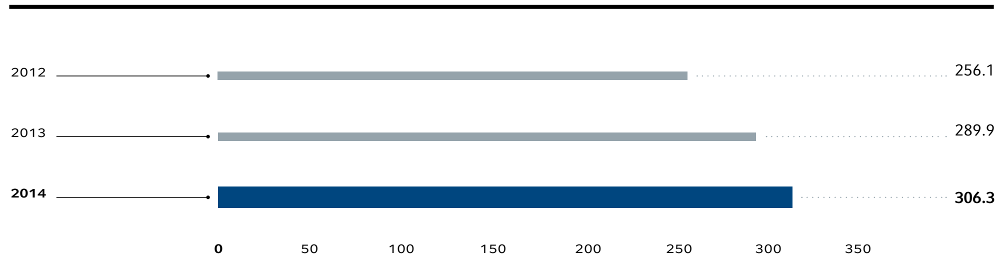
Corporate situation at the end of the reporting period

The year started off according to plan for the DMG MORI SEIKI group. Order intake in January and February was € 382.4 million (previous year: € 357.6 million). **Sales revenues** rose above the level of the comparable previous year's months and amounted to € 306.3 (previous year: € 289.9 million). The order backlog of 31 December 2013 to 28 February 2014 rose by € 76.1 million to € 1,108.0 million. As a result of the long time to market in the machine tools business, there will be a time delay before the order backlog increase is first reflected in the sales revenues. The earnings (EBT) in January and February were higher than the previous year's figure. A more detailed statement is premature at the present time.

D . 01 **ORDER INTAKE AT THE DMG MORI SEIKI GROUP IN JANUARY AND FEBRUARY 2014**
IN € MILLION



D . 02 **SALES REVENUES OF THE DMG MORI SEIKI GROUP IN JANUARY AND FEBRUARY 2014**
IN € MILLION



Trade fairs and exhibitions are an essential tool in our **marketing campaigns.** We started the new year at the NORTEC in Hamburg, Germany, from 21 to 24 January. With order intake of € 167.6 million and 690 products sold, we took positive stock of the annual kick-off event at DECKEL MAHO in Pfronten. From 18 to 22 February 2014, around 6.644 international trade visitors took the opportunity to learn about our trend-setting technologies, including eight world premieres. At the CCMT, which in 2014 took place for

Open House Exhibition Pfronten 2014

With order intake of € 167.6 million and 690 products sold, DMG MORI SEIKI AKTIENGESELLSCHAFT takes positive stock of the traditional open house exhibition in Pfronten.

the first time in Shanghai, China, from 24 to 28 February together with our cooperation partner we displayed the product portfolio of our production plants in China over an exhibition area of 600 square metres.

Our journal appeared for the first time in January with a new look and with a circulation of 500,000 copies. We publish it twice a year in 71 countries and 15 languages to showcase the DMG MORI innovations and world premieres to our customers.

The 14th DMG MORI Suppliers Day 2014 took place on 18 February during the Open House Exhibition in Pfronten. The "Supplier of the Year Award" was presented before the invited TOP suppliers for the first time in eight categories such as quality, supply performance and innovation as well as for the overall winner.

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

In the first quarter we raised **sales prices** for "Machine Tools" by around 4% depending on the market and product. Due to the average calculated order backlog of around five months in this segment, the positive effect on sales revenues and results will only be evident from the middle of the year.

From 1 January 2014 the DMG MORI SEIKI group took over market responsibility for the Chinese market as a cooperation market. In addition, we have structurally reclassified the "Machine Tools" segment. From now on it comprises the business areas Turning, Milling, Advanced Technologies, the ECOLINE Association, Electronics and Automation. All ECOLINE companies will be organisationally managed as of 1 January 2014 under the ECOLINE Association. There were no material changes in the first two months of the year to the **legal corporate structure.** No further **equity** investments have been purchased.

New Member of the Supervisory Board

As of 4 February 2014, Dr. Helmut Rothenberger has been appointed to the Supervisory Board of DMG MORI SEIKI AKTIENGESELLSCHAFT by decision of the Local Court of Bielefeld. He succeeds Hans Henning Offen. The Supervisory Board elected Dr. Rothenberger as deputy chairman of the Supervisory Board. He is also a member of the Personnel, Nominations and Remuneration Committee as well as of the Nominations Committee.

Chief Financial Officer leaves

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

Opportunities and Risk Report

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

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

1. the company-specific Risk Management Manual, in which the system is defined,
2. a central risk management representative, who is supported by a local risk representative in each group company and who maintains the risk management system (including software),
3. area-specific risk tables, in which individual risks are assessed quantitatively and are prioritised on the basis of the value-at-risk measure,
4. the general internal reporting and cross divisional reporting structure of the group, which is controlled by threshold values and is also supported by ad hoc reports on significant risks,
3. the risk reporting system at the group level and at the individual company level.

Opportunities Management System (CMS)

Opportunities are identified and analysed within the opportunities and risk management system, amongst other means by simulating also positive deviations from plan assumptions. With our marketing information system (MIS) we identify significant individual opportunities. We collect customer data worldwide and evaluate market and competitor data; on this basis we measure, assess and check all sales and service activities and other measures for their effectiveness and cost-efficiency. We constantly monitor our markets and in this way are able to identify any market opportunities that arise. In addition, we evaluate trade fair data in detail in order to detect trends and developments in good time.

This allows us to draw up short-term and medium-term forecasts for customer orders that are to be expected per machine type and sales region.

General economic opportunities open up for the DMG MORI SEIKI group through the extensive working of both the established market regions and the growth markets with significant future potential. The growth markets in Russia and China are maintaining a positive growth trend. We intend to participate significantly in this growth and increase our market share. In China we have been operating extensively both on the production and sales side for many years. In Russia we are planning to add to our existing sales activities, which were set up several years ago, by completing a new production and assembly plant with a training and technology centre in Ulyanovsk in 2014. We intend to produce machines from the ECOLINE series there. Among the considerable advantages of the planned, new production site are shorter delivery times, more needs-based customer care and faster availability of spare parts for our customers in Russia.

In addition, we are working the growth markets in Asia, Latin America and other emerging countries. We see good opportunities for growth in these countries and intend to win a significant amount of market share there. At the same time we are maintaining our position as a market leader in the machine tools business in the established market regions of Germany, Europe and America. We see chances here from the modest economic recovery in Germany and in an identifiable trend reversal in the Eurozone, in particular in the crisis countries.

As a strong foundation for our market position, we are rigorously strengthening our innovative capacity as well as our technological position in the relevant markets and industries. We are thus in a position to take timely advantage of any economic opportunities that arise as soon as any potential offers itself.

Industry-specific opportunities are taken advantage of with our ECOLINE series through its attractive entry level prices for innovative technology. As a broad, global market segment, the ECOLINE series offers access to turning and milling. The current four product lines will be extended in financial year 2014.

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

The impact of currency fluctuations also gives rise to a complementary positive boost. The continued substantial decline in the price of the Japanese yen in 2013 offers additional sales opportunities for the DMG MORI SEIKICOMPANY LIMITED machines, which are marketed by us in the Eurozone under the existing cooperation. These machines can be offered at correspondingly more favourable terms.

In the market for renewable energies, which is still growing, we are taking advantage of opportunities that arise, particularly those in the areas of energy storage and energy efficiency consulting, with our products and services in the Energy Solutions segment. These integrated solutions for the environmentally-friendly, CO_2-free supply of energy to industrial operations are also being used successfully by us to supply power to our own production sites. We offer solutions to our industrial customers to optimise their energy management.

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

P. 51 – 56
Research and Development

As a full-liner we are permanently expanding our services. Additionally we generate further opportunities in our "Advanced Technologies" in the field of big machines and the ECOLINE series through extended production possibilities or through increasing the product portfolio. In 2014 we will fit our machines with the CELOS control and operating software. CELOS offers a standard user interface for our new high-tech machines and simplifies and speeds up the process from the idea to the finished product.

Through a sustained, successful cooperation with DMG MORI SEIKI COMPANY LIMITED, in 2014 we will also be able to take advantage of considerable opportunities from our joint sales, production and development activities. We are further building upon our joint sales activities. In this connection, the amalgamation of the existing sales and service activities in the Russian, Chinese, Canadian and Brazilian markets is already being implemented and will be finalised in 2014. As a result, the entire sales and services activities worldwide will be carried out through the cooperation with DMG MORI SEIKI COMPANY LIMITED.

Through MG FINANCE we offer our customers national and international tailor-made financing solutions.

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

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

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

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

Other opportunities are made use of through capital investment throughout the group in improved building insulation, automatic lighting systems, energy-efficient ventilation systems and other projects designed to improve energy efficiency. In this way we are reducing our energy consumption long-term. In addition, we produce part of our energy requirements ourselves. With a greater number of electrically-operated vehicles, we are increasing our electric mobility. Under DMG ENERGY SAVING we consolidate our activities for greater energy efficiency in our machine tools. In this area we are setting the benchmarks for the industry.

Risk Management System (RMS)

The risk management system at the DMG MORI SEIKI group is based on the recognised COSO framework. The objectives of the risk management system are the complete and reliable recording throughout the group of existing potential risks of the future 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 risk management system therefore comprises a groupwide systematic identification, assessment, aggregation, monitoring and notification of existing risks. These risks are identified in a standardised periodic process in the individual business units every quarter. The potential risks that are determined are analysed and evaluated using quantitative measures; in doing so, measures to reduce risks are taken into account or set up additionally. Any risks that jeopardize the company as a going concern are reported without delay irrespective of the regular reporting schedule. The structure of the risk management 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.

The internal control system (IKS) of the DMG MORI SEIKI group is an essential element and is embedded in the risk management system throughout the group.

In addition to other operating and statutory or standards-related objectives and tasks, as part of its sub-objectives and subtasks our IKS also comprises the **accounting-related internal control system** to ensure the completeness, correctness and reliability of our consolidated financial statements in accordance with IFRS, the local financial statements and the underlying accounting books. It comprises organisational, control and monitoring structures to ensure the legally compliant collection, preparation and assessment of business facts and their subsequent inclusion in the relevant financial statements. The analyses carried out by the risk management contribute to identifying risks with an impact on financial reporting and to initiate measures to minimise risks. The accounting-related internal control system comprises basic principles, procedures and measures to ensure the correctness of the group accounting. For this purpose we analyse new legislation, accounting standards and other communiques with respect to their effect on the consolidated financial statements. Throughout the group, we have codified relevant regulations in guidelines, such as those in the accounting handbook. These guidelines and the financial statements calendar, which is applicable throughout the group, form the basis for preparing the financial statements The local companies are responsible for compliance with the relevant regulations and in this respect are supported and monitored by the group accounting department. In addition, there are local regulations that each have to be harmonised with the group accounting. This also includes compliance with local accounting regulations. The internal audit department checks the effectiveness of the accounting-related internal controls. Consolidation is carried out centrally by the group accounting department: As required, the DMG MORI SEIKI group avails itself of external service providers, for example for measuring pension obligations. Employees who are entrusted with drawing up the financial reports undergo regular training. The control system comprises control activities aimed at both prevention and discovery, which include, among others, authorisations and approvals, plausibility checks, reviews, the "four-eyes" principle (dual control), in various forms and degrees. Additionally, the appropriate design of the structure and procedural organisation of the business processes serves to ensure adequate separation of functions.

The effectiveness of the system is judged on the basis of self-evaluation of the group companies and areas responsible; in addition, the effectiveness is checked and assessed on a random basis by the internal audit department. The results of the effectiveness checks are reported regularly to the Executive Board and Supervisory Board.

Additionally, the analyses conducted by risk management contribute to identifying risks with an impact on financial reporting and to introducing measures to minimise such risks.

General economic risks arise for the DMG MORI SEIKI group from global cyclical developments. Following declines in 2013, cyclical developments will be marked by an expected moderate upwards trend for 2014. For Germany a consistent growth trend is emerging. The cyclical development in Europe is currently being sustained most notably by Germany and France. However, a favourable trend reversal can be detected and noted in the eurozone countries affected by crises. Other prospects of growth throughout Europe as a whole depend essentially on how the state debt crises continue to develop and on the risk of another banking crisis in the eurozone. A renewed intensification of the state debt crises, or the emergence of a new banking crisis, could have a considerable impact on the entire European economy and spill over to the rest of the global economy. Constant growth at a continued high pace is expected for China. In Russia moderate growth is forecast following a downwards trend in 2013. In addition, a positive growth trend is again being anticipated for India. The favourable cyclical development predicted for the USA remains under threat from the constant re-arranging of the public budget and the associated political debates. An economic decline that is felt worldwide would have considerable impact on the cyclically-dependent world market for machine tools. A slump in the economy would lead to a reduction in sales volumes or in the margins achievable. Furthermore, changes in foreign exchange rates due to political or economic crises could have an effect on our future competitive position (economic currency risk). In particular, a possible devaluation of the US dollar, Chinese renminbi, Russian rouble, Indian rupee, Brazilian real and Turkish lira could lead to our products becoming more expensive in the countries involved as well as in the markets dependent on the dollar and thus adversely impact our competitive position. We counteract this risk through international sourcing as well as through increasing regionalised production. We consider the probability of occurrence of losses from general economic risks at the present time to be slight (0% – 20%).

Industry-specific risks exist in the form of intense competition with existing and new competitors and in the enormous pressure on prices in the markets for machine tools. Through the considerable fall in value of the Japanese yen in 2013, Japanese suppliers have gained additional competitive advantages in Europe whilst our competitiveness on the Japanese market lessens. We counteract these risks with a technological lead and by focussing on our customers and markets.

Risks may still result for the group as the former general contractor for previously completed projects in the "Energy Solutions" area. There are still some outstanding issues with respect to licensing regulations. General operator risks may result from the ongoing operation of solar parks for some customers.

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

When accumulated, the expected risk arising from the overall economic and industry-specific risks is around € 16.9 million with a low probability of occurrence.

Corporate strategy 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 important markets and through constant enhancement of MIS, our early warning system.

We estimate any possible losses arising out of corporate strategic risks at around € 8.2 million with a low probability of occurrence.

Procurement and purchasing risks are those that we are particularly exposed to due to price increases for materials in the machine tools business. Further risks exist in possible supplier shortfalls and quality problems. We counteract these risks through the standardisation of structural parts and components as well as through international sourcing with a minimum of two suppliers for essential materials. We have calculated potential losses from purchasing and procurements risks at around € 9.3 million with a low probability of occurrence.

Production risks are subject to permanent control by means of key performance indicators for assembly and manufacturing progress, throughput times and throughput continuity, for example the gross profit per machine type and the turnover rate of raw materials and consumables as well as of other inventories. In principle, we avoid incalculable production projects so that we consider these risks to be manageable and controllable. We strive to counteract plagiarism with our innovations-focused product strategy, which safeguards our technological lead. Potential risks from the production risk area are estimated to be € 7.0 million with a low probability of occurrence.

In the area of **research and development,** risks exist due to possible budget excesses, misguided developments, increased start-up costs for new products and delayed market launches of innovations. We counteract this risk through development partnerships with the DMG MORI SEIKICOMPANY LIMITED, customers, suppliers and universities. Here, too, we avoid incalculable research and development projects so that we consider these risks to be manageable and controllable. We estimate any possible losses arising out of research and development risks at around € 2.8 million with a low probability of occurrence.

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

On the basis of the above-mentioned measures, we consider the probability of occurrence of estimated losses of around € 5.9 million as slight.

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

Risks from operations-related activities result from the fact that our products are subject to constant price competition on international markets. We counteract this risk through cost reductions, improved manufacturing and procurement processes, and by optimising product start-ups. We consider the probability of occurrence of losses from the above risks to be 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. We currently expect currency-related risks in an amount of around € 1.5 million.

The essential components of the DMG MORI SEIKI group financing are: a syndicated loan, which comprises a cash and aval tranche and is firmly agreed until 2016, and a factoring programme. All financing agreements include an agreement on compliance with standard covenants. The liquidity of the DMG MORI SEIKI group is calculated to be sufficient. In principle, we bear the risk of bad debt which may result in value adjustments or in individual cases may even result in default. Possible losses from financial risks, including currency-related risks, amount in total to € 14.0 million. The probability of occurrence of any loss is low.

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

Should there be additional charges, or should it not be possible to use loss and interest carryforwards, this could adversely impact the net assets, financial position and results of operations of the DMG MORI SEIKI group.

Overall, we have calculated any possible losses arising out of tax risks at € 11.9 million with a low probability of occurrence.

SWOT Analysis

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

E . 01

SWOT ANALYSIS OF THE DMG MORI SEIKI GROUP

Company-specific

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

Market specific

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

Overall Statement of the Executive Board on the Risk Situation

The total risk of the DMG MORI SEIKI group is determined by a risk simulation procedure, a so-called Monte Carlo simulation. This allows the reciprocal effects of risks to be taken into account. The simulation encompasses both individual risks of group companies as well as any possible deviances of a positive and negative nature from planning measures. Risks associated with special purpose entities in the Energy Solutions division are centrally included and entered in the simulation under a+f GmbH. Once the overall risk position has been determined, the equity requirement is calculated that can bear any possible risk-related losses based on a pre-defined probability, that is to say, the confidence level. The equity of the DMG MORI SEIKI group exceeds the overall risk position determined at a probability level of 97.5%. We therefore consider the risks to be manageable and from today's point of the view these risks do not jeopardise the continued existence of the DMG MORI SEIKI group as a going concern. Compared to the last report as of the third quarter 2013, the risks have fallen slightly.

Forecast Report

Economic experts forecast a rise in gross domestic product for 2014 of 3.7% and thus a noticeable recovery in the global economy. The German Machine Tool Builders' Association (VDW) expects consumption to grow worldwide by 5.0%, for Germany growth of 2.6% is expected.

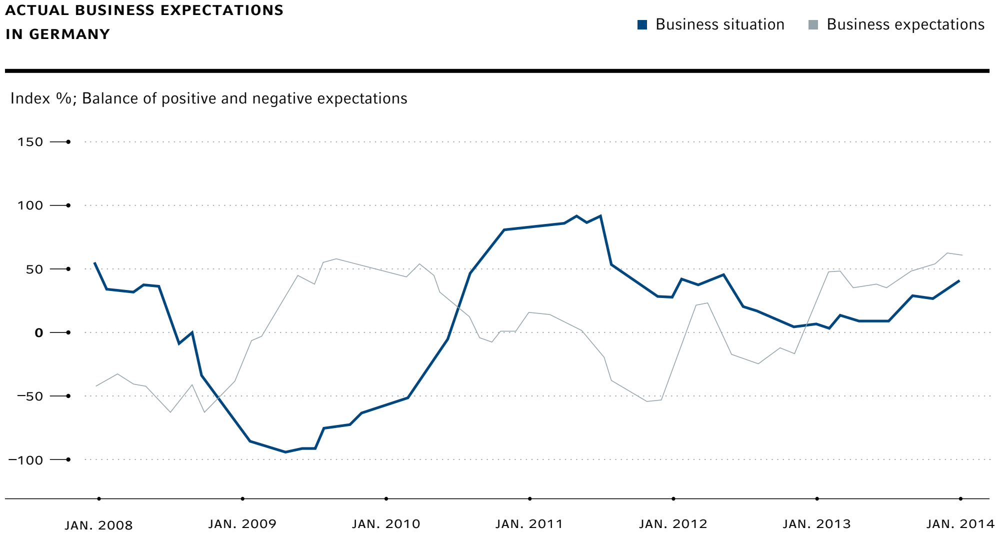
Future Business Environment

Overall economic development in 2014 will probably gain in momentum. For the current year, the Institut für Weltwirtschaft (IfW – Kiel Institute for the World Economy) is forecasting growth in global gross domestic product of 3.7%, for 2015, it is assuming a gain of 4.0%. Economic experts anticipate that the impact of the budget crisis in the USA and the euro crisis on the global economy will lessen considerably during the forecast period.

Asia will be the strongest growth region again in the current year with probable growth of 6.6%. **China** will retain its role as the strongest driver of the world economy with growth of 7.5% in 2014 and of 7.0% in 2015; in the medium-term, however, the pace of growth is expected to slow down. The determining factor for further economic growth will be the impact of the planned economic reforms. The Japanese economy's growth amounts to 1.5% in 2014 and 1.1% in 2015 according to provisional calculations. In the **USA** an increase in private consumption and rising corporate investments may cause a recovery in the economy. According to IfW estimates, gross domestic product will initially grow by 2.3%, for 2015 growth of 3.0% is expected. **Europe** will finally leave the recession behind in the current year. Economic researchers anticipate that the gross domestic product of the euro countries will rise by 0.9% in 2014 and it will even grow by 1.6% in 2015.

Germany will benefit in the forecast period from considerable growth in exports to the eurozone and a continued high level of private consumption. In the current year growth of 1.7% and in 2015 of 2.5% is forecast. Expectations of economic development climbed at the end of the year to their highest level since 2009. Even estimates about the current economic position rose markedly in the first few months of the year. Thus the situation of the German economy increasingly corresponds to the positive assumptions for the forecast year; the following graph provides a comparison:

F.01 **ACTUAL BUSINESS EXPECTATIONS IN GERMANY**



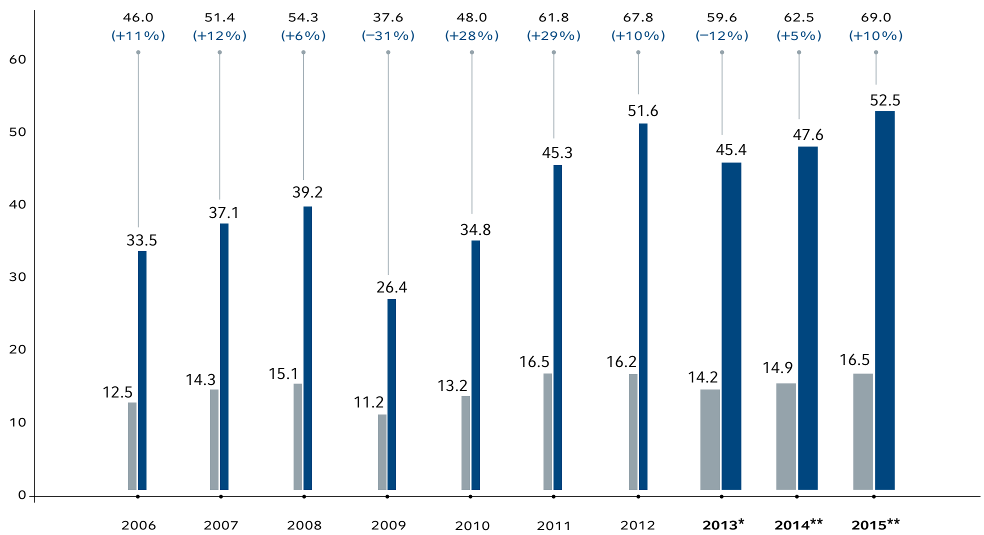
Source: ZEW-(Centre for European Economic Research) business expectations, VDMA (German Engineering Federation), 21 January 2014 IFW

For the **machine tool market worldwide** growth is once again expected in 2014. The current forecasts of the VDW and the British economic research institute, Oxford Economics, expect worldwide **production capacity** and **market volume** to grow in value terms by 5.0% each. Growth in consumption of 4.4% is expected for China, whereas for the USA and Japan at 8.1% and 6.7%, respectively, considerably higher rates of growth are forecast. Russia (+6.8%) will also most likely number among the strongest growth markets in 2014. For 2015, the VDW is forecasting a rise in consumption of 10.2% (as at October 2013).

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

F . 02 **GLOBAL CONSUMPTION OF MACHINE TOOLS (2006 – 2015)**
IN € BILLION

- Non-cutting machine tools
- Cutting machine tools



* Figures provisional
** Estimate of the VDW and Oxford Economics
Source: World machine tools statistics of the VDW 2013. Preliminary edition, status: February 2014
Oxford Economics Global Machine Tool Outlook, status: 10.2013

The **German machine tool industry** started the year 2014 with positive expectations of the **sector's economic activity.** The Association is anticipating a rise in production of 4.1% and in consumption of 2.6%. For 2015, forecasts are assuming an increase in consumption of 4.7%; the risk factors that could negatively impact this growth continue to be the crisis in the eurozone, the fiscal policy in the USA, the price trend for raw materials and energy, changes in exchange rates and the political environment, in particular the economic policy in China.

Source: "Global Machine Tool Outlook", Oxford Economics

Future Development of the DMG MORI SEIKI group

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

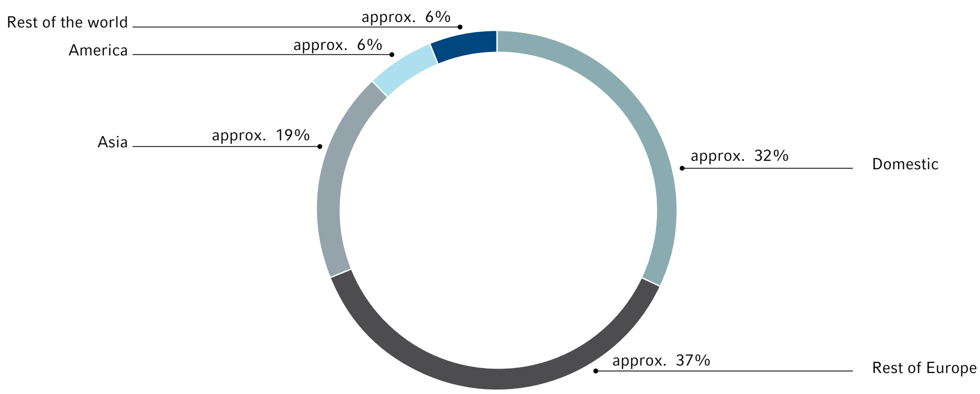
In Energy Solutions the DMG MORI SEIKI group will continue to focus on products and solutions to optimise the energy management of industrial and commercial customers; the GILDEMEISTER ENERGY MONITOR will be a new software product for compiling energy consumption analyses and automating energy reports.

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

At the start of 2014, **order intake** progressed according to plan. For the first quarter of 2014 we are expecting order intake of around € 550 million (previous year: € 518.7 million). For the current financial year we are planning order intake of around € 2.3 billion. We see potential in our innovations as well as in cooperation projects. We are also anticipating growth in “Industrial Services”.

The **order backlog** will rise as at 31 March 2014 (31 Dec. 2013: € 1,031.9 million).

F . 03 **EXPECTED DISTRIBUTION OF SALES REVENUES 2014 OF THE DMG MORI SEIKI GROUP BY REGIONS**
IN %



For the first quarter 2014 we are expecting **sales revenues** higher than the previous year's figure (1st quarter 2013: € 466.1 million). For financial year 2014, we are planning sales revenues of around € 2.2 billion.

In the first quarter of 2014, the **results** will be above those of the previous year's quarter. For the entire year we are planning EBIT of around € 175 million as well as EBT of around € 165 million.

For financial year 2014, we are planning for a **materials ratio** that is stable for the most part. We are planning a positive **free cash flow** of between € 20 million and € 50 million; this will depend on the implementation status of our planned investments. Our **financing structure** should essentially remain unchanged and we are aiming once again for a net financing surplus by year-end. Our goal is to maintain the turnover of net working capital at the level of the reporting period.

Our financing framework has been strengthened by the capital increase and in financial year 2014 will provide the necessary **liquidity.** Thus we will have sufficient leeway in the financing lines. We are expecting a slight increase in market interest rates, however we estimate the impact on our interest income and costs of capital to be rather slight.

For financial year 2014 we are planning **investments** in property, plant and equipment and in intangible assets of some € 110 million. The planned volume of investments will be higher than the level of depreciation. We will continue to place our main focus on expanding our production capacity, in reorganising our sales and service activities in Europe and in the development of innovative products.

In the **"Machine Tools"** segment we intend to invest around € 67 million. In Ulyanovsk, Russia, we will complete the construction of our state of the art production plant for the most part and will produce the first milling and turning machines from the ECOLINE series. In Pfronten we will create additional production areas for the assembly of our big machines through setting up an XXL centre. At our Brembate site in Italy, we will continue with the fundamental optimisation and modernisation measures. Besides expanding production and assembly, a new technology and training centre will also be set up there. We are likewise planning to expand the assembly hall at our FAMOT production plant in Pleszew, Poland. The focus of our investing activities will continue to fall in the future on developing innovative products.

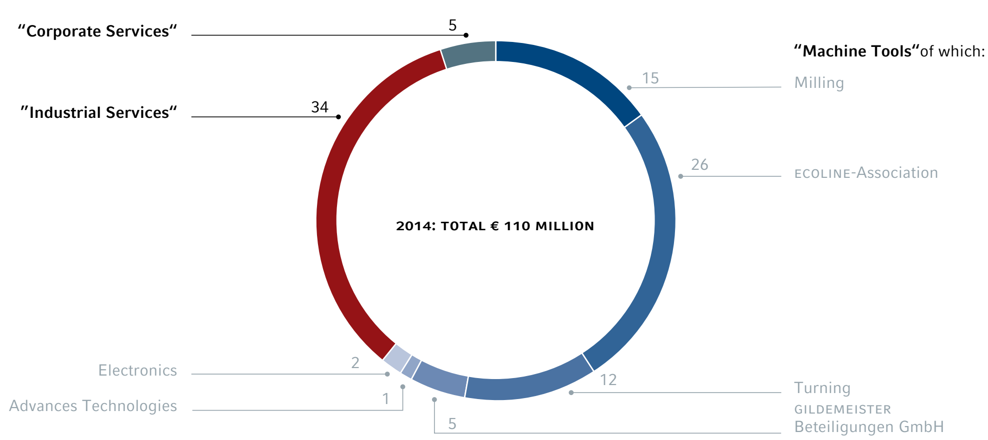
COMPLETION OF THE NEW EUROPEAN HEADQUARTERS

In the **"Industrial Services"** segment investments of around € 37 million are planned. A highlight will be the completion of our new European headquarters in Winterthur, Switzerland. In future, we will coordinate our sales and service activities throughout the whole of Europe from here with our cooperation partner. Together we will continue to systematically expand our worldwide sales and service activities as well as the integration and extension of sites. In Energy Solutions we will also continue to invest in the future in developing innovative products for the production and storage of renewable energies.

In the **"Corporate Services"** segment investments of around € 6 million are planned. In Bielefeld we intend to continue our fundamental optimisation and modernisation measures and consequently to increase energy efficiency alongside this. Furthermore, we will complete the worldwide change in our logos.

The investment structure remains well-balanced. All the segments have been taken into account with respect to investments. There are no identifiable risks arising out of planned investments according to current estimates.

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



As a certified member of the German Machine Tool Builders‘ Association Blue Competence Initiative, the DMG MORI SEIKI group pursues the aim of sustainability in its business dealings and in reducing the **energy requirement** of our high-tech machines by up to 30%. We also intend to gradually reduce energy consumption further at our sites; to achieve this we are systematically pursuing energy concepts specific to each site, which should reduce **energy consumption** at all production sites by a minimum of 10%. The new European headquarters in Winterthur in Switzerland will be able to supply up to a third of its energy itself with the aid of products from Energy Solutions. We are also planning to equip our latest production site, currently under construction in Ulyanovsk in Russia, in such a way that partial independent supply of energy at the plant will be possible. In Milan we will equip our sales locations with a photovoltaic installation, a CellCube and a charging point for electric vehicles. In total, merely through the use of renewable energies at the sites mentioned we will save around 1,500 tonnes of CO_2 in 2014. By implementing this energy concept, overall we will prevent around 2,300 tonnes of CO_2 emissions at the group.

At the current time we are planning to increase the number of **employees** in financial year 2014. The increase in personnel will be due first and foremost to implementing the sales and service joint venture with our cooperation partner in the Chinese, Canadian, Brazilian and Russian markets. Moreover, we will adapt our personnel resources according to business development. Employee expenses will rise due mainly to increases in wages and salaries as well as to higher collective pay agreements.
In the area of **research and development** we will continue to pursue our innovations-based strategy to increase customer benefits together with our cooperation partner in the current financial year. The success of our cooperation will be presented primarily within the framework of the leading trade fairs, the **AMB** in Stuttgart and the **JIMTOF** in Tokyo. Constant enhancement of our product range on the basis of market observations forms the basis for our sustainable corporate development. The volume of expenses for research and development in the current financial year will probably be around € 50 million. In total, around 15% of the workforce at the plants will be working in the area of research and development on further extending our technological lead.

GROUP PLANS
20 WORLD PREMIERES

In the **"Machine Tools"** segment we are planning 20 world premieres for the current financial year. In turning technology we will augment our universal and production lathes with novel concepts. In milling technology we will present a new generation of successful duoBLOCK series as well as vertical machining centres In the Advanced Technologies sector we intend to continue our innovations campaign.

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

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

Within the framework of the value added chain, we will further drive sustainability. “Green Purchasing“ within the meaning of reduced energy and water consumption, CO_2 emissions and also minimum wages and human needs in workplace design, will be scrutinised in the cooperation with our suppliers and will attract more focus. Moreover, in reporting year 2014 enhancements in the area of purchasing information systems are planned.

FURTHER ROLLOUT OF THE TAKT PROJECT

In 2014, we will consistently implement the measures introduced in the group-wide TAKT project in the area of **production and logistics** in order to further increase efficiency in production processes. The focus will be placed on rolling out the standards that have been introduced to other group plants.

At our Pfronten plant we will extend the cluster assembly. With the completion of the XXL workshop, from 2014 the site will have additional state of the art assembly areas available in order to serve the growing business of large-scale machines in line with market requirements. In addition, we will complete the enlargement of the automated warehouse areas.

In the first six months of 2014, we will convert our Seebach plant fully into a flow and cluster assembly. This will allow us to further reduce throughput times and improve the quality of the production process. Following the successful introduction of cluster assembly, we are now planning to extend this principle to Bielefeld, too. Flow assembly will be transferred to individual subassemblies for the first time. At our plant in Famot, Poland, we will further optimise logistics. Amongst the projects for 2014 is also the implementation of a logistics process at our new plant in Ulyanovsk.

In the financial year 2014, the **legal corporate structure** of the group is not expected to change materially.

Overall Statement of the Executive Board on Future Business Development 2014

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

In the "Industrial Services" and "Machine Tools" segments we are expecting increases in order intake in each segment. Positive effects are expected primarily from expanding our production sites in the growth markets. For the entire year we are expecting order intake of around € 2.3 billion. On the basis of our continued sound order backlog, we are consequently planning sales revenues of around € 2.2 billion. The materials and personnel expenses ratio should remain steady for the most part.

Given these conditions and on the assumption that the world market will develop in line with our expectations, we are planning a further improvement in the EBIT returns and thus an EBIT of around € 175 million as well as EBT of around € 165 million. Over the course of the year we will implement for the most part the investments commenced at the production sites and in our global sales presence, and plan to invest around € 110 million. Despite the high level of investments, we are anticipating positive free cash flow of between € 20 and € 50 million. This will depend on the implementation of our planned investments. In addition we are planning to pay a dividend.

Other Disclosures

Concluding statement of the Executive Board on the Dependency Report

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

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

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

CONSOLI-DATED FINANCIAL STATEMENTS

Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT

Consolidated Income Statement of DMG MORI SEIKI AKTIENGESELLSCHAFT for the period 1 January to 31 December 2013

G . 01

	Notes	2013 € K	2012 € K
Sales revenues	6	2,054,219	2,037,362
Changes in finished goods and work in progress		−3,771	8,020
Own work capitalised	7	10,530	9,683
Total work done		**2,060,978**	**2,055,065**
Other operating revenues	8	68,223	62,825
Operating performance		**2,129,201**	**2,117,890**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		944,892	982,057
Cost of purchased services		141,785	147,266
		1,086,677	1,129,323
Personnel costs	10		
Wages and salaries		393,338	372,025
Social security contributions, pensions and other benefits		71,894	68,383
		465,232	440,408
Depreciation	11	46,345	40,913
Other operating expenses	12	383,348	374,331
Operating result		**147,599**	**132,915**
Financial income	13		
Interest receivables		1,170	1,710
Other income		1,380	1,419
		2,550	3,129
Financial expenses	14		
Interest payable		9,229	14,133
Interest expense from pension provisions		1,259	1,551
Other financial expenses		5,511	1,185
		15,999	16,869
Financial result		−13,449	−13,740
Share of profits and losses of at equity-accounted investments	15	864	922
Earnings before taxes		135,014	120,097
Income taxes	16	41,809	37,738
Annual profit		**93,205**	**82,359**
Profit share of shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT		85,077	77,294
Profit share attributed to minority interests	17	8,128	5,065
Earnings per share pursuant to IAS 33 in €	18		
Undiluted		1,33	1,32
Diluted		1,31	1,32

Consolidated Statement of Other Comprehensive Income of the DMG MORI SEIKI Group for the period from 1 January to 31 December 2013

G . 02

	Notes	2013 € K	2012* € K
Annual profit		**93,205**	**82,359**
Other comprehensive income			
New calculation of benefit-oriented pension plans	30	– 985	– 4,899
Income taxes	3	286	1,236
Sum of items not reclassified to income statement		– 699	– 3,663
Differences from currency translation		– 9,526	– 854
Changes in market value of hedging instruments	37	972	3,140
Change in the fair value measurement of available-for-sale assets	21	51,925	– 1,337
Income taxes	28	– 969	– 233
Sum of items which are reclassified to the income statement		**42,402**	**716**
Other comprehensive income for the period after taxes		**41,703**	**– 2,947**
Total comprehensive income for the period		**134,908**	**79,412**
Profit share of shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT		128,135	73,928
Profit share attributed to minority interests		6,773	5,484

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

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

G . 03

ASSETS	Notes	31 Dec. 2013 € K	31 Dec. 2012* € K
Long-term assets			
Goodwill	19	121,510	119,521
Other intangible assets	19	71,307	65,077
Tangible assets	20	317,341	263,174
Equity accounted investments	22	46,094	7,625
Other equity investments	21	162,195	45,300
Trade debtors	23	2,864	447
Other long-term assets	23	16,063	13,928
Deferred taxes	28	48,290	49,295
		785,664	**564,367**
Short-term assets			
Inventories	24	483,840	486,259
Trade debtors	25	199,925	228,118
Short-term assets	25	119,015	110,645
Cash and cash equivalents	26	371,149	173,328
Long-term assets held for sale	27	50,452	55,780
		1,224,381	**1,054,130**
		2,010,045	**1,618,497**

EQUITY AND LIABILITIES	Notes	31 Dec. 2013 € K	31 Dec. 2012* € K
Equity			
Subscribed capital	29	200,234	151,744
Capital provision	29	480,383	257,177
Revenue provisions	29	389,442	281,825
Total equity of shareholders of DMG MORI SEIKI AKTIENGESELLSCHAFT		**1,070,059**	**690,746**
Minority interests' share of equity	29	94,382	84,609
Total equity		**1,164,441**	**775,355**
Long-term liabilities			
Long-term financial debts	32	2,018	3,174
Pension provisions	30	38,421	37,604
Other long-term provisions	31	27,813	19,900
Trade cerditors	33	0	237
Other long-term liabilities	33	6,433	10,931
Deferred taxes	28	6,287	7,649
		80,972	**79,495**
Short-term liabilities			
Short-term financial debts	32	12,657	9,095
Tax provisions	31	34,467	34,501
Other short-term provisions	31	158,283	162,366
Payments received on account		148,118	155,793
Trade creditors	34	331,777	329,391
Other short-term liabilities	34	69,698	61,591
Liabilities in connection with assets held for sale	35	9,632	10,910
		764,632	**763,647**
		2,010,045	**1,618,497**

* adjusted due to first-time adoption of IAS19 (rev. 2011)

Consolidated Cash Flow Statement of DMG MORI SEIKI AKTIENGESELLSCHAFT from 1 January to 31 December 2013

G . 04

CASH FLOW FROM OPERATING ACTIVITIES	Notes	2013 € K	2012 € K
Earnings before taxes (EBT)		135,014	120,097
Depreciation		46,345	40,913
Financial result	14	13,449	13,740
Change in long-term provisions		7,745	2,655
Other expense not affecting payments		– 6,387	– 5,378
Change in short-term provisions	31	– 4,572	15,721
Income from the disposal of fixed assets		119	– 358
Income tax refunds		465	2,128
Income taxes paid		– 38,868	– 24,423
Interest received		752	1,342
Interest paid		– 8,352	– 17,836
Dividends received	13	1,229	1,181
Changes in asset and liabilities items			
Inventories	24	173	– 14,587
Trade debtors	23, 25	25,498	28,884
Other assets not from investments or financing activity		260	– 19,698
Trade creditors		– 148	– 5,432
Other liabilities not from investments or financing activity		– 1,677	29,798
	39	**171,045**	**168,747**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		1,648	2,237
Amounts paid out for investments in tangible assets		– 83,884	– 56,297
Amounts paid out for investments in intangible assets		– 21,560	– 15,545
Cashflow from the takeover of control of subsidiaries		– 6,738	6,646
Amounts paid out for the disposal of financial assets		– 49,554	0
		– 160,088	**– 62,959**
CASH FLOW FROM FINANCING ACTIVITY			
Deposit from cash capital increase	29	223,607	0
Payments for the costs of the cash capital increase	29	– 12,146	0
Payments for the cost of non-cash capital increase	29	– 388	0
Payments made for repaying of financial debts		– 4,134	– 19,907
Deposit from minority shareholders		3,000	–
Payments made / received from the changes in interests in subsidiaries		0	– 4,740
Dividends paid		– 20,427	– 14,591
	39	**189,512**	**– 39,238**
Changes affecting payments		200,469	66,550
Effects of changes in the group of consolidated companies on financial securities		0	281
Effects of exchange rate on financial securities		– 2,648	1,346
Cash and cash equivalents as at 1 January	26	173,328	105,151
Cash and cash equivalents as at 31 December	26	**371,149**	**173,328**

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

G . 05

	Subscribed capital € K	Capital provison € K	Revenue provisions* € K	Difference from currency translation € K	Changes in the value of available for-sale-assets € K	Market valuation of financial derivates € K	Shareholders equity of gildemeister Aktien-Gesellschaft € K	Minority interest share of equity € K	Total € K
As at 01 Jan. 2012	151,744	257,177	230,502	10,125	– 4,143	– 2,347	643,058	12,100	655,158
Effects due to changes in accounting methods			– 8,863				– 8,863		– 8,863
As at 01 Jan. 2012 adjusted	151,744	257,177	221,639	10,125	– 4,143	– 2,347	634,195	12,100	646,295
Total comprehensive income									
Annual profit			77,294				77,294	5,065	82,359
Other comprehensive income									
Differences from currency translation				– 1,273			– 1,273	419	– 854
Change in fair value of derivative financial instruments (after taxes)						2,907	2,907		2,907
New revaluation of benefit-oriented plans			– 3,663				– 3,663		– 3,663
Change in fair value of available-for-sale assets					– 1,337		– 1,337		– 1,337
Other comprehensive income for the period after taxes			**– 3,663**	**– 1,273**	**– 1,337**	**2,907**	**– 3,366**	**419**	**– 2,947**
Total comprehensive income for the period			**73,631**	**– 1,273**	**– 1,337**	**2,907**	**73,928**	**5,484**	**79,412**
Transactions with owners									
Total capital inflow/outflow by minorities								1,470	1,470
Changes in capital interest of subsidiaries			– 2,786				– 2,786	65,555	62,769
Dividend for the financial year 2011			– 14,591				– 14,591		14,591
Sum of transactions with owners			**– 17,377**				**– 17,377**	**67,025**	**49,648**
As at 31 Dec. 2012	**151,744**	**257,177**	**277,893**	**8,852**	**– 5,480**	**560**	**690,746**	**84,609**	**775,355**

See accompanying explanations regarding equity and minority interest share of equity in the Consolidated Financial Statements page 193 et seq.
* adjusted due to first-time adoption of IAS 19 (rev. 2011)

	Subscribed capital € K	Capital provison € K	Revenue provisions* € K	Difference from currency translation € K	Changes in the value of available for-sale-assets € K	Market valuation of financial derivates € K	Shareholders equity of DMG MORI SEIKI Aktien-gesellschaft € K	Minority interest share of equity € K	**Total € K**
As at 01 Jan. 2013	151,744	257,177	290,419	8,852	– 5,480	560	703,272	84,609	787,881
Effects due to changes in accounting methods			– 12,526				– 12,526		– 12,526
As at 01 Jan. 2013 adjusted	151,744	257,177	277,893	8,852	– 5,480	560	690,746	84,609	775,355
Total comprehensive income									
Annual profit			85,077				85,077	8,128	93,205
Other comprehensive income									
Differences from currency translation				– 8,171			– 8,171	– 1,355	– 9,526
Change in fair value of derivative financial instruments (after taxes)						686	686		686
New revaluation of benefit-oriented plans			– 699				– 699		– 699
Change in fair value of available-for-sale assets					51,242		51,242		51,242
Other comprehensive income for the period after taxes			**– 699**	**– 8,171**	**51,242**	**686**	**43,058**	**– 1,355**	**41,703**
Total comprehensive income for the period			**84,378**	**– 8,171**	**51,242**	**686**	**128,135**	**6,773**	**134,908**
Transactions with owners									
Capital increase from authorised capital	40,047	183,560					223,607		223,607
Non-cash capital increase	8,443	48,403					56,846		56,846
Transaction costs		– 8,757					– 8,757		– 8,757
Deposits from minority shareholders								3,000	3,000
Dividend for the financial year 2012			– 20,427				– 20,427		– 20,427
Sum of transactions with owners	**48,490**	**223,206**	**– 20,427**				**251,269**	**3,000**	**254,269**
As at 31 Dec. 2013	**200,234**	**480,383**	**341,753**	**681**	**45,762**	**1,246**	**1,070,059**	**94,325**	**1,164,441**

See accompanying explanations regarding equity and minority interest share of equity in the Consolidated Financial Statements page 193 et seq.
* adjusted due to first-time adoption of IAS 19 (rev. 2011)

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

G.06 **ACQUISITION AND PRODUCTION COSTS**

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

DEPRECIATION

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

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

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

Fixed Asset Movement Schedule
as at 31 December 2012 of DMG MORI SEIKI AKTIENGESELLSCHAFT
(Part of the notes)

G . 07 **ACQUISITION AND PRODUCTION COSTS**

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

DEPRECIATION

	As at 01 Jan. 2012 € K	Other changes € K
Intangible assets		
Goodwill	0	0
Assets arising from development	62,079	– 728
Industrial property and similar rights	53,072	– 457
	115,151	**– 1,185**
Tangible assets		
Land and buildings	90,339	270
Technical equipment and machinery	50,806	398
Other equipment, factory and office equipment	113,126	– 1,315
Construction in progress	0	0
	254,271	**– 647**
Financial assets		
Investments in associates accounted for at equity	– 69	– 922
Other equity investments	3,046	0
Securities	0	1
	2,977	**– 921**
Total fixed assets	**372,399**	**– 2,753**

As at 01 Jan. 2012 € K	Other changes € K	Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2012 € K
83,017	– 688	36,372	0	0	0	119,521
92,570	– 513	0	9,166	– 193	867	101,077
71,918	– 1,055	12,772	9,022	– 453	– 760	91,444
247,505	**– 2,256**	**49,144**	**18,188**	**– 646**	**107**	**312,042**
233,238	2,207	12,816	12,839	– 575	7,431	267,956
69,253	– 102	1,099	4,094	– 4,072	2,013	72,285
150,749	– 717	1,597	24,260	– 4,521	3,599	174,967
19,056	245	0	15,104	– 401	– 13,150	20,854
472,296	**1,633**	**15,512**	**56,297**	**– 9,569**	**– 107**	**536,062**
6,617	17	0	0	0	0	6,634
49,905	– 1,562	0	0	0	0	48,343
1	3	0	0	0	0	4
56,523	**– 1,542**	**0**	**0**	**0**	**0**	**54,981**
776,324	**– 2,165**	**64,656**	**74,485**	**– 10,215**	**0**	**903,085**

Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2012 € K	NET BOOK VALUE As at 31 Dec. 2012 € K	As at 31 Dec. 2011 € K
0	0	0	0	0	119,521	83,017
0	8,681	0	0	70,032	31,045	30,491
1	5,033	– 249	12	57,412	34,032	18,846
1	**13,714**	**– 249**	**12**	**127,444**	**184,598**	**132,354**
58	8,311	– 572	489	98,895	169,061	142,899
0	4,355	– 3,818	– 509	51,232	21,053	18,447
106	14,533	– 3,697	8	122,761	52,206	37,623
0	0	0	0	0	20,854	19,056
164	**27,199**	**– 8,087**	**– 12**	**272,888**	**263,174**	**218,025**
0	0	0	0	– 991	7,625	6,686
0	0	0	0	3,046	45,297	46,859
0	0	0	0	0	3	1
0	**0**	**0**	**0**	**2,056**	**52,925**	**53,546**
165	**40,913**	**– 8,336**	**0**	**402,388**	**500,697**	**403,925**

Segmental Reporting in the Consolidated Financial Statements 2013 of DMG MORI SEIKI AKTIENGESELLSCHAFT
(Part of the notes)

G . 07 **SEGMENTATION BY BUSINESS SEGMENTS**

	"Machine Tools" 2013	2012	Changes against previous year		"Industrial Services" 2013	2012	Changes against previous year	
	€ K	€ K	€ K	%	€ K	€ K	€ K	%
Sales revenues with other segments	802,817	745,869	56,948	7.6	98,980	101,442	– 2,462	– 2.4
Sales revenues with third parties	1,209,911	1,174,984	34,927	3.0	844,104	862,172	– 18,068	– 2.1
EBIT	88,556	69,318	19,238	27.8	93,233	88,446	4,787	5.4
Financial result	– 12,870	– 11,909	– 961	– 8.1	– 6,452	– 5,017	– 1,435	– 28.6
thereof interest receivable	1,340	1,460	– 120	– 8.2	10,731	13,499	– 2,768	– 20.5
thereof interest payable	– 14,236	– 13,408	– 828	– 6.2	– 16,811	– 18,519	1,708	9.2
Share of profit for the period of at equity-accounted investments	0	0	0	0	237	450	– 213	– 47.3
EBT	75,686	57,409	18,277	31.8	87,018	83,879	3,139	3.7
Carrying amount of at equity-accounted investments	0	0	0	0	1,821	1,584	237	15.0
Segment assets	922,802	819,418	103,384	12.6	1,311,243	1,256,061	55,182	4.4
Investments	56,780	47,575	9,205	19.3	41,928	17,603	24,325	138.2
Scheduled depreciation	30,350	26,575	3,775	14.2	13,491	12,222	1,269	10.4
Employees	3,628	3,514	114	3.2	2,996	2,902	94	3.2

G . 07 **INFORMATIONS ON GEOGRAPHICAL AREAS**

	Germany 2013	2012	Changes against previous year		Rest of Europe 2013	2012	Changes against previous year		North America 2013	2012	Changes against previous year	
	€ K	€ K	€ K	%	€ K	€ K	€ K	%	€ K	€ K	€ K	%
Sales revenues with third parties	850,256	919,212	– 68,956	– 7.5	801,917	728,101	73,816	10.1	88,499	90,599	– 2,100	– 2.3
Long-term assets	257,107	237,931	19,176	8.1	233,371	182,749	50,622	27.7	1,049	1,049	0	0.0

"Corporate Services" 2013	2012	Changes against previous year		Transition 2013	2012	Group 2013	2012	Changes against previous year	
€ K	€ K	€ K	%	€ K	€ K	€ K	€ K	€ K	%
15,090	13,567	1,523	11.2	– 916,887	– 860,878	0	0	0	0.0
204	206	– 2	– 1.0	0	0	2,054,219	2,037,362	16,857	0.8
– 33,815	– 25,467	– 8,348	– 32.8	– 375	618	147,599	132,915	14,684	11.0
5,873	3,186	2,687	84.3	0	0	– 13,449	– 13,740	291	2.1
23,416	23,709	– 293	– 1.2	– 34,274	– 36,934	1,213	1,734	– 521	– 30.0
– 13,596	– 21,705	8,109	37.4	33,988	37,706	– 10,655	– 15,926	5,271	33.1
627	472	155	32.8	0	0	864	922	– 58	– 6.3
– 27,315	– 21,809	– 5,506	– 25.2	– 375	618	135,014	120,097	14,917	12.4
44,273	6,041	38,232	632.9	0	0	46,094	7,625	38,469	504.5
1,285,126	1,031,533	253,593	24.6	– 1,568,251	– 1,544,584	1,950,920	1,562,428	388,492	24.9
114,781	9,307	105,474	1,133.3	0	0	213,489	74,485	139,004	186.6
2,504	2,116	388	18.3	0	0	46,345	40,913	5,432	13.3
98	80	18	22.5	0	0	6,722	6,496	226	3.5

Asia 2013	2012	Changes against previous year		Other 2013	2012	Changes against previous year		Transition 2013	2012	Group 2012	2012	Changes against previous year	
€ K	€ K	€ K	%	€ K	€ K	€ K	%	€ K	€ K	€ K	€ K	€ K	%
278,592	265,073	13,519	5.1	34,955	34,377	578	1.7	0	0	2,054,219	2,037,362	16,857	0.8
18,711	21,534	– 2,823	– 13.1	2,752	3,105	– 353	– 11.4	– 2,823	1,404	510,158	447,772	62,386	13.9

Notes to the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the Fiscal Year 2013

Accounting policies of the financial statements

1 APPLICATION OF REGULATIONS

The group consolidated financial statements of DMG MORI SEIKI AKTIENGESELLSCHAFT for the fiscal year 1 January 2013 to 31 December 2013 were prepared at the end of the reporting period with mandatory use of the International Financial Reporting Standards (IFRS), as adopted by the European Union and their interpretation by the International Accounting Standards Board (IASB), London, Great Britain, applicable on the reporting date. The Notes to the Consolidated Financial Statements include further explanations pursuant to Section 315a of the German Commercial Code (HGB).

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

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

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

DMG MORI SEIKI AKTIENGESELLSCHAFT (until 10. October 2013: GILDEMEISTER Aktiengesellschaft), with its registered place of business in Bielefeld, Gildemeisterstrasse 60, is the parent company of the DMG MORI SEIKI group and is a listed company under German law. As a leading manufacturer of cutting machine tools worldwide, DMG MORI SEIKI group offers innovative machine technologies, expert services, needs-based software products and energy solutions. The Consolidated Financial Statements and the Group Management Report of DMG MORI SEIKI AKTIENGESELLSCHAFT for the close of the reporting period as at 31 December 2013, will be available through the electronic Federal Gazette (Bundesanzeiger) and the Commercial Register, and are also available from our website www.dmgmoriseiki.com.

The Executive Board of DMG MORI SEIKI AKTIENGESELLSCHAFT released the Consolidated Financial Statements and the Group Management Report on 24 February 2014 for submission to the Supervisory Board. The Supervisory Board is responsible for inspecting the Consolidated Financial Statements and for stating its approval of the Consolidated Financial Statements.

2 CONSOLIDATION PRINCIPLES

Accounting for subsidiaries purchased is carried out in accordance with the acquisition method. The transferred consideration of share acquisition corresponds to the fair value of the assets surrendered, the equity instruments issued and the liabilities incurred or assumed at the date of the transaction. Furthermore, they include the fair value of any assets or liabilities recognised, which arise out of a contingent consideration agreement. Costs related to the acquisition are recognised as an expense when they accrue. Within the scope of a merger, identifiable assets, liabilities and contingent liabilities will be measured at fair value at the time of acquisition at initial consolidation.

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

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

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

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

3 ACCOUNTING AND EVALUATION PRINCIPLES

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

Changes in accounting and valuation methods due to new standards

In the financial year 2013, the following new and revised standards, as well as IASB / IFRIC interpretations, had to be applied for the first time:

Amendments to IFRS 7	Notes disclosures - Offsetting financial assets and financial liabilities
IFRS 13	Fair Value Measurement
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Recovery of Underlying Assets
IAS 19 (REV. 2011)	Employee Benefits
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
Improvement to 2009 – 2011	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34

The DMG MORI SEIKI group has applied the following new and revised IFRS starting 1 January 2013 that are relevant to the consolidated financial statements:

Amendments to IFRS 7 – Notes disclosures – Offsetting financial assets and financial liabilities

In this amendment to IFRS 7, the notes disclosures are expanded to include allocated and clearable financial instruments.

The changes have no significant effects on the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

IFRS 13 – Fair Value Measurement

This standard uniformly regulates the fair value measurement in IFRS financial statements. All required fair value measurements according to other standards must in future follow the uniform guidelines of IFRS 13; separate regulations remain only for IAS 17 and IFRS 2. This standard also replaces and expands the disclosure requirements regarding fair value measurement in other IFRS.

Fair value according to IFRS 13 is defined as an exit price, i.e. the price that would be received to sell an asset or paid to transfer a liability. As currently known from fair value measurement of financial assets, a 3-stage hierarchy system will be introduced which will categorise the degree of dependency on the quoted active market prices.

The amendment has no significant effects on the measurement of assets and liabilities of the DMG MORI SEIKI group.

Amendment to IAS 1 – Presentation of Items of Other Comprehensive Income

This amendment involves the presentation of other comprehensive income in the statement of comprehensive income. In the future, other comprehensive income items, which are reclassified in the income statement under certain conditions, must from now on be presented separately from other comprehensive income items, which are never reclassified. Provided that the items are disclosed as gross items, i.e. without netting with effects on deferred tax, the deferred taxes no longer need to be disclosed in a single sum, but should be allocated to both item groups.

DMG MORI SEIKI has complied with the changed disclosure requirements. Comparatives were adjusted accordingly.

Amendments to IAS 12 – Recovery of Underlying Assets

For real estate held as financial investments, it is often difficult to judge whether existing temporary tax differences reverse in cases of continued use or sale. The amendment to IAS 12 now clarifies that measuring deferred taxes is to be done on the basis of the disputable presumption that a reversal takes place in the case of sale.

The changes have no significant effects on the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

IAS 19 (rev. 2011) – Employee Benefits

The most important change of the revision of IAS 19 (revised 2011) affects the accounting of pension obligations stemming from benefit-oriented pension plans.

Until now, an option on how so-called actuarial gains and losses, could be recognised in the consolidated financial statement. These could either be recognised as profit or loss in the income statement, in other comprehensive income (OCI) or with deferred recognition in accordance with the so-called corridor approach. The new version of IAS 19 means that this option has been eliminated to gain a more transparent and comparable representation, so that from now on, gains and losses will only be allowed to be recognised immediately in the year they occur. This sum is obligated to be shown in other comprehensive income. Furthermore, the retroactive service cost should now be directly entered as profit or loss in the year of its occurrence.

At present, the expected return on plan assets are currently determined based on the subjective expectations of management regarding the performance of the investment portfolio. The application of IAS 19 (revised 2011) means that only a defined return on plan assets to the amount of the current discount rate of pension obligations is allowed.

In addition to changes in accounting, notes disclosures have also changed, e.g. in the form of sensitivity analyses.

Because the DMG MORI SEIKI group has until now used the so-called corridor approach to calculate actuarial profits and losses, the retroactive change in essence resulted in higher provisions. Moreover, the operating result according to the new method is not influenced by the amortisation of the amount which is beyond that of the corridor approach. Instead, an increased burden on other comprehensive income resulted.

As of 31 December 2013, an adjustment of the pension provisions occurred in the amount of € 16.9 million, as at 1 January 2012 of € 13.2 million and € 15.9 million as of 31 December 2012. Retained earnings in equity decreased, taking into account deferred tax assets, by € 13.4 million as of 31 December 2013, as at 1 January 2012 by € 9.3 million, and € 12.8 million as of 31 December 2012.

The effects on the balance sheet are of no great importance. For this reason the preparation of a third annual account was dispensed with. The effects on the group income statement and earnings per share are of no great importance.

The amended definition of termination benefits affects the balance of the additional compensation agreed to as part of partial retirement agreements. Until now, the additional compensation was categorised as termination benefits and thus deferred the entire amount to the point in time when a partial retirement agreement began. Because of the amended definition of termination benefits, additional compensation no longer fulfils the requirements for the existence of termination benefits when using IAS 19 (revised 2011). The amendment basically covers other long-term benefits to employees which accumulate pro rata during the time of the employee's service.

As a result of the amended definition of termination benefits, the additional compensation agreed to as a part of partial retirement agreements is from now on categorised as long-term benefits which employees are due. Due to the retroactive change, lower provisions resulted.

As of 31 December 2012, the other non-current provisions decreased by € 0.3 million as of 31 December 2012 and by € 0.7 million by 1 January 2012. Retained earnings in equity increased, taking into account deferred tax liabilities, by € 0.2 million as of 31 December 2013, as at 1 January 2012 by € 0.5 million and by € 0.5 million as of 31 December 2012.

The effects on the group income statement and on earnings per share are of no great importance.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

This interpretation is to uniformly regulate the accounting for waste removal (stripping) costs for mines. If earnings occur from the further use of stripping as planned, then the relevant costs of waste removal should be accounted for as inventory in accordance with IAS 2. An intangible asset occurs, which should be capitalised along with the mining assets, if access to further minerals are improved and if the requirements defined in the interpretation are fulfilled. This asset is to be amortised over its expected lifetime. The interpretation has no influence on the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

Improvement to IFRS 2009 – 2011

As part of the annual improvement project, changes to five standards were made. The adjustment of wordings in individual IFRS standards is meant to clarify existing regulations. Moreover, there are amendments which affect accounting, the approach, valuation and notes disclosure requirements. The standards IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1 are affected.

The changes have no significant effects on the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

Changes in accounting and valuation methods due to new standards

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

a) These have already received EU endorsement

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendment to IFRS 10, IFRS 11 and IFRS 12	Transition Guidance
Amendment to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendment to IAS 27	Separate Financial Statements
Amendment to IAS 28	Investments in Associates and Other Joint Ventures
Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36	Disclosure of recoverable amount of non-financial assets
Amendment to IAS 39	Novation of derivatives and continuation of hedge accounting

IFRS 10 – Consolidated Financial Statements

In this standard, the term "control" is newly and comprehensively defined. If a company controls another company, then the parent company has to consolidate the subsidiary. According to the new concept, control exists if the potential parent company has the power to make decisions for the potential subsidiary because of voting rights or other rights, and it participates in positive or negative variable returns from the subsidiary and these returns can be influenced through its power of decision making.

The amendment first needs to be applied to financial years which start on or after 1 January 2014. IFRS 10 is to be applied retrospectively – with certain exceptions.

IFRS 11 – Joint Arrangements

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

The amendment first needs to be applied to financial years which start on or after 1 January 2014. There are specific regulations regarding the transition, e.g. from proportional consolidation to the equity method.

IFRS 12 – Disclosure of Interests in Other Entities

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

The amendment first needs to be applied to financial years which start on or after 1 January 2014.

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

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

The amendments to IFRS 10, IFRS 11 and IFRS 12 first need to be applied to financial years which start on or after 1 January 2014.

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

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

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

The changes do not affect consolidated financial statements which include investment companies as long as the parent company of the group is not an investment company itself.

The amendments first need to be applied to financial years which start on or after 1 January 2014.

Amendments to IAS 27 – Separate Financial Statements

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

The amendment must first be applied in financial years which start on or after 1 January 2014.

Amendments to IAS 28 – Investments in Associates and Other Joint Ventures

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

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

The amendment must first be applied in financial years which start on or after 1 January 2014.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities

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

The amendment of IAS 32 first needs to be applied in financial years which start on or after 1 January 2014.

Amendments to IAS 36 – Disclosure of recoverable amount of non-financial assets

A consequence of the amendment of IFRS 13 Fair Value Measurement is the introduction of new disclosure requirements regarding the goodwill impairment test according to IAS 36: the recoverable amount of cash-generating units is to be disclosed, regardless of whether actual impairments occurred. Since these notes disclosures were introduced unintentionally, they will be deleted again with the amendment of May 2013.

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

The amendments first need to be applied to financial years which start on or after 1 January 2014.

Amendments to IAS 39 – Novation of derivatives and continuation of hedge accounting

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

The amendments first need to be applied to financial years which start on or after 1 January 2014.

b) EU Endorsements are still pending

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

IFRS 9	Financial Instruments
IFRS 9 – 2013	Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39
Amendment to IFRS 9 and IFRS 7	Mandatory Effective Date of Use and Transition Disclosures
Amendment to IAS 19	Benefit-oriented plans: employee contributions
IFRIC 21	Levies
Amendments to IFRS 2010 – 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
Amendments to IFRS 2011 – 2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40

IFRS 9 – Financial Instruments

The accounting and valuation of financial instruments according to IFRS 9 should replace IAS 39.

Financial assets will in future only be categorised and valuated in two groups: those measured at amortised cost and those at fair value. The group of financial assets measured at amortised cost are those financial assets which give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and which are held within a business model whose objective is to hold assets. All other financial assets are categorised as fair value. Under certain conditions, financial assets in the first category can – as previously – be designated as being fair value (“Fair Value Option”).

Changes in value of fair value financial assets are as a rule to be measured in the income statement. For certain share capital instruments, however, there is the option of recognising changes in value in other comprehensive income; dividend claims from these assets are however to be recognised in the income statement.

The regulations for financial obligations are to be primarily taken from IAS 39. The most important difference is in regard to the recognition of value changes of fair value financial liabilities. In the future, these are to be divided: the part which is the company’s own credit risk is to be recognised in other comprehensive income, the remaining part of change in value is to be recognised in the income statement.

The first-time adoption of IFRS 9 is still pending, but is not expected before 1 January 2017.

IFRS 9 (2013) – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39

The objective of the new hedge accounting model as per IFRS 9 is to achieve a closer connection between risk management systems and accounting. The permitted types of hedge relationships remain cash flow hedge accounting, fair value hedge accounting and hedge of a net investment in a foreign operation.

The ranges of qualifying underlying transactions and hedge transactions were both extended. Groups of underlying transactions are to be specially designated, as long as each underlying transaction qualifies for a designation. Net positions and net zero positions may be designated. As a rule, every financial instrument is suitable as a hedging instrument if it is accounted for at fair value. An exception to this are liabilities for which fair value has been opted and share capital instruments under the FVOCI option ("fair value through other comprehensive income") according to Phase I regulations.

Under IFRS 9, the required range of measured effectiveness from 80% to 125% required by IAS 39 should be done away with, so that no retrospective effectiveness test needs to be conducted. The prospective effectiveness test is still required, as is the determination of all ineffectiveness.

Ending a hedging relationship is only possible if the defined requirements are fulfilled; this means that if the risk management objectives remain unchanged, then the hedge relationship is obligated to be continued.

Further notes disclosures are necessary regarding the risk management strategy, the effects of risk management on future payment flows and the effects of hedge accounting on the financial statement.

Moreover, the accounting not recognised as profit or loss in other comprehensive income of inherent default risks for financial liabilities of the FVO ("fair value option") in other comprehensive income are now isolated, i.e. without having to apply the rest of the requirements of IFRS 9.

The first-time adoption of the new hedge accounting regulations follows the regulations on the first-time adoption of IFRS 9. Hedge relationships are not to be ended because of the transition from IAS 39 to IFRS 9, as long as the requirements and qualitative characteristics remain fulfilled. The existing regulations of IAS 39 also remain applicable under IFRS 9 if opted for.

The other aforementioned revised standards and interpretations – subject to pending changes in EU law – are expected to have no significant relevance for the DMG MORI SEIKI group and thus are not further discussed.

Amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date of Use and Transition Disclosures

The amendments should enable waiving the adjusted figures of the previous year for first-time adoption of IFRS 9. Originally, this relief was only possible by applying IFRS 9 early, before 1 January 2012.

The relief requires additional notes disclosures according to IFRS 7 during the time of transition.

The first-time adoption of these amendments, like that of the IFRS 9, is still pending, but is not expected before 1 January 2017.

Amendments to IAS 19 – Benefit-oriented plans: employee contributions

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

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

IFRIC 21 – Levies

IFRIC 21 Levies is an interpretation of IAS 27 Provisions, Contingent Liabilities and Contingent Assets. The interpretation explains when a short-term liability occurs by a levy imposed by governments and when a provision or liability is to be applied. However, the interpretation does not include income taxes (see IAS 12 Income Taxes), fines and other penalties, liabilities arising from public contracts and outflows within the scope of other IFRS. According to IFRIC 21, a liability is to be recognised for levies, if an obligating event is the activity which triggers the levy. This obligating event which triggers the liability arises from the wording of the standard used. Its wording is essential in determining the accounting.

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

Improvements to IFRS 2010 – 2012

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

The amendments – subject to adoption into EU law, which is still pending – first needs to be applied to financial years which start on or after 1 July 2014 or the amendment to IFRS 2 on share-based payments which are granted on or after 1 July 2014.

Improvements to IFRS 2011 – 2013

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

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

Use of estimates and assumptions

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

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

Impairment of goodwill

The group reviews goodwill at least once a year for impairment and whenever there is an indication to do so. This requires an allocation of goodwill to the cash-generating units as well as the higher of the two values of fair value less purchase costs and the value in use of the cash-generating units, to which the goodwill is allocated. To assess the value in use, the company management must assess the foreseeable future cash flow of the cash generating unit and, moreover, select an appropriate discount rate in order to determine the cash value of this cash flow. As of 31 December 2013, the carrying amount of goodwill totalled € 121,510 K (previous year: € 119,521 K). Further information is given on page 182 et seq.

Pension provisions

Expenses from benefit-oriented pension plans are determined on the basis of actuarial calculations. The actuarial calculations take place on the basis of assumptions with respect to discount interest rates, expected returns on plan assets, future wage and salary increases, the mortality rate and future pension increases. Corresponding to the long-term focus of these plans, such assessments are subject to significant uncertainties. As of 31 December 2013, provisions for pension obligations amounted to € 38,421 K (previous year: € 37.604 K). Further information is given on page 198 et seq.

Intangible assets arising from development

Intangible assets arising from development are capitalised according to the accounting and valuation method presented on page 182 et seq. To determine the amounts to be capitalised, the company management must make assumptions as to the amount of expected future cash flow from intangible assets, the interest rates to be applied, and the period of accrual of expected future cash flow that the intangible assets generate. As of 31 December 2013, intangible assets arising from development had a carrying amount according to the best possible assessment of € 31,958 K (previous year: € 31,045 K).

Assumptions and estimates are additionally required for value adjustments for doubtful debts (see Notes Disclosure 25) as well as for contingent liabilities and other provisions (see Notes Disclosure 31); moreover, they are required for determining the fair value of long-lasting fixed assets (see Notes Disclosure 20) and intangible assets (see Notes Disclosure 19), determining the net disposal value of inventories (see Notes Disclosure 24), as well as for the assessment of deferred taxes on tax losses carried forward (see Notes Disclosure 28).

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

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

Accounting and valuation methods

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

Intangible and tangible assets

USEFUL ECONOMIC LIFE OF ASSETS

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

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

Pursuant to IFRS 3 "Business Combinations", depreciation is not applied to goodwill with an indefinite useful economic life, rather it is tested for impairment annually and whenever there is any indication to test for impairment. If a value adjustment requirement is determined, goodwill is amortised..

Tangible assets were measured at cost, reduced by regular depreciation over the useful life of the asset. Borrowing costs are not recognised as part of the cost of the asset, as the pre-conditions of IAS 23 are not met (see page 168 "Borrowing costs"). Depreciation was carried out using the straight-line method in accordance with useful life. A re-measurement of tangible assets pursuant to IAS 16 "Property, Plant and Equipment" was not carried out. No property was held as a financial investment pursuant to IAS 40 "Investment Property".

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

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

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

Impairment

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

Pursuant to IAS 36 “Impairment of Assets”, goodwill has to be tested for impairment at least once a year and whenever criteria are met for an impairment test. DMG MORI SEIKI AKTIENGESELLSCHAFT carried out an impairment test on 31 December 2013. In the impairment test, the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount of the cash-generating unit is the higher of the asset’s fair value less costs to sell and its value in use.

In the DMG MORI SEIKI group, the recoverable amount equals the value in use and was de-termined as the present value of future cash flows. The future cash flows were derived from the planning of the DMG MORI SEIKI group. The calculation of cash values for estimated future cash flow is based primarily on assumptions as to future sales prices or volume and costs. Planning is based on a detailed planning period, counting on increasing cash flows, extending up to the financial year 2016. A growth rate of 1% was assumed for the period following the detailed planning period, which is in line with general expectations of future business development.

For purposes of impairment testing, the cash-generating unit, "Machine Tools" was allocated goodwill in an amount of € 39,072 K (previous year: € 39,072 K) and the cash-generating unit "Industrial Services" was allocated goodwill in an amount of € 82,438 K (previous year: € 80,449 K).

The increase of goodwill in the cash-generating unit "Industrial Services" resulted from the purchase of shares of Micron S.p.A., Veggiano Italy.

The cash flows determined were discounted at a pre-tax weighted average cost of capital rate (WACC) of 11.9% (previous year: 11.8%) for the cash-generating units "Machine Tools" and 11.3% (previous year: 11.5%) for "Industrial Services". If the recoverable amount of a cash-generating unit is lower than its carrying amount, the value of goodwill allocated to the cash-generating unit will, initially, be reduced at an amount equal to the remaining balance. In financial year 2013 there was no need for impairment.

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

Associates

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

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

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

If the share in losses of the group in an associate corresponds to the group's interest in the associate, including other unsecured receivables, or exceeds the interest, the group does not recognise any other losses unless it has entered into obligations on behalf of the associate or has made payments on behalf of the associate. Unrealised losses are likewise eliminated, unless the transaction provides evidence of an impairment of the asset transferred. The accounting and measurement methods of associates were – insofar as necessary – changed in order to ensure uniform accounting throughout the group.

Jointly-controlled entities (joint ventures) are likewise accounted for at equity pursuant to IAS 31.38. Unrealised gains or losses from transactions with joint ventures are eliminated proportionately within the scope of consolidation insofar as the underlying assets are significant.

As part of a non-cash capital increase subject to the exclusion of subscription rights, the share capital of the company was increased in August 2013 by € 8,442,621.20 to € 164,880,053.00 through the issuance of 3,247,162 new bearer shares. This corresponds to about 5.4% of the share capital valid at that time. All new shares were subscribed by DMG MORI SEIKI COMPANY LIMITED (formerly Mori Seiki Co., Ltd.) at a share price of € 17.5063 for each new share. In return, the DMG MORI SEIKI COMPANY LIMITED yielded 19.0% of the shares of its subsidiary Mori Seiki Manufacturing USA, Inc., Davis (USA) as well as 44.1% of its stake in its subsidiary Magnescale Co., Ltd., Kanagawa (Japan) as contributions in kind. The non-cash capital increase was entered into the Trade Registry on 20 August 2013. The DMG MORI SEIKI group used the equity method in accounting for Magnescale Co., Ltd., Kanagawa (Japan), since significant influence exists. There is no significant influence exerted on Mori Seiki Manufacturing USA, Inc., Davis (USA). The shares are recognised as shareholdings.

Equity investments

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

Equity investments for which a quoted price is available are classified as "available for sale" and are measured at this value. Equity investments for which there is no active market are classified as "available for sale" and recognised at the cost of acquisition (see page 220 et seq. "Financial Instruments"). There is no active market for these enterprises; therefore it is assumed that the carrying amount corresponds to the fair value.

Inventories

Valuation of inventories was carried out at the acquisition or production costs or the lower net selling price. Pursuant to IAS 2 "Inventories", elements of the production costs include production material, manufacturing labour, prorated materials and production overheads. Expenses for administration and expenses arising in the social contribution area are included insofar as these are allocated to production. The proportion of overheads is evaluated on the basis of ordinary employment. Borrowing costs are recognised as part of the cost of the asset, provided the pre-conditions of IAS 23 are met (see page 168 "Borrowing costs"). When determining the net realisable value, inventory risks arising from the period of storage and reduced usability were recognised through appropriate reductions in values. If the causes that led to a reduction in value no longer exist, the original value will be reinstated.

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

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

Receivables and other assets

Receivables and other assets were shown in the statement of financial position at their amortised acquisition cost less impairment. Long-term non-interest bearing or low-interest bearing receivables have been discounted. Impairments in the form of individual value adjustments make adequate allowance for the expected risk of default. Specific cases of default lead to derecognition of the respective receivables. Within the scope of individual impairments, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, impaired. The calculation of impairment for doubtful receivables is based to a large extent on estimates and assessments of individual receivables, which, in addition to credit worthiness and late payment of the respective customer, also take into account the current cyclical trend and previous cases of deficit. Impairments of trade debtors are recognised in some cases using value adjustment accounts. The decision to account for deficit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. Reclassification among the individual categories of financial assets was not carried out either in financial year 2013 or in the previous year.

Within the scope of factoring agreements, selected trade debtors are sold on a revolving basis to banks. Factoring is a standard financial instrument in the industry and an additional component of the financing portfolio. As of 31 December 2013, factoring agreements were concluded with a total volume of € 172.8 million (previous year: € 176.5 million). As of the balance closing date, receivables with a volume of € 167.1 million (previous year: € 162.8 million) were sold. Trade debtors sold under these arrangements are excluded from accounts receivable at the time of sale insofar as the risks and rewards have been substantially transferred to the acquirer and the transmission of the cash flows related to those receivables is assured.

Long-term assets held for sale and discontinued operations

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

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

Cash and cash equivalents

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

Deferred taxes

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

Provisions and liabilities

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

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

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

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

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

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

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

Selected suppliers of the DMG MORI SEIKI group finance trade debtors against individual subsidiaries in advance on the basis of reverse factoring agreements concluded with individual subsidiaries and factoring companies. Through these agreements, the subsidiaries involved are basically guaranteed longer payment periods. The reverse factoring agreement leads neither under civil law nor pursuant to the provisions of IFRS to a reclassification of the trade liabilities to another type of liabilities, as due to the contractual arrangement, no novations exist under the law of obligations. As of 31 December 2013, a total of € 20.840 K (previous year: € 16,591 K) trade liabilities had been purchased through the respective factor.

Financial instruments

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

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

Financial assets are measured at fair value on initial recognition. At the same time, the directly attributable transaction costs must be taken into account for financial assets, which, as a result of measurement at fair value, do not affect net income. The fair values recognised in the balance sheet generally correspond to the market prices of the financial assets. If these are not directly available through recourse to an active market, they are calculated by applying recognised valuation models and on the basis of standard market interest rates. In financial year 2013 and in the previous year, financial asset conditions were not re-negotiated.

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

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

The "available for sale" category represents for the DMG MORI SEIKI group the residual amount of original financial assets, which fall under the application of IAS 39 and have not been assigned to any other category. Measurement takes place in principle at fair value. Any gains or losses from measuring at fair value are recognised in equity in other comprehensive income. This does not apply if it involves a permanent or significant impairment, which is recognised in profit or loss. Only upon the divestiture of the financial assets are the accumulated profits and losses in equity recognised from the measurement at fair value in the income statement. The fair value of non-listed equity instruments is assessed in principle according to the discounted cash flow method. If the fair value cannot be sufficiently and reliably measured, the shares are measured at purchase price (if necessary, less impairment). In the financial year 2013, changes in the value of financial assets held for sale in an amount of € 51,242 K (previous year: € −1,337 K), were recognised directly in equity and no changes in value arose that were recognised in the income statement. Deferred tax liabilities of € 683 K (previous year: € 0 K) on the value change were recognised directly as equity.

The change resulted primarily from the increase in shareholding of DMG MORI SEIKI COMPANY LIMITED (see page 183 et seq.).

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

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

Conversion of financial instruments to other measurement categories did not occur either in the financial year 2013 or in the previous year.

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

Derivative financial instruments

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

Pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", all derivative financial instruments are recognised at fair value at their initial measurement. Fair value is also relevant for subsequent measurements. Fair value of traded derivative financial instruments corresponds to market value. This value may be positive or negative. If no market values are available, the fair value must be calculated using an accepted economic method. The fair value of derivatives corresponds to the cash value of estimated future cash flows. The fair value of foreign exchange future contracts is calculated on the basis of the foreign exchange reference rate applicable at the close of the reporting period, taking into account the forward discounts and mark-ups for the respective residual term of the contract compared to the contracted forward exchange rate. Interest swaps are measured at fair value through the discounting of future expected cash flows. In doing so, the market interest rates applicable for the remaining term of the contract are taken as a basis.

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

Fair Value Hedge

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

Cashflow Hedge

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

The risk of rising expenditure on interest for re-financing is limited by concluding interest rate swaps. In 2008, the DMG MORI SEIKI group concluded interest rate swaps, in order to limit the impact of future interest rate changes on the financing costs of the variable interest rate borrowers' notes taken out at that time. In this way, DMG MORI SEIKI group receives a variable interest rate and pays a fixed interest rate (payer interest rate swap). As a result of the redemption of borrowers' notes in financial year 2011, the hedged item ceased to exist for the interest rate swaps. The cash flow hedge relationship thus needed to be dissolved due to its ineffectiveness. The DMG MORI SEIKI group intends to keep the remaining interest rate swap until its maturity date, in order to avoid one-off payments for the dissolution. The residual term of this interest rate swap is up to one and a half years.

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

Government grants

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

Borrowing costs

According to IAS 23.5, borrowing costs are to be capitalised for so-called qualified assets, i.e. those that take a substantial period of time to get ready for their intended use or sale. At the DMG MORI SEIKI group, a period of more than twelve months is considered a substantial period of time. Borrowing costs in financial year 2013 that arose from the development assets amounted to € 113 K (previous year € 91 K); those which can be directly attributed to the acquisition, construction or production of a qualifying asset amounted to € 6 K (previous year: € 347 K). The borrowing cost rate amounted to 3% (previous year: 4%). Other borrowing costs were therefore directly recognised as expense in the period.

Sales Revenues

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

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

4 CONSOLIDATION GROUP

NUMBER OF FULLY CONSOLIDATED COMPANIES	31 Dec. 2013	31 Dec. 2012
National	30	29
International	62	73
Total	**92**	**102**

At the close of the reporting period, the DMG MORI SEIKI group, including the DMG MORI SEIKI AKTIENGESELLSCHAFT, comprised 96 (previous year: 105) companies, 92 (previous year: 102) of which are subsidiaries and were included in the Consolidated Financial Statements as part of the full consolidation process. Six entities accounted for at equity were included in the consolidated financial statements. The DMG MORI SEIKI AKTIENGESELLSCHAFT is directly or indirectly entitled to a majority of voting rights of the fully consolidated companies or has controlling influence over them in some other way. The group of consolidated companies has changed compared to the end of financial year 2012, due to the first-time inclusion of the following companies:

- GILDEMEISTER energy efficiency GmbH, Stuttgart, Germany,
- Micron S.p.A., Veggiano, Italy,
- DMG Ecoline AG, Dübendorf, Switzerland,
- DMG Mori Seiki Canada Inc., Toronto, Canada.

The following companies were fully consolidated at the time of their founding or at the time of acquisition:

On 11 March 2013 a+f GmbH founded GILDEMEISTER energy efficiency GmbH, Stuttgart, Germany. a+f GmbH has a 60% stake in this company, the share capital amounts to € 25 K and was fully paid up. This new company offers solutions for industrial companies to increase their energy efficiency.

DMG Mori Seiki Italia S.r.L, Brembate di Sopra, Italy, has acquired 100% of the shares of Micron S.p.A., Veggiano, Italy, on 7 May 2013 for the purchase price of € 7,500 K. This company is to strengthen the sales and service business for the products of our cooperation partner in Italy.

On 28 June, 2013, DMG Holding AG, Dübendorf, Switzerland, founded DMG Ecoline AG, Dübendorf, Switzerland, as a 100% subsidiary. The share capital amounts to CHF 500 K (€ 405 K) and was fully paid up. This company is in future to direct the global activities of the Ecoline network.

On 26 July, 2013, DMG Holding AG, Dübendorf, Switzerland, founded DMG Mori Seiki Canada Inc., with registered office in Toronto, Canada. It owns 51% of the shares. 49% of the shares are held by DMG MORI SEIKI USA Inc. The new company is to take over sales and service for the cooperation partner's market.

In the reporting period, further "DMG Vertriebs-und Servicegesellschaften" were renamed "DMG Mori Seiki" (see list of group companies on page 232 et seq.)

As at 31 December 2013, the following companies did not longer belong to the consolidated group compared to the previous year:

DMG Italia S.r.l., Brembate di Sopra, Italy, has retroactively merged with GILDEMEISTER Italiana S.p.A., Brembate di Sopra, Italy, effective January 1, 2013.

During the financial year, Cellstrom GmbH, Wiener Neudorf, Austria, merged with DMG Europe Holding GmbH, Klaus, Austria. After entering the merger into the trade registry, DMG Europe Holding GmbH has been renamed Cellstrom GmbH. The company's registered offices are in Klaus, Austria.

Nine special purpose entities of GILDEMEISTER ENERGY SERVICES ITALIA S.R.L. (previously: a+f Italia S.r.l.), which were set up for the installation and sale of solar parks on the Italian market, were dissolved during the financial year. Also, three special purpose entities were merged into one. All assets and liabilities were de-consolidated from the group.

All the dissolutions resulted in an overall disposal loss for the group of € 355 K, which is recognised as other operating expenses.

The following named companies were classified pursuant to IAS 31 as joint ventures. Pursuant to the option under IAS 31.38, the equity interests are accounted for "at equity" in the consolidated financial statements from the date of their formation or purchase.

During the reporting period, DMG MORI SEIKI AKTIENGESELLSCHAFT acquired 44.1% of the shares of Magnescale Co. Ltd., Kanagawa, Japan, as part of a non-cash capital increase. The acquisition costs amounted to € 36,014 K (incl. incidental costs of acquisition of € 325 K). With regards to this purchase, DMG MORI SEIKI group now has access to Magnescale's high-precision position measurement technology. Magnescale Co. Ltd. has a different close of its consolidated statements (March 31) which corresponds to the close of consolidated statements of its parent company, DMG MORI SEIKI COMPANY LIMITED, Nagoya.

The company was classified as an associated company and as of the date of entry of the non-cash capital increase into the trade registry (20 August 2013) was accounted for at equity in the consolidated financial statements.

Moreover, Magnescale Co. Ltd. has two 100% subsidiaries which are also accounted for as of this date at equity in the consolidated financial statements:

- Magnescale Europe GmbH, Wernau
- Magnescale Americas, Inc., Davis, USA.

The acquisition of equity interests in the following companies took place in fiscal year 2010:

- DMG / Mori Seiki Australia Pty. Ltd., Clayton Victoria, Australia,
- SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India.

In addition, MG Finance GmbH was classified as an associated company and was also included in the consolidated financial statements at equity from the date of the purchase of the investment in 2010.

Business Combinations 2013

Effective 7 May 2013, DMG Mori Seiki Italia S.r.L. acquired 100% of the shares of Micron S.p.A., Veggiano, Italy. This company is to strengthen the sales and service business for the products of our cooperation partner in Italy. The purchase price for the acquisition of shares was € 7,500 K. The following assets and liabilities were acquired and are recognised at fair value:

	€ K
Tangible assets	3,208
Inventories	3,107
Trade debtors	3,413
Other short-term assets	668
Cash assets	762
Active deferred taxes	83
Other provisions	– 828
Financial liabilities	– 337
Trade creditors	– 3,234
Other short-term liabilities	– 522
Passive deferred tax liabilities	– 817
Net assets	**5,503**
Consideration transferred	7,500
Goodwill	**1,997**

The positive balance amounting to € 1,997 K was recognised as goodwill and arose from synergy effects which are expected from the integration of the operating management with the DMG MORI SEIKI group.

The costs associated with the acquisition of the company amounting to € 17 K were immediately reported as expense for the period. The acquired receivables do not include receivables which are considered uncollectable.

The acquisition of immaterial and tangible assets are shown in the schedule of fixed assets in the “Additions to Consolidation Group” column.

Since 7 May 2013, Micron S.p.A. contributed an additional € 5,094 K to the group’s sales revenues. The share of net earnings after taxes amounted to € –25 K for the same period.

The group of consolidated companies has changed compared to the previous year as explained above. The results of operations, net worth and financial position were not significantly affected in this regard when compared with the Consolidated Financial Statements of 31 December 2012.

An overview of all companies of the DMG MORI SEIKI group, divided into fully consolidated companies, joint ventures and associated companies, is presented on page 232 et seq.

Business Combinations 2012

DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED, Japan bundled their European sales and service companies into a joint European holding company in financial year 2012, DMG Mori Seiki Europe AG with registered offices in Dübendorf, Switzerland, in order to expand their cooperation on the European market. DMG Mori Seiki Europe AG was already founded in 2011; the shareholders are DMG Holding AG, Dübendorf, Switzerland (60%) and Mori Seiki Co. Ltd, Nagoya (40%). The voting rights of both the shareholders correspond to the ratio of shareholding.

Effective January 1, 2012, DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED, Nagoya, Japan have brought shares from their European sales and service companies to DMG Mori Seiki Europe AG as a contribution in kind as part of a capital increase. DMG MORI SEIKI group thus has acquired 60% of the shares and voting rights of the Mori Seiki companies and has transferred 40% of the shares of its European sales and service companies to Mori Seiki in return. The transaction occurred without the payment of a purchase price; consideration in kind for the 40% stake in the DMG European sales and service companies, which the DMG MORI SEIKI group transferred to DMG MORI SEIKI COMPANY LIMITED, corresponds to a fair value to € 53,813 K. The European Mori Seiki sales and service companies

- Mori Seiki Italiana S.r.l., Milan, Italy,
- Mori Seiki Espana S.A., Sant Cugat del Valles, Spain,
- Mori Seiki (UK) Limited, Slough, Great Britain,
- MORI SEIKI France SAS, Roissy, France,
- MORI SEIKI France Sud-Est S.A.S, Saint-Priest, France,
- Mori Seiki Sweden AB, Gothenburg, Sweden.

were fully consolidated as of 1 January 2012 until the time of the merger.

The assets and liabilities which were accounted for the first time in the Consolidated Financial Statements were recognised at the following fair values (in € K):

	€ K
Intangible assets	12,763
Tangible assets	10,794
Inventories	18,752
Trade debtors	41,876
Other short-term assets	12,190
Cash assets	5,656
Active deferred taxes	6,646
Pension provisions	– 830
Other provisions	– 5,748
Financial liabilities	– 38
Trade creditors	– 60,970
Other short-term liabilities	– 9,717
Passive deferred tax liabilities	– 2,306
Net assets	**29,068**
Non-controlling interests (40%)	– 11,627
Acquired net assets	**17,441**
Consideration transferred	53,813
Goodwill	**36,372**

The resulting difference amounting to € 36,372 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI SEIKI group. The recognised amount of the non-controlling interest at the date of acquisition of the Mori Seiki companies purchased amounted to € 11,627 K.

In valuating the non-controlling interests, the option of IFRS 3.19 was used to valuate the minority stake with the corresponding share of net assets which leads to a lower appropriation.

Merger-related costs amounting to € 2,287 K were recognised as expenses in financial year 2012.

The acquired receivables did not include receivables which are considered uncollectable.

The acquisition of immaterial and tangible assets are shown in the schedule of fixed assets in the "Additions to Consolidation Group" column.

In financial year 2012, the European Mori Seiki sales companies in Italy, Spain, France, Sweden and Great Britain were retroactively merged with DMG sales and service companies in order to maintain one company in each country.

5 FOREIGN CURRENCY TRANSLATION

The currency translation of all Annual Financial Statements of the international group companies that were prepared in foreign currencies was carried out in accordance with the functional currency principle pursuant to IAS 21 "The Effects of Change in Foreign Exchange Rates". Since all subsidiaries operate their business independently in financial, economic and organisational respects, their respective currencies represent the respective local currency.

Assets and liabilities of foreign subsidiaries were translated at the average rate of exchange of the euro as of the close of the reporting period, and all revenue and expenses at the average annual market price of the euro pursuant to IAS 21.40. The translation differences arising from items being translated at different rates in the balance sheet and income statement were recognised directly in equity. In the individual financial statements monetary items (cash, receivables and liabilities) in a foreign currency were valued at the exchange rate at the reporting date. Non-monetary items in foreign currencies were assessed at historical values. The differences arising from the currency translation of monetary items were shown in the Income Statement. Goodwill resulting from the acquisition of international companies were recognised as assets and was translated at the exchange rates at the time of the transactions.

Accounting in accordance with the regulations contained in IAS 29 "Financial Reporting in Hyper-inflationary Economies" was not required, as the DMG MORI SEIKI group has no significant subsidiaries with registered offices in a hyper-inflationary economy.

The exchange rates of the major currencies developed as follows:

CURRENCIES

	ISO-CODE	Exchange rate on reporting date 1 € 31 Dec. 2013	31 Dec. 2012	Average exchange rate = 1 € 2013	2012
British pound	GBP	0.83370	0.81610	0.84746	0.81373
Swiss franc	CHF	1.22760	1.20720	1.22738	1.20525
Polish zloty	PLN	4.15430	4.07400	4.20272	4.19003
Czech crowns	CZK	27.42700	25.15100	25.95962	25.18931
US DOLLARS	USD	1.37910	1.31940	1.32995	1.29322
Canadian Dollars	CAD	1.46710	1.31370	1.37223	1.29299
Mexican Pesos	MXN	18.07310	17.18450	17.13185	17.03684
Brazilian Real	BRL	3.25760	2.70360	2.87911	2.52199
Japanese Yen	JPY	144.72000	113.61000	128.90692	103.23615
Singapore Dollars	SGD	1.74140	1.61110	1.66324	1.61363
Malaysian Ringgits	MYR	4.52210	4.03470	4.20808	3.98869
Indian Rupees	INR	85.39456	72.44232	77.93134	69.93586
Chinese Renminbi	CNY	8.34910	8.22070	8.17693	8.14615
Taiwanese Dollars	TWD	41.28350	38.30607	39.49574	38.26986
Korean Won	KRW	1,450.93000	1,406.23000	1,452.39154	1,451.90154
Australian Dollars	AUD	1.54230	1.27120	1.38415	1.24680

Source: European Central Bank, Frankfurt / Main

Notes to individual items in the Income Statement

6 SALES REVENUES

Broken down by sales area, that is, according to the customer's place of business, the following distribution of sales revenues occurred:

	2013 € K	2012 € K
Germany	676,484	722,125
EU (excluding Germany)	710,385	654,131
USA	89,506	99,969
Asia	349,617	352,206
Other countries	228,227	208,931
	2,054,219	**2,037,362**

A breakdown and explanation of the sales revenues from the sale of goods and provision of services are given in segment reporting on pages 140 et seq. and in the "Segment Reporting" chapter of the Group Management Report on page 87 et seq.

7 CAPITALISED PAYMENTS

Capitalised payments primarily arise from the capitalisation of development costs of intangible assets for machine tool projects pursuant to IAS 38 “Intangible Assets”. Capitalised production costs include all costs that are directly and indirectly attributable to the development process and necessary parts of development-related overheads.

8 OTHER OPERATING REVENUES

PRIOR PERIOD INCOME	2013 € K	2012 € K
Retransfer of provisions	13,012	16,949
Retransfer of valuation adjustments	2,115	1,636
Profit on asset disposals	338	515
Receipt of payment for receivables written down	105	100
Other prior-period income	2,910	1,378
	18,480	20,578
OTHER OPERATING INCOME		
Gains on currency and foreign exchange	18,186	18,398
Refund of costs and cost allocation	22,332	11,176
Payments for damages	1,410	1,351
Letting and leasing	380	1,107
Bonuses and allowances	347	445
Other	7,088	9,770
	49,743	42,247
Total	**68,223**	**62,825**

The retransfer of provisions and valuation allowances involves a number of provisions and valuation allowances which were set up in previous years and have not been fully used. A breakdown of the reversal of provision can be found on page 204 of the notes to the consolidated financial statements.

Income from changes in exchange rates can be seen in relation to exchange rate and currency losses in other operating expenses. These exceed gains on currency and foreign exchange.

Income from the refund of expenses and on-debiting includes income from the on-debiting of marketing expenses of our cooperation partner of € 9,762 K as well as third parties of € 3,031 K (previous year: € 1,782 K) and refunds of charges from the German Unemployment Office for part-time retirement agreements of € 548 K (previous year: € 889 K). Other income includes € 102 K (previous year: € 69 K) of earnings from subletting arrangements where DMG MORI SEIKI group is the lessor.

9 COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10 PERSONNEL COSTS

For financial year 2013, the total remuneration of the Executive Board amounted to € 13,623 K (previous year: € 9,820 K), which among other things was due to an additional board department. Direct remuneration of Executive Board members accounted for € 12,595 K (previous year: € 9,005 K), the fixed remuneration accounted for € 2,673 K (previous year: € 2,410 K), the STI for € 5,400 K (previous year: € 4,500 K) and the LTI for € 3,166 K (previous year € 955 K). Some € 1,200 K was awarded as payment for services rendered in 2013 (previous year € 1,000 K). Benefits in kind accounted for € 156 K (previous year: € 140 K). In addition to regular remuneration, indirect remuneration in the form of pension commitments amounting to € 1,028 K (previous year: € 815 K) was spent. Former members of the Executive Board and their surviving dependants received € 575 K (previous year: € 588 K). Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 9,689 K (previous year: € 9,788 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained in the Management Report on page 44 et seq. An individual and detailed presentation of Executive Board remuneration in the financial year is set out in the Remuneration Report page 47 et seq.

Advances and loans to officers were not granted, nor was any contingent liabilities assumed in favour of officers. Nor did the companies of the DMG MORI SEIKI group pay any remuneration to officers for services personally rendered, in particular for consulting and introduction services.

During financial year 2013, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 24,636 K (previous year: € 25,156 K). This includes employers' contributions to statutory pension insurance amounting to € 20,801 K (previous year: € 20,285 K).

In comparison with the previous year, the number of persons employed changed as follows:

	Average number of people employed		At the close of the reporting period	
	2013	2012	**31 Dec. 2013**	31 Dec. 2012
Wage earners	1,777	1,747	1,782	1,761
Salary earners	4,633	4,402	4,715	4,506
Trainees	212	195	225	229

11 DEPRECIATION

A distribution of amortisation / depreciation and write-downs of intangible assets, tangible assets and financial assets is provided in the asset movement schedule on page 136 et seq.

12 OTHER OPERATING EXPENSES

PRIOR PERIOD EXPENSES	2013 € K	2012 € K
Losses on fixed asset disposals	457	156
Other taxes	116	65
Other prior-period expenses	2,553	3,585
	3,126	3,806
OTHER OPERATING EXPENSES		
Outward freight, packaging	50,729	48,231
Corporate communication, trade fairs and other advertisement expenses	52,590	47,959
Travelling and entertainment expenses	38,718	37,735
Rental and leases	31,438	31,074
Sales commissions	30,663	27,540
Expenses for temporary work and freelancers	22,749	26,669
Other external services	26,902	23,057
Cost of preparation of accounts, legal and consultancy fees	20,783	22,274
Exchange rate and currency losses	18,676	19,240
Additions to provisions	12,722	14,000
Stationery, post and telecommunication expenses	10,763	11,201
Other personnel costs	11,842	10,229
Impairments on receivables	7,271	6,962
Insurances	6,167	5,867
Other taxes	4,713	4,176
Monetary transactions and capital procurement	2,750	2,513
Investor and Public Relations	2,992	2,491
Licences and trademarks	1,388	1,609
Other	26,366	27,698
	380,222	370,525
Total	**383,348**	**374,331**

An increase in outward freight and packaging compared to the previous year is due to a rise in overseas transport. Higher freight charges in maritime transport to Asia increased this effect.

Expenses for corporate communication, trade fairs and other advertising expenses have risen compared to the previous year. This was due to increase expenses in connection with the most important machine tool trade fair worldwide, the EMO in Hanover, as well as a greater presence at other important international trade fairs together with our cooperation partner. Expenses for trade fairs were passed on pro rata to DMG MORI SEIKI COMPANY LIMITED (see page 176 "other operating income").

Exchange rate and currency losses in connection with exchange rate and currency gains can be seen in other operating income. On balance, exchange rate and currency losses occurred in an amount of € 490 K (previous year: € 842 K).

The additions to provisions resulted primarily from expenses for warranty commitments and potential losses from pending transactions.

The administration and sales costs are included proportionately in other operating expenses and personnel costs.

In the financial year 2013, € 976 K (previous year: € 897 K) accrued for the total remuneration of Supervisory Board members; this was recognised under other external services. Further details on the remuneration of the Supervisory Board are given in the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is made in the Remuneration Report page 47 et seq.

13 FINANCIAL INCOME

Interest receivables and other income of the DMG MORI SEIKI group amounted to € 2,550 K (previous year: € 3,129 K). Other income includes income from equity investments of € 1,260 K (previous year: € 1,219 K). Of these, € 1,229 K (previous year: € 1,181 K) arose from dividend payments made by DMG MORI SEIKI COMPANY LIMITED. An amount of € 43 K (previous year: € 24 K) includes interest income from discounting long-term provisions.

14 FINANCIAL EXPENSES

Interest expenses of € 9,229 K (previous year: € 14,133 K) are related primarily to interest expenses for group financial liabilities, interest swaps and factoring. Interest expenses for syndicated loans decreased above all due to repayment of financial liabilities.

Finance expenses include an interest component of € 1,259 K (previous year: € 1,551 K) from allocations to pension provisions. In addition, € 167 K (previous year: € 242 K) from the interest accrued on long-term other provisions have been taken into account.

Under other financial expenses, the costs from scheduled and unscheduled amortisation of transaction costs are recognised. In the reporting year, costs of scheduled amortisation of transaction costs arose amounting to € 838 K, analogous to the previous year.

15 SHARE OF PROFITS AND LOSSES OF EQUITY ACCOUNTED INVESTMENTS

Profit from equity accounted investments amount to € 864 K (previous year:: € 922 K). These include losses amounting to € 196 K (previous year: € –78 K), resulting from the pro rata result in the reporting year of SUN CARRIER OMEGA Pvt. Ltd. In addition, in financial year 2013, pro rata income from the equity investment in MG Finance GmbH in the amount of € 691 K (previous year: € 471 K) was recognized, as well as in DMG / Mori Seiki Australia Pty. Ltd. in the amount of € 433 K (previous year: € 529 K). Pro rata loss amounting to € 64 K (previous year: € 0 K) arose from the non-cash capital increase in connection with the acquired equity investment of Magnescale Co. Ltd., Kanagawa, Japan.

16 INCOME TAXES

This account represents current and deferred tax expenditure and income broken down as follows:

	2013 € K	2012 € K
Current taxes	**43,162**	**41,160**
of which domestic	29,471	22,756
of which foreign	13,691	18,404
Deferred taxes	**– 1,353**	**– 3,422**
of which domestic	– 3,446	– 840
of which foreign	2,093	– 2,582
	41,809	**37,738**

For domestic companies, current taxes include corporate income and trade tax (including solidarity surcharge), and for international companies, comparable earnings-linked taxes determined on the basis of the appropriation of profits. The computation was made on the basis of the tax regulations applicable to the individual companies.

In financial year 2013, an amount of € 145 K (previous year: € 177 K) resulted from tax income for prior years. An amount of € 930 K (previous year: € 2,485 K) includes current tax expenses for prior years.

Deferred tax income unrelated to the accounting period of € 1,945 K (previous year: € 1,652 K) is set off against deferred tax expenditure unrelated to the accounting period of € 3,348 K (previous year: € 1,153 K).

Current income tax expense of € 41,809 K (previous year: € 37,738 K) was reduced through the use of tax loss carry forwards not yet recognised from previous accounting periods by € 2,552 K (previous year: € 481 K).

In addition, a tax reduction of deferred tax expense took place due to tax losses not yet recognised from previous periods in the amount of € 1,945 K (previous year: € 1,652 K).

An adjustment was made for prior years' deferred tax assets from tax loss carry forwards in an amount of € 2,051 K (previous year: € 1,153 K). Tax losses carry forwards of the current year in amount of € 1,663 K were not recorded (previous year: € 0 K). Current taxes relating to the discontinuation of business divisions or non-operating activities did not occur in the reporting period. Due to the continued application of the accounting methods, no additional tax expenditure or income arose. No material errors occurred in the past so that no consequences arose in this respect.

Deferred taxes were calculated on the basis of income tax rates which were applied or expected in the individual countries on the valuation date, in accordance with the legal status at the time. In the financial year 2013, the corporation tax charge comprised corporation tax rate of 15.0% plus the solidarity surcharge of 5.5%. This results in an effective corporation tax rate of 15.8%. Including the trade earnings tax, which amounted to 13.6% (previous year: 13.6%), the total tax rate amounted to 29.4%. This results in the tax rate for the measurement of deferred taxes for domestic companies (previous year: 29.4%). International tax rates are between 17% and 34%.

Deferred tax assets were recognised directly in equity and at the balance sheet date amounted to € 4,204 K (previous year: deferred tax assets of € 4,887 K). These comprise as to € 5,406 K (previous year: € 5,121 K) deferred tax assets on the actuarial gains and losses recognised in equity, set off against deferred tax liabilities of € 1,202 K (previous year: € 234 K) in connection with recognising changes in the fair value of financial instruments directly in equity as well as the change in fair value for available-for-sale assets. In financial year 2013, the recognised income tax expense of € 41,809 K (previous year: € 37,738 K) is some € 2,154 K higher (previous year: € 2,429 K) when compared to the expected income tax expense of € 39,693 K (previous year: € 35,309 K), which would arise in theory if the national tax rate of 29.4% (previous year: 29.4%), applicable for financial year 2013, had been applied at group level. The difference between current and expected income tax expenditure is due to the following:

	2013 € K	2012 € K
Profit (loss) income tax	135,014	120,097
DMG MORI SEIKI AKTIENGESELLSCHAFT income tax rate in per cent	29,4	29,4
Theoretical tax income / expenditure	39,694	35,309
Tax consequences of the following effects		
Adjustment due to differing tax rate	– 3,988	– 1,856
Tax reduction due to tax-exempt revenue	– 954	– 1,681
Tax loss carry forwards	– 783	68
Tax increase due to non-deductible expenses	7,378	3,924
Tax income or expense for prior years	784	2,308
Other adjustments	– 322	– 334
Income taxes	**41,809**	**37,738**

Tax income / expenditure from earnings is attributable solely to the operative business activities in the DMG MORI SEIKI group.

Future dividends of DMG MORI SEIKI AKTIENGESELLSCHAFT payable in Germany will not influence the group’s tax burden.

17 PROFIT SHARE OF NON-CONTROLLING INTERESTS

A proportionate net loss was allotted to non-controlling interests in equity of € 8,128 K (previous year: € 5,065 K). The increase over the previous year resulted above all from the 40% equity investment of DMG MORI SEIKI COMPANY LIMITED, Nagoya, in DMG MORI SEIKI Europe AG, Dübendorf, Switzerland. Moreover, these primarily contain proportionate earnings from minority stakes in DMG Mori Seiki India Pvt. Ltd. and DMG Mori Seiki South East Asia Pte. Ltd.

18 EARNINGS PER SHARE

In accordance with IAS 33 “Earnings per Share”, the undiluted earnings per share (“basic earnings per share”) are determined by dividing the consolidated profit – excluding profit shares of other owners – by the weighted average number of shares outstanding, as follows:

		2013	2012
Group result excluding profit share of other shareholders	€ K	85,077	77,294
Average weighted number of shares (pieces)		**63,977,289**	58,363,195
Earnings per share	€	1.33	1.32

Earnings result exclusively from continued business. Group earnings after taxes amounting to € 93,205 K was reduced by the earnings of the minority interests by € 8,128 K. In the reporting year the difference in the diluted earnings per share amounted to € 1.31. Due to the non-cash capital increase resolved on 7 August 2013 amounting to 3,147,162 new shares and the subscription right capital increase resolved on 28 August 2013 amounting to 15,402,589 new shares, dilution effects occurred. The average weighted number of shares thus increased to 64,903,617. In the previous year diluted earnings per share don’t exist.

In the previous year, the undiluted earnings per share amounted to € 1.32.

Notes to individual Balance Sheet items

19 INTANGIBLE ASSETS

The goodwill shown relates, in the amount of € 114,807 K (previous year: € 114,807 K) to the re-valuation difference from the consolidation of investments and in the amount of € 6,703 K (previous year: € 4,714 K) to goodwill from the individual financial statements. The rise in goodwill in the amount of € 1,997 K resulted from the acquisition of shares of Micron, S.p.A., Veggiano, Italy. (see business combinations page 171 et seq.).

Moreover, changes occurred in the currency translation of goodwill into the group‘s euro currency.

Intangible assets arising from development relate to new machine tool projects in domestic and international product companies, to service products of DMG Vertriebs und Service GmbH and to specific software solutions Intangible assets arising out of development at the close of the reporting period amounted to € 31,958 K (previous year: € 31,045 K). Research and development costs are immediately shown as an expense and amounted to € 42,870 K in the financial year 2013 (previous year: € 44,995 K).

The amount stated for industrial property rights and similar rights includes acquired patents, rights from acquired customer relations, design patents and trademarks as well as computer software.

Changes and a breakdown of items in the group's intangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in further detail in the Group Management Report on page 83 et seq.

20 TANGIBLE ASSETS

Changes and a breakdown of items in the group's tangible assets are illustrated in the consolidated fixed-asset movement schedule. Investments are explained in further detail in the Group Management Report on page 83 et seq.

The change in currency between the close of each reporting period is shown in the consolidated fixed-asset movement schedule under "Other Changes".

Neither valuation allowances due to impairments nor reversals of depreciation were required for tangible assets in the reporting year.

Land and buildings are mortgaged for the security of long-term financial debt in the amount of € 1,472 K (previous year: € 2,487 K).

Tangible assets include leased assets to the value of € 4,573 K (previous year: € 2,823 K) that, due to the structuring of the underlying leases ("finance lease"), must be charged to the respective group company as the beneficial owner. The carrying amounts of capitalised lease items are broken down as follows:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Land and buildings	1.007	1.036
Technical plant and machinery	2.622	1.210
Other plant, factory and office equipment	944	577
	4.573	**2.823**

21 EQUITY INVESTMENTS

The development of group investments is shown in the group assets schedule. The recognition of equity investments involves an interest in an amount of € 270 K in VR Leasing Frontania GmbH & Co. KG and an interest of € 83 K in Pro-Micron GmbH & Co. KG Modular System. The DMG MORI SEIKI group does not exercise any significant influence over these companies.

At the close of the financial year, the DMG MORI SEIKI AKTIENGESELLSCHAFT held a 9.6% voting equity interest (previous year: 5.1%) in DMG MORI SEIKI COMPANY LIMITED Nagoya. In the reporting period, 4,620,538 ordinary shares were acquired on the stock exchange at acquisition costs of JPY 1,348 per share. Payments for the share acquisition amounted to € 47,954 K (incl. incidental costs of acquisition). Share acquisition costs for all shares amounted to € 94,020 K (incl. incidental costs of acquisition). The fair value as of 31 December 2013 amounted to € 140,466 K (previous year: € 40,587 K). The change in fair value amounting to € 51,925 K is recognised in the asset movement schedule under “Other changes”.

DMG MORI SEIKI AKTIENGESELLSCHAFT has acquired 19.0% of the shares of Mori Seiki Manufacturing USA, Inc., Davis, USA, as part of a non-cash capital increase. No significant controlling interest will be exerted. The shares are recognised as equity interest: the fair market value as of 31 December 2013 amounts to € 21.350 K.

a+f GmbH also has an interest in Sonnenstromalpha GmbH & Co. KG, Hamburg. The equity investment amounts to 40% and as at the reporting date, has a fair value of € 21 K (previous year: € 21 K).

During the financial year, on the equity interest of 3.31% of Younicos AG, Berlin, an impairment was made (€ 4,338 K).

No impairment losses on equity investments (previous year: 0 K€) were made in the reporting year.

An overview of all DMG MORI SEIKI group companies and information on registered offices, equity and equity interests in financial year 2013 are set out on page 232 et seq.

DMG MORI SEIKI AKTIENGESELLSCHAFT has entered into profit and loss transfer and control agreements with the following companies:

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

GILDEMEISTER Beteiligungen GmbH has entered into profit and loss transfer and control agreements with the following companies:

- DECKEL MAHO Pfronten GmbH,
- GILDEMEISTER DREHMASCHINEN GmbH,
- DECKEL MAHO SEEBACH GmbH,
- DMG MORI SEIKI SPARE PARTS GmbH,
- DMG ELECTRONICS GmbH.

In addition, a profit and loss and control agreement was entered into between DECKEL MAHO Pfronten GmbH and SAUER GmbH.
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER has entered into profit and loss transfer and control agreements with the following subsidiaries:

- DMG MORI SEIKI Deutschland GmbH,
- DMG MORI SEIKI Berlin Vertriebs und Service GmbH,
- a+f GmbH,
- DMG MORI SEIKI SERVICES GmbH,
- DMG DMG MORI SEIKI USED Machines GmbH.

DMG MORI SEIKI SERVICES GmbH has entered into a profit and loss transfer and control agreement with the following subsidiaries, effective 1 January 2013:

- DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER,
- DMG Service Fräsen GmbH,
- DMG MORI SEIKI Academy GmbH,
- DMG MICROSET GmbH,
- DMG Automation GmbH.

DMG MORI SEIKI Deutschland GmbH has entered into profit and loss transfer and control agreements with the following subsidiaries:

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

22 EQUITY-ACCOUNTED INVESTMENTS

The following overview shows aggregated key financial figures for companies accounted for at equity included in the consolidated financial statements. The figures refer to equity interests, carrying amounts and notes on the balance sheet as well as to sales revenues:

	31 Dec. 2013		31 Dec. 2012	
	Equity interest %	Carrying amount € K	Equity interest %	Carrying amount € K
DMG / Mori Seiki Australia Pty. Ltd.	50.0	1,621	50.0	1,188
MG Finance GmbH	42.55	8,323	33.0	6,041
Magnescale Co. Ltd.	44.1	35,950	–	–
SUN CARRIER OMEGA Pvt. Ltd.	50.0	200	50.0	396
		46,094		**7,625**

During the reporting year, DMG MORI SEIKI AKTIENGESELLSCHAFT increased its equity interest in MG Finance GmbH from 33.0% to 42.55%. Compared to the previous year, the shares of Magnescale Co. Ltd., Kanagawa (Japan), from the non-cash capital increase are included from the shares of equity-accounted companies (see page 159 et seq.).

Details of the results from equity-accounted investments are presented in the discussion on the individual items of the income statement under “Share of Profits and Losses of Equity-Accounted Investments” on page 179.

We estimate the equity interest of Magnescale Co., Ltd., Kanagawa, in the amount of 44.1% to be significant and thus the most important positions of the balance and income statement are presented separately in the following table:

MAGNESCALE CO. LTD.	31 Dec. 2013 € K
Short-term assets	29,883
Long-term assets	33,798
Short-term liabilities	11,292
Long-term liabilities	7,580
Sales revenues	53,317
Other income	595
Expenses	52,805

The values of all other associated companies and joint ventures are summarised in the following tables:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Short-term assets	**148,548**	**121,423**
Joint Ventures	7,349	10,175
Associated companies	141,199	111,248
Long-term assets	**102,050**	**71,209**
Joint Ventures	462	960
Associated companies	101,588	70,249
Short-term liabilities	**36,004**	**56,734**
Joint Ventures	3,884	7,594
Associated companies	32,120	49,140
Long-term liabilities	**178,141**	**102,380**
Joint Ventures	0	0
Associated companies	**178,141**	**102,380**

	31 Dec. 2013 € K	31 Dec. 2012 € K
Sales revenues	**70,040**	**43,328**
Joint ventures	16,574	24,804
Associated companies	53,466	18,524
Other revenues	**1,209**	**411**
Joint ventures	599	411
Associated companies	610	0
Expenses	**67,687**	**41,408**
Joint ventures	16,012	24,313
Associated companies	51,675	17,095

23 LONG-TERM RECEIVABLES AND OTHER ASSETS

	31 Dec. 2013 € K	31 Dec. 2012 € K
Trade receivables	2,864	447
Other long-term assets	16,063	13,928
	18,927	**14,375**

Trade debtors are assigned to financial assets. As in the previous year, there were no receivables against equity investment companies included in the long-term trade debtors. Other long-term financial assets include the following items:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Security deposits and other security payments	1,072	796
Receivables from factoring	976	0
Discounted customers' bills of exchange	214	689
Purchase price receivables from asset disposal	0	115
Fair market value of derivative financial instruments	5	5
Other assets	11,038	8,228
	13,305	**9,833**

Analogous to the previous year, other assets include the purchase price for acquiring share purchase options amounting to € 6,540 K. The valuation of the shares was made at the close of the reporting period.

Other non-current assets amounted to € 2,758 K (previous year: € 4,095 K). This primarily included transaction costs connected with taking out new credit facilities in 2011 amounting to € 2,315 K were recognised. This is reported under other assets, since the credit facilities had not been utilised as at 31 December 2013. The transaction costs will be written off over the term of the loans (2016). The costs from scheduled amortisation are recognised under other financial expenses. Refund claims for income tax are not included.

24 INVENTORIES

Inventories are made up as follows:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Raw materials and consumables	189,705	200,349
Work in progress	111,695	123,058
Finished goods and goods for resale	180,616	156,561
Payments on account	1,824	6,291
	483,840	**486,259**

Finished goods and goods for resale include machines acquired from our cooperation partner in an amount of € 46,119 K (previous year: € 27,493 K). Of inventories recorded on 31 December 2013, € 105,882 K (previous year: € 104,321 K) were recognised at their net realisable value. In the financial year, adjustments of inventories in an amount of € 19,562 K (previous year: € 16,709 K) were recognised as expense in the income statement. In the financial year, revaluations amounting to € 1,323 K arose (previous year: € 996 K), primarily resulting from the increase in net realisable values.

25 SHORT-TERM RECEIVABLES AND OTHER ASSETS

	31 Dec. 2013 € K	31 Dec. 2012 € K
Trade receivables	199,925	228,118
Other short-term assets	119,015	110,645
	318,940	**338,763**

In the reporting year, DMG MORI SEIKI group had factoring programmes. German receivables with a volume of up to € 85,000 K (previous year: € 102,499 K) and foreign receivables with a volume of up to € 87,800 K (previous year: € 74,024 K) were sold within the framework of this agreement. As of the close of the reporting period, German receivables with a value of € 80,863 K (previous year: € 92,448 K) and foreign receivables with a value of € 86,243 K (previous year: € 70,325 K) were sold without recourse are thus no longer part of the receivables portfolio.

Trade debtors include receivables against the company accounted for at equity accounted investments amounting to € 4,087 K (previous year: € 11,951 K). Receivables against other affiliated companies amounted to € 23,476 K (previous year: € 19,678 K); receivables against equity investment companies amounted to € 2,695 K (previous year: € 855 K).

The terms of long-term and short-term receivables are shown in the following table:

	Carrying amount	Of which neither impaired nor past due on the closing date	Of which not impaired on the closing date but past due in the following time periods			
			up to 3 month	3 to 6 month	6 to 12 month	more than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Trade receivables						
31 Dec. 2013	202,789	166,855	23,746	4,637	1,293	989
Trade receivables						
31 Dec. 2012	228,565	190,969	22,703	8,156	1,362	2,662

With respect to trade receivables that have neither been impaired nor are they past due at the closing date, there is no indication that the debtors will not fulfil their payment obligations.

Trade receivables and accumulated value adjustments have developed as follows:

	2013 € K	2012 € K
Trade receivables not impaired	197,520	225,852
Trade receivables before impairment	21,546	17,012
Accumulated impairment	16,277	14,299
Trade receivables impaired	5,269	2,713
Total trade receivables	**202,789**	**228,565**

Impairment of trade receivables have developed as follows:

	2013 € K	2012 € K
Impairments as at 1 January	14,299	12,128
Allocations (expenses for impairments)	6,510	5,147
Consumption	– 2,417	– 1,340
Dissolution	– 2,115	– 1,636
Impairments as at 31 December	16,277	14,299

The following table shows the expenses for the complete write down of trade debtors as well as income from recoveries of trade receivables:

	2013 € K	2012 € K
Expenses for derecognition of receivables	760	1,815
Income from payments received for derecognised receivables	105	100

Expenses relating to impairments and write downs of trade debtors are reported under other operating expenses. These involve a large number of individual cases. Income from receipt of payments for derecognised trade debtors are reported under other operating income. Impairments or derecognition of other financial assets were made neither in the financial year nor in the previous year.

Other short-term financial assets include the following items:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Receivables from factoring	12,760	12,173
Discounted customers' bills of exchange	10,126	5,134
Payables with debit balance	5,833	5,268
Security deposits and other security payments	4,954	3,631
Fair market value of derivative financial instruments	3,389	1,700
Loans to third parties	275	481
Receivables from employees and former employees	450	464
Purchase price receivables from asset disposal	442	358
Other short-term financial assets	30,337	31,887
	68,566	**61,096**

No financial assets were provided as collateral either in the reporting year or in the previous year.

The overdue periods of other long-term and short-term financial assets are shown as follows:

	Carrying amount	Of which neither impaired nor past due on the closing date	Of which not impaired on the closing date but past due in the following time periods			
			up to 3 month	3 to 6 month	6 to 12 month	more than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Other financial assets						
31 Dec. 2013	81,871	79,423	875	2	102	0
Other financial assets						
31 Dec. 2012	70,929	70,340	339	0	12	21

With respect to other financial assets that have neither been subject to impairment nor are they past due as at the closing date, there is no indication that the debtors will not fulfil their payment obligations.

Other short-term assets included the following items:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Tax refund claims	38,998	39,370
Claim for refund taxes on income	4,464	2,971
Prepayments	1,985	2,481
Receivables from compensation claims	412	32
Other assets	4,590	4,695
	50,449	**49,549**

Tax refund claims primarily include receivables from value added tax. The remaining other assets include refund claims of € 548 K (previous year: € 889 K) with respect to additional compensation paid from part-time retirement agreements to the Federal Labour Office (Bundesanstalt für Arbeit). As in the previous year, claims for the refund of partial unemployment benefits did not occur; income from the refund of € 20 K from previous year was recognised under employee expenses.

26 CASH AND CASH EQUIVALENTS

At the end of the reporting period, bank credit balances amounted to € 371,149 K (previous year: € 173,328 K). Of these, credit balances of subsidiaries in Germany were recognised in an amount of € 268,047 K (previous year: € 88,548 K), in Europe in an amount of € 79,150 K (previous year: € 56,555 K), in Asia in an amount of € 17,240 K (previous year: € 21,657 K) and in America in an amount of € 6,712 K (previous year: € 6,568 K).

The development of cash and cash equivalents constituting the financial resources pursuant to IAS 7 “statement of cash flows” is illustrated in the statement of cash flows on page 133.

27 LONG-TERM ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

As of 31 December 2013, long-term assets held for sale amounted to € 50,452 K (previous year: € 55,780 K). Turnkey solar parks in the Energy Solutions division are accounted for here. The DMG MORI SEIKI group expects that shares of the special purpose entities associated with them will be sold to investors in 2014. The revenue contained in earnings from these assets are included under sales revenues, amounting to € 6,045 K (previous year: € 6,707 K). In the cost of materials and in other operating expenses, total expenses of € 5,021 K were included (previous year: € 4,321 K) as well as financing expenses amounting to € 586 K (previous year: € 622 K). The total of earnings before taxes was € 438 K (previous year: € 1,764 K).

The assets and the earnings share stemming from the long-term assets held for sale are disclosed in the segmental reporting of the "Industrial Services" business segment.

28 DEFERRED TAXES

Deferred tax assets and liabilities are allocated to the following accounts:

	31 Dec. 2013		31 Dec. 2012*		2013	2012
	assets	liabilities	assets	liabilities	Deferred tax expense / income	Deferred tax expense / income
	€ K	€ K	€ K	€ K	€ K	€ K
Intangible assets	663	8,458	956	7,609	– 1,142	– 613
Tangible assets	14,060	2,371	8,975	1,787	5,235	4,620
Financial assets	0	723	0	39	0	0
Inventories	11,163	1,530	9,916	1,531	1,247	1,725
Receivables and other assets	6,575	4,508	6,022	5,455	1,501	– 1,855
Provisions	10,970	5,956	11,871	6,444	– 922	1,500
Liabilities	10,630	959	11,008	314	– 937	332
Tax loss carry forward	12,447	0	16,077	0	– 3,630	– 2,286
	66,508	24,505	64,825	23,179		
Balancing	– 18,218	– 18,218	– 15,530	– 15,530		
Total	**48,290**	**6,287**	**49,295**	**7,649**	**1,353**	**3,422**

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

A determining factor for the valuation of the recoverability of deferred tax assets is the evaluation of the probability of the reversal of the valuation differences. Based on past experience and the expected taxable income situation, it is assumed that the corresponding advantages from the deferred tax assets can be realised. As at 31 December 2013, tax loss asset carry forwards amounted to € 12,447 K (previous year: 16,077 K) and were allocated as follows: as in the previous year, no German corporate tax loss carry forwards and trade tax loss carry forwards as well as due to the German earning stripping rules, no interest carry forwards exist. Deferred tax assets for tax loss carry forwards are attributable to foreign subsidiaries in an amount of € 12,447 K (previous year: € 16,077 K). The loss carry forwards are either usable for an indefinite period or may be carried forward up to five years (€ 632 K). In the reporting year, the active deferred taxes were re-capitalised on losses, amounting to € 779 K (previous year: € 5,914 K), and € 2,358 K (previous year: € 5,134 K) has been offset with current taxable income. The DMG MORI SEIKI group assumes that on the basis of future business activities and tax planning there will be sufficient positive taxable income to realise the tax asset claims. The tax losses carried forward amount to € 64,051 K (previous year: € 77,324 K), of which € 18,437 K (previous year: € 18,808 K) have not been taken into account. The theoretically possible deferred tax assets on tax loss carry-forwards not taken into account amounts to € 4,173 K (previous year: € 4,671 K). Deferred tax assets amounting to € 10,093 K (previous year: € 12,098 K) were capitalised with regard to subsidiaries which had tax losses in the current year or in the previous year. The realisation of these assets depends on future taxable income which is higher than the earnings effects of the dissolution existing taxable differences. The DMG MORI SEIKI group assumes the realisation of the estimated deferred tax assets on the basis of future business activity and tax planning. Deferred taxes were calculated on the basis of income tax rates which were applied or expected in the individual countries on the valuation date, in accordance with the legal status at the time. Taking into account trade earnings tax, corporate tax and the solidarity surcharge, this results in a tax rate of 29.4% (previous year: 29.4%) for domestic companies.

Income tax on other comprehensive income in an amount of € −683 K (previous year: € 1,003 K) relate – as in the previous year – the change in market value of derivative financial instruments included in other income, the change in fair value of available-for-sale assets and benefits to employees.

29 EQUITY

The movement of individual components in group equity for the financial years 2013 and 2012 is illustrated in the Consolidated Statement of Changes in Group Equity on page 134 et seq. Business transactions are presented under “Transactions with owners” in which the owners have acted in their capacity as owners.

Subscribed capital

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

As part of a non-cash capital increase subject to the exclusion of subscription rights, the share capital of the company was increased by € 8,442,621.20 to € 164,880,053.00 through the issuance of 3,247,162 new bearer shares. This corresponds to about 5.4% of the share capital valid at that time. All new shares were subscribed by DMG MORI SEIKI COMPANY LIMITED (formerly Mori Seiki Co., Ltd.) at a share price of € 17.5063 for each new share. In return, the DMG MORI SEIKI COMPANY LIMITED yielded 19.0% of the shares of its subsidiary Mori Seiki Manufacturing USA, Inc., Davis (USA) as well as 44.1% of its stake in its subsidiary Magnescale Co. Ltd., Kanagawa (Japan), as contributions in kind. Through these equity interests, DMG MORI SEIKI AKTIENGESELLSCHAFT acquires access to production capacity at the highly modern manufacturing plants, built by the cooperation partner, for machine tools in the USA and Magnescale’s high-precision position measurement technology in Japan. The non-cash capital increase was entered into the Trade Registry on 20 August 2013.

As part of the subscription rights capital increase comprising 24.3% of the current share capital of the time, 15,402,589 new no-par bearer shares were offered to all shareholders at a ratio of 4:1. The subscription price was € 14.50. The shareholders actively utilized their subscription rights; the placement ratio was 99.6%. The entry of the cash capital increase into the trade registry took place on 17 September 2013. The share capital since then has amounted to € 204,926,784.40 and is divided into 78,817,994 bearer shares. The inclusion of the new shares in the existing quotation took place on 18 September 2013.

The share capital of DMG MORI SEIKI AKTIENGESELLSCHAFT now amounts to € 204,926,784.40 (previous year: € 156,437,431.80) and has been fully paid up.

The share capital is divided into 78,817,994 (previous year: 60,168,243) bearer shares with an accounting par value of € 2.60 per share.

The following statements have essentially been taken from the articles of association of DMG MORI SEIKI AKTIENGESELLSCHAFT (version as of October 2013).

The Executive Board is authorised, with the approval of the Supervisory Board, to increase the share capital by up to € 29,729,362.00 in nominal terms during the period until 17 May 2017 by issuing up to 11,434,370 new no-par value bearer shares for contributions in cash and / or in kind (authorised capital). This authority can be exercised on one occasion or, in partial amounts, on more occasions.

The shares may be taken over by one or more banks designated by the Executive Board, with the obligation to offer them to the shareholders for subscription (direct subscription right).

The Executive Board is authorised to issue shares to company employees and business people affiliated with the company with respect to a partial amount of € 5,000,000.00. In this respect the shareholders' statutory subscription rights are excluded with the approval of the Supervisory Board.

In addition, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights in the case of:

a) a non-cash capital increase through non-cash capital contribution so as to acquire, in applicable cases, companies, parts of companies or equity investments in companies or other assets in return for the transfer of shares,
b) to the extent required for dilution protection purposes, in order to grant the holders of warrants or the creditors of convertible bonds issued by the company or its equity investment companies as part of an authorisation of the Board by the general meeting of shareholders, a subscription right to new shares to the extent they would be entitled to following the exercising of the option or conversion right or the fulfilment of conversion obligations,
c) and to exclude any residual amounts from subscription rights.

The total prorated amount of the share capital relating to the new shares that are subject to the exclusion of the subscription right according to a), in aggregate shall not exceed 20% of the share capital neither at point the right is effective nor at the time the new shares are issued. The limit of 20% of the registered capital includes shares that are issued during the lifetime of the authorised capital to the exclusion of the shareholders' subscription rights; also, shares which are to be sold after exercising a conversion right or option right and / or a conversion bond or option bond, as long as the conversion bond or option bond was issued during the lifetime of this authorisation of the general meeting of shareholders to the exclusion of the subscription right in order to compensate for residual amounts and / or for dilution protection purposes in favour of owners or creditors of conversions right or option rights of option or convertible bonds.

The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation. The supervisory board is authorised to adjust the articles of incorporation according to each individual utilisation of the approved capital and, if the approved capital is not utilised or not fully utilised before 17 May 2017, to cancel this after this date.

The share capital has been conditionally increased by up to a further € 37,500,000.00 through the issue of up to 14,423,076 bearer shares (conditional capital). The contingent capital increase is for granting new no-par bearer shares to the holders of options or warrants issued by the company or by a group company controlled by the company under the authorisation passed by resolution of the Annual General Meeting of 15 May 2009 under agenda item 7 against cash payment and grants a warrant or option right to the new no-par bearer shares of the company or provides for a conversion requirement.

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

The capital increase is to be effected only insofar as the holders of option or conversion rights or those obliged to exercise conversion or options rights exercise their options or conversion rights, insofar as they are obliged to exercise their conversion or option rights, they fulfil their obligation to exercise the conversion or option right and neither shares already in existence nor the payment of a cash amount is used to fulfil the option or conversion rights.

The new shares will participate in the profit as of the beginning of the financial year in which they are issued following the exercising of option or conversion rights, or the fulfilment of conversion or option obligations.

The board of the DMG MORI SEIKI AKTIENGESELLSCHAFT decided on 25 August 2011 to exercise its right to buy back company shares. This was announced at the general assembly of 14 May 2010. According to the buy-back decision, a total of 3,068,581 shares were able to be repurchased. The buyback began on 26 August 2011. As at 31 December 2011, 1,805,048 shares with a nominal value of € 4,693,124.80 of company shares were repurchased. This equates to 2.3% of voting rights. The shares acquired can be used for all purposes which are listed in the General Assembly Authorisation; the use as acquisition currency should especially be mentioned here.

Pursuant to IAS 32.33, the entity's own equity instruments are deducted from equity. At the end of the reporting period, an amount of € 4,693,124.80 was deducted from subscribed capital.

Capital provisions

The group's capital provision include the premiums for the issue of shares of DMG MORI SEIKI AKTIENGESELLSCHAFT in financial year 2013 in the amount of € 231,963,087. At the close of the reporting period, the premiums totalled € 497,533,564. Transaction costs of € 24,858,212 (previous year: € 12,454,747) that are allocated directly to capital procurement reduced by related tax benefits on income of € 7,707,558 (previous year: € 4,060,939) were deducted from the capital provision. The capital provision as of 31 December 2013 amounted to € 480,382,911 (previous year: € 257,176,670).

Revenue provisions

Statutory provision

The disclosure does not affect the statutory provision of DMG MORI SEIKI AKTIENGESELLSCHAFT in an amount of € 680,530.

Provisions for shares of a controlling company

According to Section 272 (4) 1 of the German Commercial Code (HGB), provisions are to be accrued for shares of a controlling company. The amount of this provision is to correspond to that of the assets side of the balance sheet (compiled pursuant to HGB) for the shares of the controlling company. As of 31 December 2013, this value amounted to € 94,019,900 (previous year: € 0 K).

Other Retained Earnings

Retained earnings include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Retained earnings also include the offset of liabilities-side differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS rules. Finally, they show the differences arising from foreign currency translation not reported in profit or loss in the financial statements of international subsidiaries and the post-tax effects from the valuation of financial instruments in equity. Deferred taxes recognised directly in equity amount to € −286 K (previous year: € −234 K).

As of 31 December 2013, the amount of € 15,994 K as in the previous year, pursuant to IAS 33.32 was deducted from retained earnings for the company's own shares This is due to the difference between the nominal value and the acquisition costs of the company's own shares.

A detailed overview on the composition of, or changes in, other retained earnings in financial year 2013 and in the previous year is included in the Development of Group Equity.

Proposed appropriation of profits

In accordance with the German Commercial Code (HGB), the Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT form the basis for the appropriation of profits of the financial year. The dividend to be distributed to owners is therefore subject to the retained profits shown in the Annual Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

The financial year 2013 of DMG MORI SEIKI AKTIENGESELLSCHAFT closed with net income for the year of € 35,229,452.64.

It will be proposed to the annual general meeting of shareholders on 16 May 2014, taking into account the profit carry forward from the previous year in the amount of € 4,220,654.91, to use the net retained profit of € 39,450,107.55 as follows:

- distribution of € 38,506,473.00 to the shareholders via dividends of € 0.50 per share
- carry forward of the remaining net retained profit of € 943,634.55 to new account.

A dividend of € 0.35 per share was paid for the financial year 2012.

Non-Controlling Interests

Non-controlling interests include non-controlling interests in the consolidated equity of the companies included and, as of 31 December 2013, amounts to € 94,382 K (previous year: € 84,609 K).

Capital Management Disclosure

A strong equity capital base is an important pre-condition for the DMG MORI SEIKI group in order to ensure the ongoing existence of the company. The Executive Board's goal is to maintain its strong capital base in order to preserve the trust of investors, creditors and markets and to ensure the sustainable development of the company. The capital is regularly monitored on the basis of various key indicators. The ratio of net indebtedness to balanced equity (gearing) and the equity ratio are key indicators for this. Capital surplus is determined as the sum of financial liabilities less cash and cash equivalents.

		31 Dec. 2013	31 Dec. 2012
Cash and cash equivalents	€ K	371,149	173,328
Financial liabilities	€ K	14,675	12,269
Surplus funds	€ K	356,474	161,059
Total equity	€ K	1,164,441	775,355
Equity ratio	%	57.9	47.9

Total equity has risen in absolute terms by € 389,086 K. This is primarily due to the capital increases during the financial year 2013 as well as the surpluses achieved. As a result, the equity ratio rose to 57.9% (previous year: 47.9%) as of 31 December 2013.

30 PROVISIONS FOR PENSIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the DMG MORI SEIKI group entitled to such, and to their surviving dependants. According to the respective legal, economic and tax conditions prevailing in each country, there are different forms of old age protection that are usually based among other things on the duration of employment and the employees' remuneration.

In Germany the commitments are dependent upon wages or salary and are paid as a pension; there is no minimum guarantee. Employee pension schemes are based as a rule either on contribution-oriented or performance-oriented benefit systems.

In the case of contribution-oriented pension plans ("defined contribution plans") the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. In financial year 2013, related expenses amounted to € 3,835 K (previous year: € 4,871 K).

In the case of benefit-oriented pension plans, it is the company's obligation to pay the promised benefits to active and former employees ("defined benefit plans"), whereby a distinction is made between pension plans that are financed through reserves and those that are financed through a fund. In general the pensions paid correspond to the promised benefits.

For domestic subsidiaries, there are no benefit-oriented pension plans for new employees. New employees of Swiss subsidiaries participate in benefit-oriented pension plans. Individual contribution-oriented pension planes are agreed upon for Executive board members of DMG MORI SEIKI AKTIENGESELLSCHAFT. Moreover, there are no minimum guarantees. These plans burden the group with actuarial risks, such as risk of longevity, currency exchange risk, interest and market (investment) risk.

In the DMG MORI SEIKI group, pension commitments are financed through transfer to provisions as well as plan assets. The investment strategy of the global pension assets is based on the goal of long-term assurance of pension payments. The amount of the pension obligation (present value of future pension commitments or "defined benefit obligation") was calculated on the basis of actuarial methods by estimating the relevant factors impacting the pension commitment. The calculations as of the end of the financial year are based on the following actuarial assumptions. In Germany, the assumptions are based on the mortality table "Heubeck 2005G". In Switzerland, the mortality table is based on "BVG. Generationentafeln". Along with the assumptions on life expectancy, the following premises for the parameters to be applied to the actuarial calculations in the reports were defined:

	2013		2012	
	Weighted average	**Range**	Weighted average	Range
	%	**%**	%	%
Discont interest rate	2.96	2.10 – 4.00	2.89	1.50 – 2.95
Salary trend	1.00	–	3.00	1.00 – 5.00
Pension trend	2.00	–	2.00	–

The discount interest rate of the pension obligations for entitled active and former employees was determined on the basis of the yield which was achieved on the balance sheet closing date of high-quality, fixed-interest corporate bonds on the market.

The salary trend includes expected future increases in salary that are assessed annually and are subject to, amongst other things, inflation and the duration of employment at the company. Since the pension commitments that were entered into at the national subsidiaries are not subject to future increases in salary, salary development was not taken into account when determining the relating company pension provisions.

Due to increases or reductions in the present value of defined-benefit obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments.

In the following schedules the adjustment of previous year amounts according to the first time adoption of IAS 19 (rev. 2011) is marked by "*".

The pension provisions net value can be derived from the following:

		31 Dec. 2013 € K	31 Dec. 2012* € K
	Cash value of unfunded pension commitments	34,666	34,717
+	Cash value of funded pension commitments	23,234	20,844
–	Current value of the pension plan assets	– 19,479	– 17,957
=	Net value of amounts shown in the balance sheet on the reporting date	38,421	37,604
	of which pensions	38,421	37,604
	of which assets (–)	0	0

The plan assets take into account on the one hand risk payments that depend on the insured salary. On the other hand they include retirement benefits that are dependent on the accumulated retirement assets at the time of retirement. The pension plan assets include the following stock exchange-listed values: shares in an amount of € 2,276 K or 11.69% (previous year: € 2,000 K or 11.22%), obligations in an amount of € 3,240 K or 16.63% (previous year: of € 3,449 K or 19.35%), real estate in an amount of € 1,290 K or 6.62% (previous year: € 1,196 K or 6.71%) and from qualifying insurance agreements. Other assets not listed on stock exchanges amount to € 12,673 K or 65.06% (previous year: € 11,180 K or 62.72%). The pension plan assets are valuated with the fair value. The calculation of the typological interest rate of the plan assets is made in the amount of the discount interest rate of the pension obligations at the beginning of the period.

The actual return on plan assets amounts to € 353 K (previous year: € 853 K). The current value of the pension plan assets can be derived from the following:

		31 Dec. 2013 € K	31 Dec. 2012* € K
	Fair value of the assets at the start of the year	17,957	16,456
+	Paid contributions	1,030	597
+/–	Benefit paid / received	227	–145
+/–	Interest income from plan assets	424	526
+/–	Acturial profit / loss recognised in other comprehensive income	143	328
+/–	Exchange rate changes	–302	196
=	Fair value of the assets at the end of the year	19,479	17,957

The benefits actually granted including the insured's contributions are disclosed as benefits paid. Of the company pension provisions in the amount of € 38,421 K (previous year: € 37,604 K), € 35,536 K (previous year: € 34,918 K) are attributable to domestic group companies; this corresponds to about 92% (previous year: 93%) of the total amount. The changes in the cash value compared to the previous year are due to an adjustment of the pension plan assets and the change in the number of pensioners.

Pension provisions amounting to € 9,689 K (previous year: € 9,788 K) were attributed to former members of the Executive Board and their surviving dependants.

In financial year 2013, total expenditure amounted to € 3,014 K (previous year: € 2,286 K), which breaks down into the following components:

		2013 € K	2012* € K
	Current service cost	1,095	1,259
+	Retroactive service cost	886	2
+	Interest expenses from obligations	1,457	1,551
–	Interest income from plan assets	– 424	– 526
=	Total expenses for defined contributions pension plans	3,014	2,286

The following table shows the reconciliation of the opening balance to the final balance for the net debt (net plan assets) from the defined benefit pension plans and their components:

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset) from benefit-oriented plans	
	2013 € K	2012* € K	2013 € K	2012* € K	2013 € K	2012* € K
As at 1 January	**55,561**	**48,953**	**– 17,957**	**– 16,456**	**37,604**	**32,497**
Included in profit and loss						
Current service cost	1,095	1,259	0	0	1,095	1,259
Retroactive service cost	886	2	0	0	886	2
Interest expense (income)	1,457	1,551	−424	−526	1,033	1,025
Exchange rate changes	−172	209	302	−196	130	13
	3,266	**3,021**	**−122**	**−722**	**3,144**	**2,299**
Included in other comprehensive income						
Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
financial assumptions	−319	6,793	0	0	−319	6,793
experience adjustments	1,449	−664	0	0	1,449	−664
return on plan assets (excluding interest income)	0	0	−143	−328	−143	−328
	1,130	**6,129**	**−143**	**−328**	**987**	**5,801**
Other						
Contributions paid by employees	0	0	−1,030	−597	−1,030	−597
Payments achieved	−2,057	−2,542	−227	146	−2,284	−2,396
	−2,057	**−2,542**	**−1,257**	**−451**	**−3,314**	**−2,993**
Total as at 31 December	**57,900**	**55,561**	**−19,479**	**−17,957**	**38,421**	**37,604**

The present value of the provisions had changed as follows:

		2013 € K	2012* € K
	Benefit obligation at the beginning of the year	55,561	48,953
–	Pension payments made	– 2,516	– 2,820
+	Current service cost and interest expenses	3,438	2,812
+	Plan participants contribution	459	278
+/–	Actuarial profits (–) and losses (+) recognised in other comprehensive income	1,130	6,129
+/–	Exchange rate changes	– 172	209
	Benefit obligations at the end of the year	57,900	55,561

In the past five years, the financing status, comprising the cash value of all pension commitments and the present value of the plan assets, has developed as follows:

	2013 € K	2012* € K	2011 € K	2010 € K	2009 € K
Cash value of all pension commitments	57,900	55,561	48,953	46,626	41,747
Current value of the pension plan assets of all funds	– 19,479	– 17,957	– 16,456	– 8,759	– 6,190
Funding status	38,421	37,604	32,497	37,867	35,557

Payments to beneficiaries from unfunded pension plans in 2014 are expected to an amount of about € 2,443 K as in the previous year, while payments to funded pension plans in the financial year 2014 are estimated to amount of about € 572 K (previous year: € 322 K).

The average weighted duration of pension obligations in Germany is eleven years and in Switzerland between fourteen and seventeen years. If other assumptions are constant, then a reasonable interpretation at the close would influence possible changes in the benefit-oriented obligations, with significant actuarial assumptions, in the following amounts. The effects of important assumptions on the entitlement cash value is as follows:

	Effects on entitlements as of 31 Dec. 2013	
	€ K	in %
Entitlement present value of obligations	**57,900**	
in the case of		
Reduction of 0.25% in the discount interest rate	59,643	3.01
Increase of 0.25% in the discount interest rate	56,252	– 2.85
Reduction of pension progression by 0.25%	56,947	– 1.65
Increase of pension progression by 0.25%	58,898	1.72

In the presented sensitivities, it should be taken into account that due to mathematical effects, the change as a percentage is not and does not have to be linear. This is why increases and decreases in terms of per cent do not react with the same absolute amount.

31 OTHER PROVISIONS

The following lists the major contents of provisions:

	31 Dec. 2013		31 Dec. 2012	
	Total	Of which short-term	Total*	Of which short-term*
	€ K	€ K	€ K	€ K
Tax provisions	34,467	34,467	34,501	34,501
Obligations arising from employees	87,165	67,355	79,465	64,558
Risks arising from warranties and retrofitting	35,703	31,993	36,718	32,355
Obligations arising from sales	41,101	36,965	40,757	40,289
Legal and consultancy fees and costs of preparation of accounts	4,779	4,779	5,363	5,363
Other	17,348	17,191	19,963	19,801
	186,096	158,283	182,266	162,366
Total	**220,563**	**192,750**	**216,767**	**196,867**

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

Tax provisions include current taxes on income and returns of € 25,795 K (previous year: € 23,906 K) for risks from current external audits amounting to € 3,300 K (previous year: € 3,000 K) and other operating taxes, which have been accumulated for the reporting period and for previous years. It can be assumed that a significant part of the obligations will be fulfilled during the financial year.

Provisions for employee expenses in the group include obligations for profit-sharing and staff bonuses of € 37,252 K (previous year: € 29,177 K), part-time retirement payments of € 4,125 K (previous year: € 5,317 K), holiday pay of € 13,765 K (previous year: € 13,074 K) and anniversary payments of € 7,553 K (previous year: € 7,221 K). The provisions for anniversary bonuses and part-time retirement will be discounted and carried as liability at their present value. Obligations arising from part-time retirement are secured against potential insolvency through a mutual trust relationship. To secure the pension plan, cash assets are transferred into a trust property. The members of this trust property are domestic group companies.

The assets are defined as “plan assets” in accordance with IAS 19.7 and balanced against the related provisions. Proceeds arising from the pension plan assets are balanced against the related expenses. As of 31 December 2013, liquid assets of € 4,059 K (previous year: € 4,658 K) were transferred to the trust property.

Risks arising from warranties and retrofitting relate to present obligations to third parties, the use of which is probable and the anticipated amount of which can be reliably estimated. The measurement of provisions was carried out on the basis of previous experience, taking into account the conditions at the close of the reporting period and taking into account possible price increases on the closing date. The obligations from the operations area are liabilities for provisions, contractual penalties and other liabilities.

The other obligations primarily include provisions for installations to be carried out and other various services, for which uncertainties exist regarding dates and required future expenses and whose expected amounts can be reliably estimated. For the short-term provisions, it can be assumed that a significant part of the obligations will be fulfilled in financial year 2014.

The movement in the other provisions is illustrated in the analysis of provisions:

	01 Jan. 2013* € K	Transfers € K	Used € K	Retransfers € K	Changes in the group of consolidated companies € K	Other changes € K	**31 Dec. 2013** € K
Tax provisions	34,501	24,912	24,239	333	0	– 374	34,467
Obligations arising from personnel	79,465	57,627	46,769	2,352	541	– 1,347	87,165
Risks arising from warranties and retrofitting	36,718	15,620	13,605	2,885	0	– 145	35,703
Obligations arising from sales	40,757	31,147	27,267	3,345	44	– 235	41,101
Legal and consultancy fees and costs of preparation of accounts	5,363	4,315	4,602	258	0	– 39	4,779
Other	19,963	14,001	12,427	4,172	0	– 17	17,348
	182,266	122,710	104,670	13,012	585	– 1,783	186,096
Total	**216,767**	**147,622**	**128,909**	**13,345**	**585**	**– 2,157**	**220,563**

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

The other changes include currency adjustments and transfers. Obligations arising from personnel include provisions for the long-term incentive totalling € 7,860 K (previous year: € 4,365 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter on page 47 et seq. of the Group Management Report.

The following table shows the number of performance units awarded in 2010, 2011, 2012 and 2013, and the amount of the provisions:

	Tranche 2010 4-year term		Tranche 2011 4-year term			Tranche 2012 4-year term			Tranche 2013 4-year term		
	Number of performance units awarded	Amount of the allocation for 2013	Number of performance units awarded	**Fair value 31 Dec. 2013**	**Provision 31 Dec. 2013**	Number of performance units awarded	**Fair value 31 Dec. 2013**	**Provision 31 Dec. 2013**	Number of performance units awarded	**Fair value 31 Dec. 2013**	**Provision 31 Dec. 2013**
	Shares	€ K	Shares	€ K	€ K	Shares	€ K	€ K	Shares	€ K	€ K
Dr. Rüdiger Kapitza	37,879	1,420	26,858	1,124	843	22,422	946	473	22,848	733	183
Dr. Thorsten Schmidt	25,253	712	17,905	749	562	14,948	631	316	15,232	489	122
Günter Bachmann	25,253	712	17,905	749	562	14,948	631	316	15,232	489	122
Kathrin Dahnke	13,889	322	17,905	552	414	14,948	631	316	15,232	489	122
Christian Thönes	–	–	–	–	–	7,474	315	158	15,232	489	122
Dr. Maurice Eschweiler	–	–	–	–	–	–	–	–	7,616	244	61
Total	**102,274**	**3,166**	**80,573**	**3,174**	**2,381**	**74,740**	**3,154**	**1,579**	**91,392**	**2,933**	**732**

The determination of fair values of a performance unit at the date of awarding and the balance sheet date is made by means of a Monte Carlo simulation of the stock price, assuming the Black-Scholes model.

From the tranche issued in 2013, expenses arose during the reporting period amounting to € 732 K. From the tranche issued in 2012, expenses arose amounting to € 1,579 K; from the tranche issued in 2011 expenses arose in an amount of € 2,381 K. From the tranche issued in 2010 with a term of four years, an allocation amounting to € 3,166 K occurred.

32 FINANCIAL LIABILITIES

Details of short-term and long-term financial debts are listed in the following tables:

	31 Dec. 2013	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
	€ K	€ K	€ K	€ K
Bank loans and overdrafts [1]	3,818	2,014	745	1,059
Discounted customer bills	10,857	10,643	214	0
	14,675	**12,657**	**959**	**1,059**

[1] of which secured by mortgages: € 1,472 K

	31 Dec. 2012	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
	€ K	€ K	€ K	€ K
Bank loans and overdrafts [1]	6,473	3,987	1,281	1,205
Discounted customer bills	5,796	5,108	688	0
	12,269	**9,095**	**1,969**	**1,205**

[1] of which secured by mortgages: € 2,487 K

Liabilities towards credit institutes reduced in comparison with the previous year by € 2,655 K. Long-term loans reduced within the framework of the planned repayment of € 1,121 K whilst the use of overdraft loans fell compared to the previous year by € 1,534 K.

The short and medium term resource requirements of DMG MORI SEIKI AKTIENGESELLSCHAFT and, as part of the intra-group cash management system, of the majority of domestic subsidiaries are covered by the operative cash flow as well as short-term and long-term financing. The amount of approved credit lines were € 742.7 million (previous year: € 790.8 million). Significant components of this are syndicated credit lines amounting to € 450.0 million, aval lines amounting to € 102.0 million (previous year: € 131.5 million), as well as factoring agreements, another part of the financing portfolio, in the amount of € 172.8 million (previous year: € 176.5 million).

In addition to the syndicated loans, there are still some long-term loans and short-term bilateral loans to individual subsidiaries of a total volume of € 15.8 million (previous year: € 29.6 million). Long-term loans as of 31 December 2013 were € 2.0 million (previous year € 3.2 million). € 1.8 million in short-term financing approvals (previous year: € 3.3 million) were drawn upon.

The international share in liabilities to credit institutes amounted in total to about 45% (previous year: about 55%) as of 31 December 2013. The average cost of borrowing amounted to 2.2 % (previous year: 3.2%). For liabilities to banks of € 3,818 K (previous year: € 6,473 K), there were no significant differences between the carrying amount and fair market value arise due to the mainly short terms.

Set out below are the major liabilities to financial institutions:

	31 Dec. 2013				31 Dec. 2012			
	Currency	**Carrying amount**	Remaining period in years	Effective interest rate	Currency	Carrying amount	Remaining period in years	Effective interest rate
		€ K		%		€ K		%
Loan	EUR	2,029	up to 13	3.54 – 6.25	EUR	3,150	up to 14	3.2 – 6.25
Overdrafts	various	1,789	up to 1	6.50 – 12.0	various	3,323	up to 1	2.35 – 12.0
		3,818				**6,473**		

A syndicated credit line is available to DMG MORI SEIKI group with a volume totalling € 450.0 million. It comprises a cash tranche of € 200.0 million and a aval credit line tranche of € 250.0 million. The credit line has a five-year term (until 2016). The current syndicated loan will have an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus an interest surcharge. The interest surcharge is variable and can change depending on the company's key figures (0.90% to a maximum of 2.30%). It is currently 1.15% (previous year: 1.40%).

The syndicated loan is classified as current as it can be drawn upon for a maximum of six months.

The financing agreements for the syndicated loan bind the DMG MORI SEIKI group to adhere to covenants which are usual for the market. All covenants were adhered to as of 31 December 2013.

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

Open credit lines as of the close of the reporting period amount to € 438.9 million (previous year: € 464.7 million). These comprise free cash lines of € 214.0 million (previous year: € 226.3 million) and additional open lines of credit (guaranteed bills outstanding, bills of exchange, factoring) of € 224.8 million (previous year: € 238.3 million).

In addition to the guaranteed loans, SAUER GmbH has assigned fixed assets and short-term assets in an amount of € 965 K (previous year: € 1,097 K) to the lending banks by transfer of ownership by way of security.

33 TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term financial liabilities are shown as follows:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Trade creditors	0	237
Other long-term liabilities	6,433	10,931
	6,433	**11,168**

Trade creditors are classified as financial liabilities. There were no liabilities against associated companies included in the long-term trade debtors as in the previous year.

Other long-term financial liabilities include the following items:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Liabilities from finance lease arrangements	2,725	1,660
Fair market value of derivative financial instruments	1,107	6,375
Other long-term financial liabilities	214	221
	4,046	**8,256**

Liabilities arising from finance leases amounted to € 2,725 K (previous year: € 1,660 K) and show the discounted value of future payments from finance leases. These are liabilities arising from finance leases for buildings.

Fair market values of derivative financial instruments comprise fair market values of interest rate swaps totalling € 1,107 K (previous year: € 6,358 K for interest rate swaps and € 17 K for forward exchange contracts).

In other financial liabilities, the fair market value of long-term liabilities corresponds to the carrying amount values. Payables that, in legal terms, arise after the end of the reporting period, only have a minor impact on the company's financial situation.

Other long-term liabilities take into account deferred income. These include the guaranteed investment grants from the funds of the joint aid programme "Improvement of the Regional Economic Structure" and investment subsidies pursuant to the German investment subsidy act in an amount of € 2,387 K (previous year: € 2,587 K) as applied under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

As in the previous year, no investment allowances were paid in financial year 2013. The accruals will be dissolved in accordance with the depreciation procedure for tax-privileged capital assets and recognised in the income statement.

34 TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Short-term financial liabilities are shown as follows:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Trade creditors	331,776	329,391
Fair market value of derivative financial instruments	4,656	5,014
Debtors with credit balance	4,011	2,549
Liabilities from finance lease arrangements	1,378	1,091
Other short-term financial liabilities	24,795	17,297
	366,616	**355,342**

Trade creditors include payables to associates in the amount of € 22,460 K (previous year: € 8,877 K), as well as to equity accounted investments in the amount of € 270 K (previous year: € 106 K). Trade liabilities to other related companies amounted to € 48,401 K (previous year: € 55,953 K); they resulted from the business relationship with our cooperation partner and its affiliated companies.

The fair value of derivative financial instruments involves the fair value for interest rate swaps amounting to € 2,675 K (previous year: € 3,513 K), as well as the fair market value for forward exchange contracts mainly in USD, JPY and GBP.

Liabilities arising from finance leases amounted to € 1,378 K (previous year: € 1,091 K) and show the discounted value of future payments from finance leases. For the most part, these are liabilities arising from finance leases for buildings.

Short-term liabilities arising from finance leases are recognised without future interest payable. All future payments arising from finance leases amounting to € 4,635 K (previous year: € 2,995 K).

Other financial liabilities include liabilities from bills of € 9,945 K (previous year: € 8,059 K), which resulted from the acceptance of drafts and the issue of promissory notes.

The minimum lease payments for the respective lease agreements are as follows:

TOTAL FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2013 € K	31 Dec. 2012 € K
Due within one year	1,555	1,221
Due within between one and five years	2,874	1,774
Due in more than five years	206	0
	4,635	**2,995**
INTEREST COMPONENT INCLUDED IN FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	177	130
Due within between one and five years	347	114
Due in more than five years	8	0
	532	**244**
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	1,378	1,091
Due within between one and five years	2,527	1,660
Due in more than five years	198	0
	4,103	**2,751**

The minimum lease payments from subleases, for which the DMG MORI SEIKI group is the lessor, will amount to € 685 K (previous year: € 601 K) in 2013. The agreements primarily involve the leasing of machine tools.

Other short-term liabilities include the following items:

	31 Dec. 2013 € K	31 Dec. 2012 € K
Tax liabilities	20,433	22,469
Liabilities relating to social insurance	4,849	5,163
Payroll account liabilities	3,696	3,237
Deferred income	5,291	4,275
Other liabilities	589	496
	34,858	**35,640**

Tax liabilities refer to liabilities arising from value added tax amounting to € 10,598 K (previous year: € 11,865 K) as well as liabilities arising from wage and church tax in the amount of € 6,762 K (previous year: € 6,421 K).

35 LIABILITIES IN CONNECTION WITH ASSETS HELD FOR SALE

As of 31 December 2013, liabilities of € 9,632 K (previous year: € 10,910 K) occurred in connection with long-term assets held for sale. The long-term liabilities are disclosed in the segmental reporting of the “Industrial Services” business segment.

36 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

No reserves were set up for the following contingent liabilities, which are recognised at their notional amounts, since the risk of utilisation is estimated as not very probable:

CONTINGENCIES	31 Dec. 2013 € K	31 Dec. 2012 € K
Guarantees	1,135	1,296
Warranties	508	703
Other contingencies	4,174	5,519
	5,817	**7,518**

The guarantees primarily include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, a guarantee in connection with the offer of financing solutions through leasing.

Other financial obligations consist mainly of lease agreements and long-term tenancy agreements. In operating lease agreements, the beneficial owner of the leased items is the lessor, which means risks and rewards are borne by the lessor.

The total minimum lease payments from permanent tenancy and lease agreements (finance lease arrangements and operating lease arrangements) are as set out below by due dates. The agreements have terms from two to fourteen years and some include options to extend or purchase options.

NOMINAL AMOUNT OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2013 € K	31 Dec. 2012 € K
Due within one year	24,887	23,414
Due within between one and five years	37,463	32,390
Due in more than five years	6,506	7,969
	68,856	**63,773**

Of which operating lease arrangements account for:

NOMINAL AMOUNT OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2013 € K	31 Dec. 2012 € K
Due within one year	23,332	22,193
Due within between one and five years	34,589	30,616
Due in more than five years	6,300	7,969
	64,221	**60,778**

Operating lease agreements exist in connection with the financing of buildings of DMG Europe Holding GmbH in Klaus, Austria, in the amount of € 1.7 million, of FAMOT Pleszew Sp. z o.o., Pleszew in the amount of € 2.5 million and of DECKEL MAHO Pfronten GmbH in the amount of € 1.6 million. The operating lease agreement for the buildings includes a purchase option upon expiration of the basic rental period.

Further operating lease agreements exist at FAMOT Pleszew Sp. z o.o., Poland, for machines in the amount of € 4.6 million and at DECKEL MAHO Pfronten GmbH amounting to € 1.3 million. At DECKEL MAHO Pfronten GmbH, lease agreements in connection with the financing of crane installations exist in an amount of € 0.6 million. The agreements contain purchase options upon expiry of the basic rental period.

At other group companies, leasing agreements exist, especially for vehicle fleets for a total of € 19.4 million. Moreover, leasing agreements exist for machines and other plant, factory and business equipment. Some of the agreements contain purchase options upon expiry of the basic rental period. The operating lease agreements have a minimum period of between two and forty-one years.

There are no permanent sub-tenancy agreements that have to be included in the total of future minimum lease payments. There are no contingent rental payments that are recognised in the income statement.

37 DERIVATIVE FINANCIAL INSTRUMENTS

At the close of the reporting period, foreign exchange futures contracts were held by the DMG MORI SEIKI group primarily in USD, GBP, CAD, JPY, PLN and CHF, as well as interest rate swaps in euros. The nominal values and fair market values of derivative financial instruments existing at the close of the reporting period are set out below:

	31 Dec. 2013				31 Dec. 2012	
	Nominal value	Asset	Debt	Total	Nominal value	Fair market values
	€ K	€ K	€ K	€ K	€ K	€ K
Forward exchange contracts as cash flow hedges	70,114	1,975	274	1,701	40,415	637
of which USD	40,637	1,494	0	1,494	25,602	506
of which GBP	10,620	4	130	– 126	1,875	– 35
of which CAD	6,593	263	0	263	6,943	185
of which PLN	6,234	42	0	42	0	0
of which AUD	3,008	87	82	5	0	0
of which SGD	2,751	85	14	71	4,738	169
of which JPY	271	0	47	– 47	1,257	– 188
Interest rate swaps without hedge relations	60,000	0	3,782	– 3,782	200,000	– 9,871
Forward foreign exchange contracts held for trading purposes	142,610	1,419	1,707	– 288	85,279	– 450
of which USD	64,677	1,001	380	621	34,901	– 139
of which GBP	32,495	136	207	– 71	15,222	111
of which JPY	15,638	21	886	– 865	8,358	– 495
of which CHF	14,510	3	64	– 61	8,436	– 7
of which PLN	4,571	20	24	– 4	2,242	11
of which CAD	3,015	185	0	185	4,114	28
of which SGD	2,976	45	47	– 2	1,705	88
of which CZK	2,513	0	97	– 97	0	0
of which other currencies	2,215	8	2	6	10,301	– 47
	272,724	**3,394**	**5,763**	**– 2,369**	**325,694**	**– 9,685**

The nominal values correspond to the total of all unbalanced purchase and sales amounts of derivative financial transactions. The fair market values recognised correspond with the price at which, as a rule, third parties would assume the rights or obligations arising from the financial instruments at the close of the reporting period. It cannot be assumed overall that the assessed value will also be actually realised upon dissolution. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions.

The fair market values of interest rate swaps are recognised in the balance sheet under other long-term financial liabilities respectively short-term financial liabilities.

The fair market values of foreign exchange futures contracts are recognised in the balance sheet under other long-term and short-term financial assets or other long-term and short-term financial liabilities.

At the close of the reporting period, the DMG MORI SEIKI group also held forward foreign exchange contracts held for trading purposes, which, although they do not fulfil the strict requirements of hedge accounting pursuant to IAS 39, make an effective contribution to the securing of financial risks pursuant to the principles of risk management. For the hedging of currency risks recognised as monetary assets and liabilities, the DMG MORI SEIKI group does not use hedge accounting pursuant to IAS 39, as the realised profits and losses from the underlying transactions from the currency translation pursuant to IAS 21 are recognised in the income statement at the same time as the realised profits and losses from the derivatives applied as hedging instruments. In the event that third parties do not fulfil their obligations arising from forward foreign exchange contracts, as at the close of the reporting period, DMG MORI SEIKI group had a deficit risk amounting to € 3,394 K (previous year: € 1,705 K).

In the previous year interest rate swaps had a total nominal volume of € 200,000 K in total. Interest swaps with a volume of € 140,000 K have come to maturity during the reporting period. Interest rate swaps with a volume of € 60,000 K have a remaining term of up to one and a half years. As of the close of the reporting period, all existing forward exchange contracts with a nominal volume of € 210,907 K have a remaining term of up to one year (previous year: € 121,686 K). Forward exchange contracts of a volume of € 1,816 K (previous year: € 4,007 K) have a remaining term of more than one year.

In the financial year 2013, expenses arising from the market valuation of financial instruments allocated to cash flow hedges in an amount of € 1,766 K (previous year: € 793 K) were allocated to equity and an amount of € 793 K (previous year: € 3,325 K) was removed from equity and recognised in profit or loss as income (previous year: expenses) for the reporting period. It was recognised in the income statement under exchange rate and currency profits or in the exchange rate and currency losses. Neither in the financial year nor in the previous year was there any ineffectiveness in forward exchange contracts.

The interest rate swaps became ineffective in financial year 2011 due to the discontinuation of the underlying transactions; therefore, the cash flow hedge relationship was dissolved in financial year 2011.

The group concluded derivative transactions pursuant to global netting agreements (framework agreement) of the “International Swaps and Derivative Association” (ISDA) and other corresponding national framework agreements. The netting agreements only grant the right of netting out of future events such as default or bankruptcy of the group or its opponents. The netting agreements thus do not fulfil the balancing criteria of IAS 32.

The following table gives an overview of financial assets and financial liabilities which are subject to netting agreements or similar agreements:

	Gross amount of financial instruments in the balance sheet	Gross amount of related financial instruments that are not offset	Net amount
	31 Dec. 2013	31 Dec. 2013	31 Dec. 2013
	€ K	€ K	€ K
Financial assets			
Forward exchange contracts	3,394	1,713	1,681
Financial liabilities			
Interest rate swap	3,782	0	**3,782**
Forward exchange contracts	1,981	1,713	268

	Gross amount of financial instruments in the balance sheet	Gross amount of related financial instruments that are not offset	Net amount
	31 Dec. 2012	31 Dec. 2012	31 Dec. 2012
	€ K	€ K	€ K
Financial assets			
Forward exchange contracts	1,075	1,213	492
Financial liabilities			
Interest rate swap	9,871	0	**9,871**
Forward exchange contracts	1,518	1,213	305

38 RISKS FROM FINANCIAL INSTRUMENTS

Risks from financial instruments

Currency and interest rate fluctuations can lead to considerable profit and cash flow risks. For this reason, DMG MORI SEIKI group centralises these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. The controlling of risks is based on regulations that are valid throughout the group and in which the targets, principles, responsibilities and competencies are defined. Further information on the risk management system is presented in detail in the financial report on pages 107 et seq. – in the opportunities and risk report.

Currency risks

In its global business activities, the DMG MORI SEIKI group is exposed to two types of currency risks. Transaction risks arise through changes in value of future foreign currency payments due to exchange rate fluctuations in individual accounts. In the DMG MORI SEIKI group, both purchases and sales are made in foreign currencies. To hedge currency risks arising from activities within the DMG MORI SEIKI group, foreign exchange futures contracts are used. The conclusion and processing of derivative financial instruments is based on binding internal regulations defining scope, responsibilities, reporting and accounting.

The translation risks describes the risk of a change in the balance sheet and income statement items of a subsidiary due to exchange rate differences in the translation of local individual accounts to the group currency. Any changes in the financial position items of these companies caused by currency fluctuations in translation will be recorded in equity. Risks arising from the translation of sales revenues and results in foreign currency from subsidiaries are not hedged.

The DMG MORI SEIKI group determines foreign currency sensitivity through aggregating all foreign currency items that are not represented in the functional currency of the respective company and sets these against hedging. The fair market value of the basic items and hedges included are evaluated once at the actual exchange rates and once with the sensitivity rates. The difference between the two values represents the effects on equity and results.

If the euro had been revalued (devalued) by 10% against the most important currencies USD, JPY and CAD as of 31 December 2013, the reserves for derivatives in equity and the fair value of the forward exchange contracts would have been € 5,081 K lower (higher) (31 December 2012: € 5,368 K lower (higher)). A hypothetical effect on equity results, in individual cases, from the currency sensitivities EUR / USD: € −4,892 K; EUR / JPY: € 563 K; and EUR / CAD: € −752 K. If the euro had been revalued (devalued) by 10% against all currencies as of 31 December 2013, the result and the fair value of the forward exchange contracts would have been € 665 K lower (higher) (31 December 2012: € 19 K lower (higher)). A hypothetical impact on profit or loss ensures in individual cases, from the currency sensitivities EUR / USD: € −419 K; EUR / JPY: € 1,092 K; and EUR / CAD: € −8 K.

The following tables show the transaction-related net currency risk in € K for the most important currencies as at 31 December 2013 and 2012:

Currency	31 Dec. 2013 USD € K	JPY € K	CAD € K	31 Dec. 2012 USD € K	JPY € K	CAD € K
Currency risk from balance sheet items	26,654	– 2,352	3,014	16,487	3,088	705
Currency risk from pending transactions	41,790	– 293	7,396	34,952	0	9,910
Transaction-related currency items	68,444	– 2,645	10,410	51,439	3,088	10,615
Financially hedged item through derivatives	– 68,164	2,873	– 9,607	– 45,455	– 2,506	– 9,669
Open foreign currency item	280	228	803	5,984	582	946
Change in foreign currency item through a 10% revaluation of the euro	– 28	– 23	– 80	– 598	– 58	– 95

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on the results, equity or cash flow during the current or future reporting periods. At the DMG MORI SEIKI group, interest rate risks are essentially in connection with financial liabilities. The DMG MORI SEIKI group hedges this risk through concluding interest rate swaps.

As a rule, interest hedging instruments in the form of swaps are used to eliminate the effects of future changes in interest rate on the cost of financing loans that are subject to a variable interest rate.

To hedge against future interest rate changes, the DMG MORI SEIKI group – originally intending to hedge against interest rate changes of borrowers' notes – has concluded interest rate swaps in 2008, which serve to secure a fixed interest rate until the end of the term. Interest rate swaps for a nominal total volume of € 140,000 K were concluded for a hedged interest rate of 4.98% to 5.02% and came to term on 29 May 2013. Furthermore, the DMG MORI SEIKI group has concluded another interest rate swap of a nominal amount of € 60,000 K and a hedged interest rate of 4.79% with a term up to 29 May 2015. The interest rate swaps bind the DMG MORI SEIKI group to pay a fixed rate interest over the term and for the volume concluded. To offset this, the DMG MORI SEIKI group receives a EURIBOR 6-month rate payment from the contractual partner of the interest rate swap.

As a result of the discharge of the borrowers' notes in 2011, the underlying transactions for an effective hedge relationship exists no longer. In the financial year, changes in values of the interest rate swaps were therefore recognised in the income statement as "financial expenses", amounting to € 6,089 K (previous year: € 3,898 K). We plan to hold the remaining interest rate swap until its maturity date in order to avoid one-time payments for its dissolution.

If the interest rate at 31 December 2013 had been 1% lower, the fair value of the interest rate swap would have been unchanged due to the interest curve, as in the previous year. If the interest rate at 31 December 2013 had been 1% higher, the fair value of the interest rate swap would have been € 623 K higher (previous year: € 1,269 K).

For financial instruments with a variable rate of interest – mainly this refers to the syndicated loan of € 450.0 million – the interest rate risk will be measured with the aid of cash flow sensitivity. Based on the financial instruments with a variable interest rate, existing interest hedges with a nominal value of € 60,000 K have been deducted. As of 31 December 2013, the DMG MORI SEIKI group has no net deficit, so that interest rate increases would present an opportunity to higher interest yield. A 1% increase in interest rates pertaining to the portfolio at the close of the reporting period would result in an increase in interest income of € 2.6 million (previous year: interest income of € 2.1 million). Within the scope of adapting the existing financing agreement, interest margins have significantly improved and now bear interest at 1 to 6-month EURIBOR plus margin.

Fixed interest rates have been mainly agreed to for other financial liabilities bearing interest. Changes in the interest rate would only have an effect if these financial instruments were recognised in the financial position at fair value. As this is not the case, financial instruments with a fixed interest rate are not subject to any risks arising out of interest rate changes within the meaning of IFRS 7.

Liquidity risks

The liquidity risk is the risk that the DMG MORI SEIKI group may not be able to meet its financial obligations. Cash outflows result primarily from financing working capital, capital investments and covering the financial requirements of sales financing. The management is informed regularly of the cash inflows and outflows as well as of financing sources. The liquidity risk is limited by creating the necessary financial flexibility within the scope of the existing financing and through effective cash management. Liquidity risk at the DMG MORI SEIKI group is governed by financial planning over 12 months. This makes it possible to finance predictable deficits under normal market conditions at standard market terms. On the basis of the current liquidity planning, no liquidity risks are identifiable at present. As a liquidity precaution, there is a syndicated loan facility of € 450.0 million with various banks as well as bilateral stand-by credits of € 17.8 million (previous year: € 32.8 million). Loan facilities have not been cancelled either in the financial year 2013 or in the previous year. The financing agreements for the syndicated loan bind the DMG MORI SEIKI group to adhere to covenants which are usual for the market. All covenants were adhered to as of 31 December 2013.

As at 31 December 2013, the DMG MORI SEIKI group had cash and cash equivalents totalling € 371.1 million (previous year: € 173.3 million), open cash lines in an amount of € 214.0 million (previous year: € 226.3 million) and further open lines (guaranteed bills outstanding, bills of exchange and factoring) totalling € 224.8 million (previous year: € 238.3 million) available to it.

The following table shows that contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with positive and negative fair values:

		Cashflows 2014		Cashflows 2015 – 2017		Cashflows 2018 et seq.	
	Bookvalue 31 Dec. 2013	Interest	Repayment	Interest	Repayment	Interest	Repayment
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Liabilities to banks	3,818	97	2,014	299	745	354	1,059
Liabilities arising from leases	4,103	112	1,378	125	2,527	8	198
Discounted customers' bills	10,857	0	10,643	0	214	0	0
Other financial liabilities	370,429	11	370,215	16	110	72	104
Subtotal	**389,207**	**220**	**384,250**	**440**	**3,596**	**434**	**1,361**
Liabilities from derivatives	5,763	0	4,656	0	1,107	0	0
	394,970	**220**	**388,906**	**440**	**4,703**	**434**	**1,361**

This includes all instruments that were held as at 31 December 2013 and 31 December 2012, respectively, and for which payments have been contractually agreed. Forecast figures for future new liabilities have not been included. Amounts in foreign currencies were translated at the exchange rate at the end of the reporting period. The variable interest payments for financial instruments were determined on the basis of the last fixed interest rate before 31 December 2013 and 31 December 2012, respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date. It can be assumed that for a significant part of the assets resulting from derivatives in the amount of € 1,975 K (previous year: € 919 K) as well as part of the liabilities resulting from derivatives in the amount of € 274 K (previous year: € 283 K) which are classified as cash flow hedges, that these will be recognised in the income statement in the next twelve months.

		Cashflows 2013		Cashflows 2014 – 2016		Cashflows 2017 et seq.	
	Bookvalue 31 Dec. 2012	Interest	Repayment	Interest	Repayment	Interest	Repayment
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Liabilities to banks	6,473	147	3,988	316	940	499	1,545
Liabilities arising from leases	2,751	104	1,091	115	1,660	0	0
Discounted customers' bills	5,796	0	5,108	0	688	0	0
Other financial liabilities	360,605	16	360,146	22	320	81	139
Subtotal	**375,625**	**267**	**370,333**	**453**	**3,608**	**580**	**1,684**
Liabilities from derivatives	11,389	0	5,014	0	6,375	0	0
	387,014	**267**	**375,347**	**453**	**9,983**	**580**	**1,684**

Credit Risks

A credit risk is the unexpected loss of payment funds or income. This occurs if the customer is not able to meet his obligations within the due time. Receivables management with worldwide applicable guidelines and regular analysis of the age structure of trade debtors ensures the continuous monitoring and limiting of risks and, in this way, minimises losses from receivables. Due to the diversified business structure within the DMG MORI SEIKI group, there are no special concentrations of credit risks, neither with respect to customers nor for individual countries. DMG MORI SEIKI group as a rule is exposed to factoring default risks which may cause impairments or in individual cases even factoring default. The group's bad debt losses have historically been ca. 1% of receivables. In the financial year, expenses for the complete write down of receivables totalled € 760 K (previous year: € 1,815 K). Further details on the estimate of financial risks can be found in the Opportunities and Risks chapter of the Group Management Report.

Within the scope of cash deposits, financial contracts are only concluded with the federal bank and banks that we have carefully chosen and continuously monitored. With respect to derivative financial instruments, the DMG MORI SEIKI group is exposed to a credit risk that arises from the non-performance of contractual agreements by the other party to the agreement. This credit risk is minimised by only entering into transactions with parties of first-class financial credit-worthiness. Pursuant to IFRS 7.36 the carrying amount of the financial assets represents the maximum credit risk. From the following table, a maximum credit risk arises of € 817,625 K as of the end of the reporting period (previous year: € 513,409 K):

	31 Dec. 2013 € K	31 Dec. 2012 € K
Financial assets held for sale	161,816	40,587
Loans and receivables	274,726	291,249
Financial assets held to maturity	6,540	6,540
Cash and cash equivalents	371,149	173,328
Derivative financial assets		
Derivatives without hedge relation	1,419	785
Derivatives with hedge relation	1,975	920
	817,625	**513,409**

There were no securities received or other credit enhancements neither in the financial year nor in the previous year.

The valuation rates of the financial instruments according to valuation categories are shown as follows:

		Valuation in accordance to IAS 39					
	Carrying amount 31 Dec. 2013	Amortised cost	Acquisition cost	Fair value recognised in equity	Fair value through profit or loss	Valuation in accordance to IAS 17	**Fair value at 31 Dec. 2013**
	€ K	€ K	€ K	€ K	€ K	€ K	**€ K**
Assets							
Financial assets	161,816	0		161,816		–	161,816
Cash and cash equivalents	371,149	371,149				–	371,149
Trade receivables	202,789	202,789				–	202,789
Other financial assets	71,937	71,937				–	71,937
Other original financial assets in the category							
Held to maturity	6,540	6,540				–	6,540
Derivative financial assets							
Derivatives without hedge relation	1,419				1,419	–	1,419
Derivatives with hedge relation	1,975			1,975		–	1,975
Equity and liabilities							
Liabilities to banks	3,818	3,818				–	3,818
Discounted customer bills of exchange	10,857	10,857				–	10,857
Trade payables	331,777	331,777				–	331,777
Liabilities from finance lease arrangements	4,103	4,103				4,103	4,103
Other financial liabilities	29,020	29,020				–	29,020
Derivative financial liabilities							
Derivatives without hedge relation	5,489				5,489	–	5,489
Derivatives with hedge relation	274			274		–	274
Of which aggregated in measurement categories acc. to IAS 39							
Loans and receivables	274,726	274,726					274,726
Assets in the category							
held-to-maturity	6,540	6,540					6,540
available for sale	161,816	0		161,816			161,816
held for trading purposes	1,419				1,419		1,419
Liabilities in the category							
measured at amortised cost	381,283	381,283					381,283
held for trading purposes	5,489				5,489		5,489

Carrying amount 31 Dec. 2012	Amortised cost	Acquisition cost	Valuation in accordance to IAS 39: Fair value recognised in equity	Fair value through profit or loss	Valuation in accordance to IAS 17	**Fair value at 31 Dec. 2012**
€ K	€ K	€ K	€ K	€ K	€ K	**€ K**
40,587	0		40,587		–	40,587
173,328	173,328				–	173,328
228,565	228,565				–	228,565
62,684	62,684				–	62,684
6,540	6,540				–	6,540
785				785	–	785
920			920		–	920
6,473	6,473				–	6,473
5,796	5,796				–	5,796
329,628	329,628				–	329,628
2,751	2,751				2,751	2,751
20,067	20,067				–	20,067
11,107				11,107	–	11,107
282			282		–	282
291,249	291,249					291,249
6,540	6,540					6,540
40,587	0		40,587			40,587
785				785		785
364,715	364,715					364,715
11,107				11,107		11,107

For financial instruments accounted at fair value, the fair value is determined, in principle, by way of stock market prices. Insofar as stock market prices are not available, measurement is carried out applying standard economic methods (measurement methods), taking instrument-specific market parameters as a basis.

Fair value assessment is carried out by means of the discounted cash flow method, where the individual credit-standings and other market circumstances in the form of standard market credit-standings or liquidity spreads are taken into account in the cash value assessment.

Financial assets are measured at fair value or acquisition cost (if necessary taking impairments into account).

For loans and receivables, which are measured at amortised acquisition costs, there is no liquid market. For short-term loans and receivables, it is assumed that the fair value corresponds to the carrying amount. All other loans and receivables are assessed at fair value through the deduction of accrued interest on future expected cash flows. In this, interest rates are used for credits, for which credits with a corresponding risk structure, original currency and term have been re-concluded.

Trade creditors and other short-term financial liabilities in general have a term of less than one year, so that the carrying amount corresponds approximately to the fair value.

For liabilities to banks and other long-term liabilities, the fair values are cash values of the payments related to the liabilities taking market standard interest rates as the basis.

Fair Value Hierarchy

As of 31 December 2013, the financial assets and liabilities presented in the following table and measured at fair value were held.

Determining and the classification of fair value of financial instruments is based on a fair value hierarchy, which takes into account the significance of the input data used in the measurement and follows the following stages:

Stage 1: Prices listed on active markets (taken over unchanged) for identical financial assets and liabilities;
Stage 2: For assets or liabilities which are not represented by any listed price in accordance with Stage 1, either direct (as the price) or indirect (derived from price) observable input data;
Stage 3: Input data applied that is not based on observable market data for the measurement of assets and liabilities (non-observable input data).

	31 Dec. 2013			31 Dec. 2012		
	€ K Stage 1	€ K Stage 2	€ K Stage 3	€ K Stage 1	€ K Stage 2	€ K Stage 3
Financial assets						
Measured at fair value						
Other financial assets		0			0	
Derivative financial instruments with hedge relation (not affecting net income)		1,975			920	
Derivative financial instruments without hedge relation (affecting net income)		1,419			785	
Financial liabilities						
Measured at fair value						
Other financial liabilities		0			0	
Derivative financial instruments with hedge relation (not affecting net income)		274			282	
Derivative financial instruments without hedge relation (affecting net income)		5,489			11,107	

In the financial year there was no reclassification between Stages 1 and 2 in the measurement of fair value and there was no reclassification in or out of Stage 3 with respect to the measurement of fair value.

The net results of the financial instruments according to valuation categories are shown as follows:

	From interest € K	Subsequent measuring			Disposal € K	2013 € K
		At fair value € K	Foreign currency translation € K	Value adjustment € K		
Loans and receivables	385	– 4,700	3,632	– 5,050	– 39	– 5,772
Assets in the category						
Held to maturity	0	0	0	0	0	0
Available for sale	0	0	0	0	0	0
Held for trading purposes	0	634	0	0	0	634
Liabilities in the category						
Measured at amortised cost	– 2,947	4	– 4,304	0	1,055	– 6,192
Held for trading purposes	– 5,420	5,618	0	0	0	198
Total	**– 7,982**	**1,556**	**– 672**	**– 5,050**	**1,016**	**– 11,132**

	From interest € K	Subsequent measuring			Disposal € K	2012 € K
		At fair value € K	Foreign currency translation € K	Value adjustment € K		
Loans and receivables	– 520	0	– 1,804	– 5,426	98	– 7,652
Assets in the category						
Held to maturity	0	0	0	0	0	0
Available for sale	0	0	0	0	0	0
Held for trading purposes	0	– 896	0	0	0	– 896
Liabilities in the category						
Measured at amortised cost	– 4,217	– 1,203	577	0	0	– 4,843
Held for trading purposes	– 7,656	4,461	0	0	0	– 3,195
Total	**– 12,393**	**2,362**	**– 1,227**	**– 5,426**	**98**	**– 16,586**

Interests from financial instruments are recognised in interest results.
Value adjustments on trade debtors are recognised in other operating expenses. Interest results from financial liabilities in the valuation category “liabilities at amortised cost” result essentially from interest expenses for liabilities to banks.

Notes on the Cash Flow Statement

39 CASH FLOW STATEMENTS

The statement of cash flows pursuant to IAS 7 “Statement of Cash Flows” records the payment flow in a financial year and represents the inflow and outflow of the company’s liquid funds. The payment flow is distinguished between cash flow from current operations and cash flow from investment and financing activity.

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

The cash flow from current operations was calculated by the indirect method through adjusting the earnings before tax by changes in inventories, trade debtors and payables, non-cash items and all other items showing cash flows in the investment or financing areas.

The cash flows from investment and financing activities were each calculated in terms of actual sums paid. Effects from foreign currency translation and changes in the consolidated group are adjusted accordingly. Investment transactions for finance lease agreements that did not lead to a change in the means of payment did not occur in the financial year 2013, nor in the previous year. As part of the acquisition of shares of Micron S.p.A., cash and cash equivalents amounting to € 762 K were taken over and recognised in cash flow from investment activities. The purchase price for the acquisition of shares amounted to € 7,500 K. As a part of the DMG MORI SEIKI group’s takeover of our cooperation partner’s European sales and service companies in financial year 2012, cash or cash equivalents amounting to € 6,646 K were taken over and recognised in cash flow from investment activities. Detailed notes on the assets and liabilities taken over and on the consideration in kind are presented on page 172 et seq. A purchase price was not paid.

The deposit of minority shareholders during the reporting year resulted from the pro rata increase of equity of DMG MORI SEIKI EUROPE AG by DMG MORI SEIKI COMPANY LIMITED in the amount of € 3,000 K. In the previous year payments arising from changes in ownership interests in subsidiaries amounting to € 4,740 K resulting from the acquisition of shares in Cellstrom GmbH, Vienna; the acquisition costs were a total of € 6,500 K.

The joint ventures were accounted for at equity and thus have no influence on the cash flows.

Notes on Segmental Reporting

40 EXPLANATORY NOTES ON THE SEGMENTS

Within the scope of segment reporting, pursuant to the IFRS 8 regulations, the business activities of the DMG MORI SEIKI group are categorised into the business segments of "Machine Tools", "Industrial Services" and "Corporate Services". Decisive in the differentiation between the business segments is the information that the so-called "chief decision-maker" is regularly provided with for the purposes of decision-making on the allocation of resources and the evaluation of profitability. The segment differentiation follows internal management and reporting on the basis of the different products and services. The key performance indicators for evaluating profitability of each business segment are the sales revenues and EBT.

A tabular presentation as part of the notes can be found on page 140 et seq.

The **"Machine Tools"** segment covers the group's new machines business and consists of the business areas Turning, Milling, Advanced Technologies (Ultrasonic / Lasertec), ECOLINE and Electronics. This includes the lathes and turning centres of

- GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy,
- GRAZIANO Tortona S.r.l., Tortona, Italy,
- FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
- DMG ECOLINE AG, Dübendorf, Switzerland,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the milling machines and machining centres of

- DECKEL MAHO Pfronten GmbH, Pfronten,
- DECKEL MAHO Seebach GmbH, Seebach,
- DMG ECOLINE AG, Dübendorf, Switzerland,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the ultrasonic and laser machines of Advanced Technologies

- SAUER GmbH, Idar-Oberstein / Kempten

and the products of

- DMG ELECTRONICS GmbH, Pfronten.

All machines produced are classified as cutting machine tools, and all business segments are highly concurrent with each other. GILDEMEISTER Beteiligungen GmbH, as the parent company of all production plants, is also part of this segment. Additionally, the group's uniform IT is concentrated here.

The **"Industrial Services"** segment comprises both the Services and Energy Solutions divisions.

The Industrial Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business activities of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, and its subsidiaries.

In the services division, we have bundled our marketing activities and the LifeCycle services for our machines with those of our cooperation partner. With the aid of DMG MORI SEIKI Life Cycles, the productivity of our customers' machine tools are optimised over the entire life cycle – from their installation until part exchange as used machines. The wide range of training, repair and maintenance services offered, guarantees our customers maximum cost-effectiveness for their machine tools. This includes placement and consulting activities. DMG MICROSET tool management and DMG AUTOMATION solutions, enable the user to set up processes for machining work pieces safely and quickly, and thus cost-effectively. Another area is key accounting to serve major international customers, which is concentrated for all products and areas.

The "Energy Solutions" division includes the business activities of a+f GmbH and the companies responsible for sales, service and production in Italy, Spain, Austria and India. It includes the four business sectors, Components, Cellstrom, Energy Efficiency and Service. We are no longer developing projects with large-scale solar installations. Cellstrom GmbH offers products for storing energy. We are continuing to expand our activities in the field of storage technology and intend to share with our well-engineered vanadium-redox technology in the market growth in future for decentralised storage. In the "Components" division, DMG MORI SEIKI group specialises in the production and marketing of cast iron and steel components, in particular for mechanical engineering and wind power plants.

The **"Corporate Services"** segment primarily comprises the DMG MORI SEIKI AKTIENGESELLSCHAFT with its group wide holding functions. Central functions have been assigned to DMG MORI SEIKI AKTIENGESELLSCHAFT such as group strategy, development and purchasing coordination, management of overall projects in the production and logistics areas, financing, corporate controlling and corporate personnel management. The holding functions across the group result in expense and sales revenues.

41 EXPLANATORY NOTES ON SEGMENT DATA

The definition of terms used in individual segment information is in line with the management principle for the value-oriented corporate management of the DMG MORI SEIKI group. Segment data is generally based on the same accounting and valuation methods as form the basis for the Consolidated Financial Statements.

Segmental assets include all assets tied up in the operative business including shares, goodwill and prepaid expenses; it does not include income tax claims. To evaluate the profitability of the segments, sales revenues from the “Machine Tools” segment are reclassified to the “Industrial Services” segment. Sales between the segments are made at standard market transfer prices.

Pursuant to IFRS 3 “Business Combinations”, existing goodwill was allocated to the segments as follows: goodwill is attributed to the “Machine Tools” segment amounting to € 39,072 K (previous year: € 39,072 K), to the “Industrial Services” segment in the amount of € 82,438 K (previous year: € 80,449 K), and to the “Corporate Services” segment amounting to € 0 K (previous year: € 0 K). No impairment of goodwill was recorded for the financial year.

Investments include the additions to tangible fixed assets and intangible assets, to property, plant and equipment and additions to financial assets.

Intersegment sales revenues show the sales revenues that have been made between the segments. The settlement prices of intra-group sales revenues are determined in line with the market (arm’s length principle).

Depreciation relates to segmental fixed assets.

The EBT of the “Machine Tools” segment includes income from the reversal of provisions in the financial year of € 5,657 K (previous year: € 5,323 K). The EBT of the “Industrial Services” segment includes income from the reversal of provisions in the financial year of € 5,387 K (previous year: € 8,929 K). Electricity yielded from solar parks were recognised in the amount of € 6,045 K (previous year: € 6,706 K) as sales revenues.

In the financial year non-cash expenses of € 4,338 K from the impairment of an investment were accounted for in the “Corporate Services“ segment and, as in the previous year, € 838 K from the amortisation of transaction costs for financial instruments are included. No material non-cash expenses occurred in the two other segments.

In financial year 2013 and in the previous year, no transactions were carried out with any one customer that were more than 10% of the sales revenues of the DMG MORI SEIKI group.

The "Transition" column represents the elimination of intra-group receivables and liabilities, income and expenses, as well as the elimination of intermediate results between the segments.

The information on geographical areas is based on the registered office of the group companies and is broken down into regions comprising Germany, the rest of Europe, North America, Asia and the rest of the world, which includes Mexico and Brazil. The data is determined on the basis of geographical sub-groups.

Long-term assets arise mainly out of fixed assets; they do not include financial instruments or deferred tax claims.

Other explanatory notes

42 AUDITOR'S FEES AND SERVICES

The fees and charges recognised as expense in financial year 2013 for the auditors of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, relate to auditing services as to € 1,083 K (previous year: € 961 K) and to other assurance services as to € 1,031 K (previous year: € 22 K), which essentially result from services in connection with the capital increases implemented. Furthermore, tax advisory services of € 492 K (previous year: € 289 K) and other services are included at € 1,261 K (previous year: € 791 K).

43 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

By decision of the Bielefeld District Court of 4 February 2014, Dr. Helmut Rothenberger has been appointed to the supervisory board of DMG MORI SEIKI AKTIENGESELLSCHAFT. He replaces Hans Henning Offen. The Supervisory Board chose Dr. Rothenberger as its Deputy Supervisory Board Chairman. He is also a member of the Personnel, Nominations and Remuneration Committee as well as of the Nominations Committee. There were no other significant events after the close of the reporting period. No other material events occurred before the date of submission to the Supervisory Board on 24 February 2014.

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

44 INFORMATION OF RELATIONS WITH RELATED COMPANIES AND PERSONS

Related people and companies within the meaning of IAS 24 “Related Party Disclosures” are, in principle, members of the Executive Board and of the Supervisory Board, close members of their families and subsidiaries that are not fully consolidated. Related parties were not party to any significant transaction or any transaction of unusual nature or structure with companies of the DMG MORI SEIKI group. All transactions between related companies are carried out under normal market conditions, as if with external third parties.

DMG / Mori Seiki Australia Pty. Ltd. and SUN CARRIER OMEGA Pvt. Ltd. are classified as joint ventures. MG Finance GmbH and Magnescale Co. Ltd. (see explanation on equity) are seen as associates. Other related companies of the DMG MORI SEIKI group are all companies which belong to the group of consolidated companies of DMG MORI SEIKI COMPANY LIMITED, Nagoya, with the exception of Magnescale Co. Ltd.

In the reporting year, a deposit by DMG MORI SEIKI COMPANY LIMITED in the amount of € 3,000 K resulted from the pro rata equity increase of DMG Mori Seiki Europe AG.

Provisions for doubtful debts in connection with outstanding balances amounted to € 171 K (previous year: € 187 K) in the reporting period. In financial year 2013, expenses for uncollectible or doubtful debts against related companies and people in the amount of € 221 K (previous year: € 254 K) were recognised.

Moreover, acquisition costs for licenses from other affiliated companies amounted to € 3,640 K in the reporting period. They are capitalized as industrial property rights and similar rights and are depreciated over a five-year period from the time of their utilisation using the straight-line method.

The following transactions were carried out with related party companies:

SALE OF GOODS	2013 € K	2012 € K
Associates	59,693	69,248
Joint ventures	5,181	5,911
Other related companies	122,228	51,991

PURCHASE OF GOODS	2013 € K	2012 € K
Associates	3,149	1,008
Joint ventures	161	14
Other related companies	246,192	86,185

The disclosure of receivables and liabilities against related companies is shown under the corresponding explanations of the financial position items. Details to the remuneration Structure for the Executive Board and the Supervisory Board is explained in the Management Report on page 44 et seq. The management in key positions comprises the members of the Executive Board and of the Supervisory Board. The indirect remuneration contains benefits following the termination of the employment relationship, the LTI, other long-term benefits due and all other remuneration components due short-term containing benefits.

During the reporting year, the Institute for Manufacturing Excellence GmbH, founded by Prof. Dr.-Ing. Klinkner, was paid consultancy fees of € 729 K.

45 DUTY OF NOTIFICATION PURSUANT TO SECTION 26 WPHG

The obligatory notifications pursuant to section 26 WPHG are stated in the Consolidated Financial Statements of DMG MORI SEIKI AKTIENGESELLSCHAFT.

46 CORPORATE GOVERNANCE

The declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and the Corporate Governance Report was made in December 2013 and has been made permanently accessible on our website at www.dmgmoriseiki.com.

DMG MORI SEIKI Group Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES)	National currency	Equity [1]	€ K	Participation quota in %
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			240,416	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			47,922	100.0
SAUER GmbH, Stipshausen / Idar-Oberstein [3/7/8]			7,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			73	100.0
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			28	100.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [5]	CNY K	90,428	10,831	100.0
FAMOT Pleszew Sp.z o. o., Pleszew, Poland [5]	PLN K	219,888	52,930	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/5/6]			15,750	100.0
GILDEMEISTER Partecipazioni S.r.l., Tortona, Italy [5]			57,122	100.0
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			43,856	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			22,695	100.0
DMG Service Drehen Italia S.r.l., Brembate di Sopra (Bergamo), Italy [9]			789	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [9] (previous: a+f Italia S.r.l.)			1,355	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			30,363	100.0
DMG Electronics GmbH, Pfronten [3/5/6]			500	100.0
DMG MORI SEIKI Spare Parts GmbH, Geretsried [3/4/5/6] (previous: DMG Spare Parts GmbH)			19,000	100.0
Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5]	RUB K	534,105	11,784	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			27	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			97	100.0
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [2/3/4]			155,163	100.0
DMG MORI SEIKI Deutschland GmbH, Leonberg [3/4/10/11]			45,000	100.0
DMG MORI SEIKI München Vertriebs und Service GmbH, Munich [3/4/12/13]			929	100.0
DMG MORI SEIKI Hilden Vertriebs und Service GmbH, Hilden [3/4/12/13]			935	100.0
DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH, Bielefeld [3/4/12/13]			957	100.0
DMG MORI SEIKI Berlin Vertriebs und Service GmbH, Berlin [3/4/11/12]			301	100.0
DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH, Bad Homburg [3/4/12/13]			610	100.0
DMG MORI SEIKI Hamburg Vertriebs und Service GmbH, Hamburg [3/4/12/13]			200	100.0
DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH, Leonberg [3/4/12/13]			4,299	100.0
DMG MORI SEIKI Services GmbH, Bielefeld [3/4/10/11]			8,830	100.0
DMG Microset GmbH, Bielefeld [3/4/14/15]			1,405	100.0
DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [3/4/14/15]			1,508	100.0
DMG Service Fräsen GmbH, Pfronten [3/4/14/15]			2,730	100.0
DMG MORI SEIKI Academy GmbH, Bielefeld [3/4/14/15] (previous: DMG Trainings-Akademie GmbH DECKEL MAHO GILDEMEISTER)			2,771	100.0
DMG Automation GmbH, Hüfingen [3/4/14/15]			1,486	100.0
DMG MORI SEIKI Used Machines GmbH, Geretsried [3/4/10/11] (previous: DMG Gebrauchtmaschinen GmbH DECKEL MAHO GILDEMEISTER)			17,517	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
DMG Netherlands B.V., Veenendaal, Netherlands [10]			194,904	100.0
DMG Holding AG, Dübendorf, Switzerland [16]			180,843	100.0
DMG MORI SEIKI Europe AG, Dübendorf, Switzerland [17]			231,240	60.0
DMG / MORI SEIKI Austria International GmbH, Klaus, Austria [18]			917	100.0
DMG / MORI SEIKI Austria GmbH, Klaus, Austria [19]			5,547	100.0
DMG / MORI SEIKI BENELUX B.V., Veenendaal, Netherlands [18]			3,948	100.0
DMG – MORI SEIKI Benelux BVBA – SPRL., Zaventem, Belgium [18]			1,818	100.0
DMG MORI SEIKI Czech s.r.o., Brno, Czech Republic [18]	CZK K	85,052	3,101	100.0
DMG MORI SEIKI DENMARK ApS, Copenhagen, Denmark [18]	DKK K	6,830	916	100.0
DMG MORI SEIKI FRANCE SAS, Paris, France [18]			10,024	100.0
DMG / MORI SEIKI Hungary Kereskedelmi és Szerviz Korlatolt Felelössegü Tarasag, Budapest, Hungary [18]			3,174	100.0
DMG MORI SEIKI IBERICA S.L.U., Ripollet, Spain [18]			8,112	100.0
DMG MORI SEIKI Italia S.r.l., Milan, Italy [18]			35,594	100.0
Micron S.p.A., Veggiano, Italy [20]			3,497	100.0
DMG MORI SEIKI MIDDLE EAST FZE, Dubai, United Arab Emirates [18]	AED K	2,647	523	100.0
DMG/MORI SEIKI POLSKA Sp. z o.o., Pleszew, Poland [18]	PLN K	22,498	5,415	100.0
DMG MORI SEIKI Schweiz AG, Dübendorf, Switzerland [18]	CHF K	10,089	8,219	100.0
DMG / MORI SEIKI South East Europe M.E.P.E., Thessaloniki, Greece [18]			158	100.0
DMG Mori Seiki Sweden AB, Göteborg, Sweden [18]	SEK K	59,552	6,722	100.0
DMG Scandinavia Norge AS, Langhus, Norway [18]	NOK K	8,411	1,006	100.0
DMG MORI SEIKI UK Limited, Luton, Great Britain [18]	GBP K	16,292	19,541	100.0
MORI SEIKI (UK) Limited, Coventry, Great Britain [21]	GBP K	3,500	4,198	100.0
DMG MORI SEIKI ROMANIA Sales & Services S.R.L., Bukarest, Romania [18]	RON K	9,837	2,200	100.0
DMG Europe Holding AG, Dübendorf, Switzerland [17]			8,707	100.0
DMG MORI SEIKI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [22]	TRY K	14,795	4,997	100.0
DMG Russland O.O.O., Moskau, Russia [22]	RUB K	248,512	5,483	100.0
DMG MORI SEIKI CANADA INC., Toronto, Canada [17]	CAD K	0	0	51.0
DMG Canada Inc., Toronto, Canada [17]	CAD K	4,142	2,823	100.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	21	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	21	100.0
DMG Nippon K.K., Yokohama, Japan [17]	JPY K	268,006	1,852	100.0
DECKEL MAHO GILDEMEISTER Brasil Ltda., São Paulo, Brazil [17]	BRL K	4,903	1,813	100.0
DMG ECOLINE AG, Dübendorf, Switzerland [17]			1,461	100.0
Cellstrom GmbH, Klaus, Austria [16] (previous: DMG Europe Holding GmbH)			74,000	100.0
DMG ECOLINE GmbH, Klaus, Austria [23]			3,339	100.0
DMG Mori Seiki South East Asia Pte. Ltd., Singapur [23]	SGD K	25,740	14,781	51.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
DMG (Thailand) Co. Ltd., Bangkok, Thailand [24]	THB K	2,750	61	100.0
DMG Mori Seiki (Malaysia) SDN.BHD., Shan Alam / Selangor, Malaysia [24]	MYR K	11,747	2,598	100.0
DMG Mori Seiki (Vietnam) Co. Ltd., Hanoi, Vietnam [24]	VND K	14,583,715	502	100.0
DMG America Inc., Itasca, USA [23]	USD K	39,834	28,891	100.0
DMG MORI SEIKI MEXICO S.A. de C.V., Queretaro, Mexico [25]	MXN K	70,338	3,892	51.0
DMG Los Angeles Inc., Los Angeles, USA [25]	USD K	333	241	100.0
DMG Asia Pte. Ltd., Singapur [23]			20,182	100.0
DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED, Bangalore, India [10]	INR K	594,640	6,963	51.0
DMG MORI SEIKI (Taiwan) Co. Ltd., Taichung, Taiwan [10]	TWD K	99,605	2,413	100.0
DMG MORI SEIKI KOREA CO. LTD., Sihung-Si / Gyeonggi-do, Korea [10]	KRW K	8,246,582	5,684	100.0
DMG MORI SEIKI Machine Tools Trading Co. Ltd., Shanghai, China [10] (previous: DMG Technology Trading (Shanghai) Co. Ltd.)	CNY K	90,927	10,891	100.0
a + f GmbH, Würzburg [3/4/10/11]			52,100	100.0
GILDEMEISTER energy efficiency GmbH, Stuttgart [26]			46	60.0
GILDEMEISTER ENERGY SERVICES IBERICA, SOCIEDAD LIMITADA, Madrid, Spain [26] (previous: AF Sun Carrier Iberica S.L.)			−323	100.0
Green Energy Babice s.r.o., Babice, Czech Republic [26]	CZK K	−32,741	−1,194	100.0
Simon Solar S.r.l., Milan, Italy [26]			933	100.0
Rena Energy S.r.l., Milan, Italy [26]			665	100.0
Winch Puglia Foggia S.r.l., Milan, Italy [26]			971	100.0
Cucinella S.r.l., Milan, Italy [26]			167	100.0
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [26] (previous: Solar Power Puglia S.r.l.)			−25	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity 1)	€ K	Participation quota in %
Jointly-controlled entities (joint Ventures)				
DMG / Mori Seiki Australia PTY LTD, Clayton Victoria, Australia	AUD K	5,329	3,455	50.0
SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India	INR K	60,000	828	50.0
Associates				
MG Finance GmbH, Wernau			19,373	42.6
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	6,390,918	44,161	44.1
Magnescale Europe GmbH, Wernau			537	44.1
Magnescale Americas, Inc. Davis, USA	USD K	789	572	44.1

1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated at the market price on reporting date.
2) Management and profit and loss transfer agreement with DMG MORI SEIKI Aktiengesellschaft
3) The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents.
4) The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the preparation of a management report.
5) Equity investment of GILDEMEISTER Beteiligungen GmbH
6) Management and profit and loss transfer agreement with GILDEMEISTER Beteiligungen GmbH
7) Equity investment of DECKEL MAHO Pfronten GmbH
8) Management and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH
9) Equity investment of GILDEMEISTER Partecipazioni S.r.l.
10) Equity investment of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
11) Management and profit and loss transfer agreement with DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER
12) Equity investment of DMG MORI SEIKI Deutschland GmbH
13) Management and profit and loss transfer agreement with DMG MORI SEIKI Deutschland GmbH
14) Equity investment of DMG MORI SEIKI Services GmbH
15) Management and profit and loss transfer agreement with DMG MORI SEIKI Services GmbH
16) Equity investment of DMG Netherlands B.V.
17) Equity investment of DMG Holding AG
18) Equity investment of DMG MORI SEIKI Europe AG
19) Equity investment of DMG / MORI SEIKI Austria International GmbH
20) Equity investment of DMG MORI SEIKI Italia S.r.l.
21) Equity investment of DMG MORI SEIKI (UK) Limited
22) Equity investment of DMG Europe Holding AG
23) Equity investment of Cellstrom GmbH
24) Equity investment of DMG Mori Seiki South East Asia Pte. Ltd.
25) Equity investment of DMG America Inc.
26) Equity investment of a+f GmbH

Corporate directory

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

Supervisory Board

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

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

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

Mario Krainhöfner,
Pfronten, born in 1964,
Deputy Chairman since 28 November 2013
Group Works Council Chairman 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,
• REAL AG, Immobiliengesellschaft, Chairman of Supervisory Board,
• AUTANIA AG, Chairman of Supervisory Board,
• Rothenberger AG, Chairman of Supervisory Board,
* Dr. Helmut Rothenberger Holding GmbH, Chairman of the management

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

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

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

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

Prof. Dr.-Ing. Berend Denkena,
Hanover, born in 1959,
since 17 May 2013,
Director of the Institute of Production Engineering and Machine Tools (IFW) 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,
since 17 May 2013
1st Director and Treasurer of IG Metall Kempten administrative office – AGCO GmbH

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

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

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

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

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

Executive Board

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

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

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

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

Dipl.-Kfm. Christian Thönes,
Bielefeld

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

Responsibility Statement

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

Bielefeld, 24 February 2014
DMG MORI SEIKI AKTIENGESELLSCHAFT
Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza

Dipl.-Kfm. Dr. Thorsten Schmidt

Dipl.-Kffr. Kathrin Dahnke

Dipl.-Kfm. Christian Thönes

Dipl.-Kfm. Dr. Maurice Eschweiler

Auditors' report

We have audited the consolidated financial statements prepared by DMG MORI SEIKI AKTIENGESELLSCHAFT, Bielefeld (until 10 October 2013: GILDEMEISTER Aktiengesellschaft), comprising the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated balance sheet, the development to group equity, consolidated cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with International Financial Reporting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a (Abs. 1) HGB "German Commercial Code" are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 10 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Tonne	Bröker
Auditor	Auditor

Group Overview
Multiple Year Overview

DMG MORI SEIKI GROUP		IFRS 2007	2008	2009	2010	2011	2012*	2013	Changes against previous year in %
Sales revenues	**€ K**	**1,562,037**	**1,903,964**	**1,181,222**	**1,376,825**	**1,687,657**	**2,037,362**	**2,054,219**	**1**
Domestic	€ K	730,372	829,874	496,475	499,124	632,578	722,126	676,483	–6
International	€ K	831,665	1,074,090	684,747	877,701	1,055,079	1,315,236	1,377,736	5
% International	%	53	56	58	64	63	65	67	4
Total work done	**€ K**	**1,599,601**	**1,954,856**	**1,143,645**	**1,373,542**	**1,743,556**	**2,055,065**	**2,060,978**	**0**
Cost of materials	€ K	833,948	1,066,296	559,783	768,148	952,693	1,129,323	1,086,677	–4
Personnel costs	€ K	366,411	405,497	346,025	333,150	384,704	440,408	465,232	6
Depreciation	€ K	32,311	30,663	29,119	29,456	33,605	40,913	46,345	13
Financial result	€ K	–42,458	–31,444	–24,733	–38,045	–46,076	–13,740	–13,449	2
Earnings before taxes	**€ K**	**83,449**	**126,745**	**7,109**	**6,532**	**66,893**	**120,097**	**135,014**	**12**
Annual profit / loss	**€ K**	**50,137**	**81,119**	**4,706**	**4,300**	**45,539**	**82,359**	**93,205**	**13**
Adjusted results									
EBITDA	**€ K**	**158,218**	**188,852**	**60,961**	**74,436**	**146,102**	**173,828**	**193,944**	**12**
EBIT	**€ K**	**125,907**	**158,189**	**31,842**	**44,980**	**112,497**	**132,915**	**147,599**	**11**
EBT	**€ K**	**83,449**	**126,745**	**7,109**	**6,532**	**66,893**	**120,097**	**135,014**	**12**
Profit share of shareholders in DMG MORI SEIKI AG	**€ K**	**50,087**	**81,052**	**4,658**	**4,205**	**46,846**	**77,294**	**85,077**	**10**
Fixed assets	**€ K**	**285,262**	**301,330**	**326,024**	**365,339**	**403,925**	**500,697**	**718,447**	**43**
Intangible assets	€ K	100,057	99,368	100,149	112,757	132,354	184,598	192,817	
Tangible assets	€ K	184,848	201,606	197,354	201,807	218,025	263,174	317,341	
Financial assets	€ K	357	356	28,521	50,775	53,546	52,925	208,289	
Current assets incl, deferred tax and deferred income	**€ K**	**864,863**	**1,089,028**	**826,630**	**992,188**	**967,883**	**1,117,800**	**1,291,598**	**16**
Inventories	€ K	361,044	425,858	391,235	410,289	451,986	486,259	483,840	
Receivables incl. deferred tax assets + prepaid expenses	€ K	408,267	405,248	350,955	470,130	410,746	458,213	436,609	
Cash and cash equivalents	€ K	95,552	257,922	84,440	111,769	105,151	173,328	371,149	
Equity	**€ K**	**329,513**	**379,690**	**380,815**	**412,893**	**655,158**	**775,355**	**1,164,441**	**50**
Subscribed capital	€ K	112,587	112,587	118,513	118,513	151,744	151,744	200,234	
Capital provisions	€ K	68,319	68,319	80,113	80,113	257,177	257,177	480,383	
Revenue provisions	€ K	148,958	199,067	182,427	207,704	234,137	281,825	389,442	
Minority interest's share of equity	**€ K**	**–351**	**–283**	**–238**	**6,563**	**12,100**	**84,609**	**94,382**	**12**
Outside capital	**€ K**	**820,612**	**1,010,668**	**771,839**	**944,634**	**716,650**	**843,142**	**845,604**	**0**
Provisions	€ K	214,041	252,676	188,051	179,289	196,703	254,371	258,984	
Liabilities incl. deferred tax liabilities + deferred income	€ K	606,571	757,992	583,788	765,345	519,947	588,771	586,620	
Balance Sheet total	**€ K**	**1,150,125**	**1,390,358**	**1,152,654**	**1,357,527**	**1,371,808**	**1,618,497**	**2,010,045**	**24**
Employees (annual average)		5,588	6,051	5,763	5,187	5,576	6,149	6,410	4
Employees (31 Dec.)		5,772	6,191	5,197	5,232	5,810	6,267	6,497	4
Trainees		226	260	253	213	222	229	225	–2
Total employees		**5,998**	**6,451**	**5,450**	**5,445**	**6,032**	**6,496**	**6,722**	**3**

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

DMG MORI SEIKI GROUP		IFRS							Changes against previous year in %
		2007	2008	2009	2010	2011	2012*	**2013**	
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	8.1	8.3	2.7	3.3	6.7	6.5	7.2	10
Profit on sales (EBT) = EBT / Sales revenues	%	5.3	6.7	0.6	0.5	4.0	5.9	6.6	11
Profit on sales (Annual result) = Annual result / Sales revenues	%	3.2	4.3	0.4	0.3	2.7	4.0	4.5	12
Equity return = Annual result / Equity (as of 01 Jan.)	%	17.4	24.6	1.2	1.1	11.0	12.6	12.0	−4
Return on total assets = EBT + interest on borrowed capital / average total assets	%	12.2	12.7	2.8	3.7	8.5	9.2	8.1	−12
ROI – Return on Investment = EBT / average total capital	%	7.9	10.0	0.6	0.5	4.9	8.0	7.4	−7
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€K	279.5	314.7	205.0	265.4	302.7	331.3	320.5	-3
EBIT per employee = EBIT / average number of employees (exc. trainees)	€K	22.5	26.1	5.5	8.7	20.2	21.6	23.0	7
ROCE – Return on capital employed = EBIT / Capital Employed	%	17.8	21.0	3.9	5.6	14.4	15.3	13.8	−10
Value added	€ million	492.9	564.3	378.8	378.9	497.9	574.2	613.8	7
Value added per employee	€ K	88.2	93.3	65.7	73.0	89.3	93.4	95.8	3
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	24.8	21.7	28.3	26.9	29.4	30.9	35.7	16
Working intensity of current assets = current assets / total assets	%	72.4	75.8	68.2	69.5	67.1	65.7	61.3	−7
Equity ratio = equity / total capital	%	28.7	27.3	33.0	30.4	47.8	47.9	57.9	21
Borrowed capital ratio = borrowed capital / total assets	%	71.3	72.7	67.0	69.6	52.2	52.1	42.1	−19
Assets and liabilities structure = fixed assets / current assets	%	34.3	28.6	41.5	38.7	43.9	47.1	58.4	24
Capital structure = equity / outside capital	%	40.2	37.6	49.3	43.7	91.4	92.0	137.7	50

>> to be continued

DMG MORI SEIKI GROUP		IFRS							Changes against previous year in %
		2007	2008	2009	2010	2011	2012*	**2013**	
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	15.3	40.8	19.3	19.6	20.0	28.5	60.2	111
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	75.5	99.4	90.3	93.4	89.1	94.8	121.2	28
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	115.4	151.5	169.8	148.3	150.8	149.2	175.7	18
Net financial liabilities = bank liabilities + bond borrower's note – liquid funds	€ million	165.0	120.4	244.9	208.4	– 71.2	– 161.0	– 356.4	121
Gearing = net financial liabilities / equity	%	50.0	31.7	64.3	50.5	–	–	–	–
Working Capital = current assets – short-term borrowed capital	€ million	127.4	385.9	339.0	295.7	283.6	299.0	466.6	56
Net Working Capital 1) = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	398.2	416.4	445.7	354.4	271.3	221.3	196.8	– 11
Capital Employed = equity + provisions + net financial liabilities	€ million	708.6	752.7	813.7	800.6	780.7	868.7	1.067.0	23
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		5.3	6.0	3.0	3.9	4.3	5.0	4.8	– 3
Turnover rate of inventories = sales revenues / inventories		4.3	4.5	3.0	3.4	3.7	4.2	4.2	1
Turnover rate of receivables = sales revenues (incl. 16% or 19% 2) VAT on domestic revenues) / average trade debtors		6.2	7.1	4.9	5.4	6.9	9.8	10.1	3
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)		1.4	1.4	1.0	1.0	1.2	1.3	1.0	– 19
DSO (Days sales outstanding) = average trade debtors / (sales revenues (incl. 16% or 19% 2) vat on domestic revenues)) x 365		58.6	51.2	75.2	67.7	52.6	37.2	36.1	– 3

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

DMG MORI SEIKI GROUP		IFRS							Changes against previous year in %
		2007	2008	2009	2010	2011	2012*	**2013**	
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	52.1	54.5	48.9	55.9	54.6	55.0	52.7	−4
Intensity of staff = Personnel costs / Total work done	%	22.9	20.7	30.3	24.3	22.1	21.4	22.6	5
Cash flow & Investments									
Cash flow from current operations	€ million	128.2	108.6	−75.2	74.6	161.0	168.7	171.1	1
Cash flow from investment activity	€ million	−46.7	−49.4	−56.5	−40.3	−80.6	−63.0	−160.1	−154
Cash flow from financing activity	€ million	−27.7	104.0	−42.3	−8.3	−86.7	−39.2	189.5	583
Free Cashflow = cash flow from current operation + cash flow from investment activity (exc. cash flow from financial investments)	€ million	84.8	60.1	−100.5	45.3	95.2	99.1	67.3	−32
Investments	€ million	53.1	50.2	57.8	50.0	89.7	74.5	213.5	187
Share & valuation									
Market capitalisation	€ million	801.1	339.9	516.4	761.2	586.6	917.6	1,824.6	99
Company value = Market capitalisation + bank liabilities + bond liabilities / borrowers' note + bills of exchange + other liabilities + pension provisions − liquid funds	€ million	1,071.4	552.6	846.3	1,066.0	600.5	867.8	1,585.0	83
Earnings per share = result after minority interests / number of shares	€	1.16	1.87	0.10	0.09	0.85	1.32	1.33	1
Price-to-earnings ratio (P / E) = market capitalisation / EBT		9.6	2.7	72.6	116.5	8.8	7.6	13.5	77
Company value-EBITDA-ratio = company value / EBITDA		6.8	2.9	13.9	14.3	4.1	5.0	8.2	64
Company value-EBIT-ratio = company value / EBIT		8.5	3.5	26.6	23.7	5.3	6.5	10.7	64
Company value sales ratio = company value / sales revenues		0.7	0.3	0.7	0.8	0.4	0.4	0.8	81

1) Since 01 January 2012 including notes payable
2) From 2007 19% VAT on domestic sales revenues; before 16%

Commercial Glossary

Acquisition
The acquisition of companies or operations either through the transfer of shares or the transfer of all or certain assets and liabilities of a company or through a combination of both. The legal independence of the partners may be preserved.

At Equity
The equity method is a way of presenting the accounts to account for shares in and business relationships with associated companies and joint ventures in single entity and consolidated financial statements.

Aval lines / Aval tranches
An “aval“ line (from the Italian “avallo“ - endorsement) in banking terms is the making available of a surety, guarantee or other warranty by a bank on behalf of bank customers as part of a credit transaction. “Aval tranche” refers to a partial amount.

Contingent capital increase
An increase in the share capital of a public limited company (Aktiengesellschaft) that may only be carried out to the extent a conversion or pre-emptive right is exercised which the company has granted to the new shares (pre-emptive shares). The share capital is only increased once the pre-emptive shares have been issued. The share capital planned by means of the contingent capital increase is referred to as contingent capital.

Cap
The term “cap“ is generally used to refer to an upper limit. Specifically, a cap on a liability with a variable interest rate may ensure that the interest payable does not exceed a maximum rate. A cap can be seen as a form of insurance against rising interest rates.

Cash Flow
Changes in liquid funds in a reporting period.

Cash Pooling
The term “cash pooling” refers to an internal company means of balancing liquidity through centralised financial management.

Closing
The legal conclusion of and the legal entering into force of an agreement on the financial market.

Compliance
The German Corporate Governance Code defines compliance as the responsibility of the Executive Board to ensure that all provisions of law and the company’s internal guidelines are abided by. The term compliance furthermore stands for the observance of regulatory standards and for fulfilling other, essential ethical standards and requirements, which as a rule are set by the company itself.

Convertible bonds
A convertible bond (also convertible note, subscription right) is a type of bond that has both debt and equity-like features as the holder can convert the bond into a specified number of shares of common stock in the issuing company.

Corporate Governance
The responsible management and control of companies geared towards the creation of long-term value.

COSO Framework
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a voluntary private sector organisation in the USA, which is intended to assist in improving the quality of financial reporting through ethical business practice, effective controls and good corporate management.

Covenants
Additional or supplementary stipulations in credit agreements. The borrower agrees to observe specific indices. If these are breached the agreement may be terminated

Directors‘ Dealing
Dealings in securities in their own company by members of the management of listed companies or by persons or companies closely associated with them.

Discounting / Discount
Discounting is a financial calculation mechanism that calculates the value of a future payment for a period prior to payment. Discounting is frequently used, but not necessarily, to determine the present value (cash value) of a future payment.

Diversity
Diversity means male and female employees reflecting a variety of qualities that in the dimensions of diversity may relate to: age, gender, sexual orientation, ethnicity, religious beliefs and ideology.

D&O Insurance
The Directors' and Officers' insurance insures the risk arising from liability of executive board members, supervisory board members and managers.

EAT
Earnings **a**fter **t**axes. EAT is a key performance indicator from business economics and is taken from the income statement of a company.

EBITDA
Earnings **b**efore **i**nterest, **t**axes, **d**epreciation and **a**mortisation.

EBIT
Earnings **b**efore **i**nterest and **t**axes.

EBT
Earnings **b**efore **t**axes

EPS
Earnings **p**er **s**hare is a key performance indicator to evaluate the profitability of a stock corporation. It represents a special type of return on equity. To determine this key performance indicator the consolidated annual net income of the company (in the analysis period) is divided by the weighted average number of shares outstanding over the period.

Fair Value
"Fair value" is the amount at which an asset can be transferred or a liability settled between experts, willing parties and independent business partners (arm's length transaction).

Free Cash Flow
Free funds that are available to the company, arising from the cash flow balance from current operations and investment activity. Investments in the financial assets are not taken into account in this respect.

Free Float
Part of the share capital in portfolio investments

Gearing
Gearing expresses the debt to equity ratio.

Global Sourcing
The systematic exploitation of procurement markets worldwide. The aim is to optimise the procurement of resources at a company without being restricted to the company's local, regional, national and/or continental catchment area.

IFRS / IAS
The **I**nternational **F**inancial **R**eporting **S**tandards are internationally applicable accounting standards for companies. They ensure international comparability of group accounts. The individual sections of the IFRS are called IAS (International Accounting Standards) or IFRS (International Financial Reporting Standards).

Joint Committee
The Joint Committee is composed of the top management of DMG MORI SEIKI AKTIENGESELLSCHAFT and DMG MORI SEIKI COMPANY LIMITED. It manages and coordinates the entire global activities.

Statement of cash flows
A snapshot of the liquidity development/cash flows taking the sources and uses of the funds into consideration.

Deferred Taxes
Inter-period differences between calculated taxes on profit or loss from a commercial and tax balance sheet, with the object of showing tax expenditure in accordance with the correct commercial result..

Local Content
Percentage of goods purchased in the country of the production plant (in contrast to imported components) in the value of a product.

LTI
Long-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board (Long Term Incentive)

Market Capitalisation
This is the current price of a listed company. It is determined by the share's market value multiplied by the total number of shares.

Merger
Joining of two or more companies that until then used to be legally and economically independent organisations, where at least one of the companies will lose its independent legal status.

Net Working Capital
The term net working capital is a customary key performance indicator in accounting.

Option
An option bond or loan is an instrument of indebtedness that grants the holder additional rights, more specifically it is a security bearing interest that besides the right to payment (interest and repayment of the principle) also has a right to be converted into shares (subscription right).

Performance Units Model
This model is a customary arrangement for the LTI (long-term incentive) for members of the Executive Board. The model determines a number of performance units for each member of the Executive Board on the basis of an assumed amount of money and the company's share price. These performance units, or rather virtual shares, are not entitled to any dividends or voting rights. The units may not be traded or sold to any third party. Following expiry of the relevant period, the LTI payment amount is calculated from the number of units. This takes account of the company's share performance and whether set targets regarding the EAT of the company have been achieved.

Plenum
The full assembly or meeting as far as possible of all members /committees of an institution.

Rating
A periodic standardised assessment of risk and credit standing of issuers and the securities issued by them. Ratings are performed by specialised, generally approved agencies.

ROCE
Return on capital employed: EBIT to equity, provisions and net indebtedness.

SD-KPIS
Sustainable Development Key Performance Indicators.

Sourcing
Is a general term for all types of resource procurement at the company.

STI
Short-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board (Short Term Incentive).

Syndicated loan
A credit facility that is granted jointly by several banks.

Tranche
A term to describe the partial amount of a whole.

TERP
The accepted share price following the issue of new shares in accordance with a capital increase. (Theoretical ex-rights price).

Value at Risk measure
The term "value at risk" (VaR) is the risk measure of the risk of loss on a specific portfolio of financial assets over a given time. The VaR states the given probability level that the loss on the portfolio will exceed a given value over a given time horizon.

Value Added Statement
The value added statement presents the difference between the company's output and the consumption of products and services in terms of value. The distribution statement shows the stake of those participating in the value-added process – employees, companies, lenders, shareholders / minority interests and government.

Technical Glossary

Additive
Auxiliary materials (admixtures) which are added to products in small quantities in order to achieve or improve specific properties are known as additives.

App
An "App" (English abbreviation for application) is a user programme for smart phones.

CAD
Computer **A**ided **D**esign (CAD) describes the drawing and design of a structural part with the help of computers.

CAM
To produce a structural part, all the work procedures and movements for the machine tool are taken from the drawing data. This is carried out in the CAM programming (computer-aided manufacturing) by means of special software.

CellCube
The Cellcube big battery is an energy store that is designed for industrial use. Its fields of application are found in providing uninterrupted power supply for unstable networks, the storage of energy from renewable energy sources or the supply of energy in connection with e-fuelling stations.

CELOS
CELOS offers a standard user interface for our new high-tech machines and simplifies and speeds up the process from the idea to the finished product.

Cluster assembly
Highly efficient and flexible assembly method in which a group of employees simultaneously construct several machines together.

CO_2
Carbon dioxide, chemical formula CO_2, is a natural gas contained in the earth's atmosphere. Carbon dioxide occurs from the combustion of fuels containing carbon, in particular fossil fuels.

Components
The Components business segment in the DMG MORI SEIKI Corporation Energy Solutions sector produces high-precision components, especially for customers from the power industry, mechanical engineering and special machine fabrication sectors in addition to construction machinery. Components supplies machinery and wind turbine manufacturers from right around the world with high-quality products.

Cooperative R&D Platform (CRP) Pfaff
The Cooperative R&D Platform (CRP) is intended to optimally support DMG MORI's worldwide development activities. This makes group-wide exchange of development-relevant information such as CAD data, part lists structure and regulations for article management possible.

Corporate Design
The new design from DMG MORI offers improved functionalities thanks to maximum visibility into the workspace, improved user-friendliness in addition to higher value stability thanks to its wear-resistant surface.

coSupply®
coSupply® represents the comprehensive partnership approach for powerful supply partnerships at the DMG MORI SEIKI group, characterised by the three functions: "communication", "cooperation" and "competence" and striving for enhanced competitiveness.

CTV
The CTV product line includes universally arranged lathes with a vertically placed head spindle and highly dynamic linear drive technology, providing integrated handling of components and the option of automated integrated machining in serial production.

CTX
The modular CTX product line provides a differentiated programme of CNC universal lathes with a variety of innovative options for numerous machining tasks.

DIXI
Cooperation machines in the DIXI version constructed by DIXI Machines SA, Le Locle (Switzerland), based on the DMU P 5-axis portal machine made by DECKEL MAHO Pfronten GmbH, enable even higher precision on the component. Thanks to its geometrical precision in the order of magnitude of 5 µm, it offers unique performance for the processing of high-precision parts with extremely close tolerances, for example in the aerospace industry or mechanical engineering.

DMC FD
Production milling machine in the successful monoBLOCK® and duoBLOCK® series with facilities for milling and turning in a clamping process with a directly-driven DirectDrive table.

DMC H
The DMC H product line provides horizontal machining centres with high dynamics and precision for a wide range of uses, from fast serial production to heavy cutting with highest precision.

DMC V
The DMC V product line has vertical machining centres with high dynamics and precision for high demands in both the tools manufacture and mould making industries and for small-lot and medium-sized serial production.

DMF
The DMF product line provides travelling column machines with large machining areas, effective pendulum machining in two separate work areas, high cutting performance, dynamics and precision with fast travelling column traversing speeds.

DMG MORI 15/30
Energy-saving programme with the goal of saving a total of 30% of energy used by 2015.

DMG Virtual Machine
The dmg Virtual Machine integrates geometry, kinematics and dynamics in addition to all control system functionalities. The 3-D machine model is based on the original machine CAD construction data. Simulation of all machine functions enables avoidance of collisions and offers the highest-possible safety levels during planning and implementation of the machining process.

DMU
This product line with its well-developed programme of CNC universal milling machines for 5-sided machining offers a good starting point into modern milling.

Turning
Turning is a metal-cutting machining process, which is used to produce mostly rotationally symmetrical machine tools. During this, the workpiece to be machined is clamped by a rapidly-rotating clamping fixture while a cutting tool carries out feed motions longitudinally and transversely to the rotation axis.

duoBLOCK®
The patented duoBLOCK® construction combines the advantages of a travelling column construction with those of a gantry construction and through its construction that is stable against thermal deformation, guarantees maximum precision, stiffness and dynamics.

ECOLINE-Machines
The dmg Ecoline machines offer reasonably priced yet technologically high-quality entry to CNC turning or milling. The universal lathes and milling machines are characterised by their low acquisition cost, as well as their cost-effectiveness and flexibility.

Electronics
The Electronics business division is responsible for the development of electronics, software and control system solutions.

Energy Efficiency
The Energy Efficiency business division develops concepts and solutions for increasing energy efficiency in industrial companies.

Energy Monitor
This new product enables structured and systematic data acquisition of energy consumers in industrial operations.

Entry-level machines
Precise, robust machine tools which allow a high-quality technological entry into the milling and turning sector. Their main features are economic efficiency, flexibility and low initial cost.

ERP
Enterprise **R**esource **P**lanning software (ERP software) supports all the business processes within a company. It contains modules for the sectors of procurement, production, sales, HR, finance and accounting, which are connected with each other via a common database.

DMU eVolution
DMU eVo series from DECKEL MAHO Seebach; universal milling machines for 5-sided / 5-axis processing

Travelling column machine
The DMF product line offers travelling column machines with large machining spaces, more effective pendulum machining in two separated workspaces, higher cutting capacity, dynamics and precision at a very high travelling column traversing speed.

Milling
Milling is deemed to be a cutting machining process in which the cutting tool rotates instead of the workpiece itself. Any workpiece surface required can be created using tool feed movements and, if required, workpiece movements in several axes.

HSC
The HSC (high speed cutting) product line includes machining centres for 5-axis precision machining. HSC technology is primarily used where high demands are made of cutting performance and surface quality.

Just in sequence
The just in sequence process (JIS) describes a concept from procurement logistics. During supply, the supplier ensures that the required modules are delivered just in time at the required quantity and in the correct sequence.

Laser Technology
Laser technology or laser beam machining is an eroding process for machining metallic materials and materials that are not easily machined, such as high-tech ceramics, silicon or metal carbide. It uses a spot-beam with a high energy level. With this process it is possible to create filigree contours and the finest cavities, and to perform laser fine cutting or drilling tasks in the 2-D and 3-D areas.

Lasertec
The machines from the Lasertec product line offer high-quality, fast and economic options for high-precision machining of filigree workpieces and finest cavities, including those made from materials that are difficult to machine. The modular design of this line allows for a wide variety of applications for 3D laser erosion, laser fine cutting and laser drilling and for a combined production with high-speed milling machining.

Lean Production Principle
Describes a production organisation which is set up in order to optimally combine various production systems and processes from product development up to customer service. Lean production ensures that individual processes are matched to one another and that they interlink.

Longlife surface
The newly-developed corporate design user interface from DMG MORI offers higher value stability due to its scratchproof surface and protection against damage.

Machining
Mechanical cutting process by which material layers are detached in the form of swarf in order to change the workpiece shape.

Multislide lathe
Multislide lathes are cam or CNC-controlled automatic lathes which contain several tool holders mounted on slides. In this process, similar workpieces are fabricated from bar stock. The MSL series from DMG MORI, which is manufactured by Gital, Brembate di Sopra, is mainly aimed at the market segment requiring efficient processing of medium-sized and simple workpieces.

Multi-spindle machine
The GM and GMC series from DMG MORI are highly-specialised cam and CNC-controlled multi-spindle automatic lathes produced by Gital, Brembate di Sopra, for production lathing.

MINTrelation
A project of the German Federal Ministry for Labour and Social Affairs for the acquisition and retention of female specialist personnel. The aim of the initiative is to get young women interested in jobs in the mathematics, informatics, natural sciences and technological sectors.

monoBLOCK®
Especially compact and thus space-saving base body of a machine tool, which additionally has great stiffness and permits a high degree of precision.

Motor spindle
A motor spindle is a directly-driven, precision-mounted shaft with integrated tool interface for higher productivity and precision in a machine tool.

NC+
Acronym for the German Federal Ministry for Education and Research (BMBF) supported close-to-market research project entitled “Efficient control of machine tools” with a consortium from research and industry. The objective is the development and deployment of more energy-efficient components in machine tools.

NLX
Series of universal lathes produced by DMG MORI. It offers high precision, stiffness and machining capacity with a simultaneous increase in cost efficiency.

Off-Grid supply
Describes decentralised supply for electrical equipment without the availability of public power supply grid.

OPERATE 4.5
OPERATE 4.5 is a new system platform from DMG MORI for all machines with SIEMENS control systems for maximum productivity during machining / cutting – also for the ECOLINE series. It covers all areas in machining technology in drive and control engineering with its standardised operator interface.

System platform
OPERATE 4.5 is a new system platform (control system) from DMG MORI for all machines with SIEMENS control systems for maximum productivity during machining – also for ECOLINE.

Pallet changer
Pallet changers are used for the clamping and positioning of workpieces. One or more workpieces are clamped to a platform, the pallet, and then moved into or out of the workspace using the pallet changer.

powerMASTER 1000
A high-performance spindle for milling tools which is designed for particularly high performances and torques.

PPS
PPS stands for a computer-aided **P**roduction, **P**lanning and Control **S**ystem which is deployed for operative planning and control in industrial sectors.

Presetter
Presetter refers to clamping and measuring devices that set up tools for use in machining.

Tugger train
Tugger trains are used to supply assembly lines with material in order to minimise the use of forklifts. To do this, order-picking trolleys are delivered to the assembly location “just in sequence”. This results in a consistent reduction of stocks and simplification of the assembly sequence.

Trunk machine
A trunk machine is a pre-fitted machine in its basic version with all main components. In this case, control cabinets and electrical drive and control systems have not been fitted.

SCOPE
SCOPE is the acronym for the collective DMG MORI programme entitled “Standardization and Complexity Optimized for Profit Excellence”, a project for the standardisation and complexity reduction of components and processes. The objective is to generate savings in the development, purchasing, assembly and service sectors in the DMG MORI SEIKI Group.

Spindle
The spindle is the main shaft on machine tools. It rotates tools or workpieces (work spindle or main spindle).

SPRINT
This series offers up to triple-spindle machines for CNC automatic turning for flexible, economic complete machining for short turned parts of up to 65 mm diameter.

SunCarrier
The SunCarrier is a solar installation that can track the sun’s movement from a rotational axis. This makes it possible to achieve higher current efficiency compared to conventional systems.

STEALTH Design
Stealth design is the production-optimised collective DMG MORI design for a minimised machine floor area.

TAKT
With the TAKT project we are creating a clear framework for the continuous improvement of our company operations. It integrates modern production concepts and develops these further using standardised methods and processes. TAKT stands for creating Transparency , clarifying orders (German = Aufträge), controlling complexity (German = Komplexität), observing deadlines (German = Termine).

Turn-Mill
Production lathes in the successful CTX TC series with facilities for highly-productive complete machining in both turning and milling in one clamping process.

Ultrasonic
The Ultrasonic product line consists of machines for ultrasound-supported, economic machining of 'advanced materials', such as ceramics, glass, silicon, composites, metal carbide, hardened steel, sapphire or mother-of-pearl. The ultrasonically energised main spindles interfere with the traditional machining process (for example milling) through a high-frequency oscillating motion. Compared with traditional machining processes, this machine designs results in a productivity that is up to five times higher, longer tool lives and at the same time better surface quality, and, with regard to the processed workpiece geometries, a substantially higher flexibility.

UNO
This is a tool pre-setting device for the entry level with tool dimensions of up to 230 mm diameter and measuring lengths of up to 370 mm.

Vanadium Redox Flow Battery
The vanadium redox flow battery is a special, rechargeable type of battery. It is based on the ability of the vanadium element to exist in solution in four different oxidation states. Its advantages lie in a markedly improved operating life and the seamless scalability of the system.

Tool revolver
Tool revolvers are multiple tool carriers with rotational intermittent movement. They are used on lathes.

Tool changer
Tool changers are used to move tools and their tool holders between the tool spindle and the tool magazine. They are used on milling machines and lathes with milling functions.

List of Tables and Graphs

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Forward-looking statements

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

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

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

There are two companies using the name "DMG MORI SEIKI": DMG MORI SEIKI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI SEIKI COMPANY LIMITED with registered office in Nagoya, Japan. This report refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT. If reference is made in this report to the "DMG MORI SEIKI group", this refers exclusively to DMG MORI SEIKI AKTIENGESELLSCHAFT and its group companies.

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Order: We will gladly send additional copies and further information on DMG MORI SEIKI free-of-charge upon request.
Latest information: Twitter-Account @DMG MORI SEIKI AG

FINANCIAL CALENDAR

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

SUBJECT TO ALTERATION

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