DMG MORI

AKTIENGESELLSCHAFT

ANNUAL REPORT 2015

KEY FIGURES ___ The Consolidated Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2015 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 AKTIENGESELLSCHAFT and its affiliated companies in the group (in the following referred to as the DMG MORI group).

01 **DMG MORI GROUP**

	2015 € million	2014 € million	Changes 2015 against 2014 € million	%
Sales revenues				
Total	2,304.7	2,229.0	75.7	3
Domestic	762.1	779.2	−17.1	−2
International	1,542.6	1,449.8	92.8	6
% International	67	65		
Order intake				
Total	2,282.8	2,331.4	−48.6	−2
Domestic	785.0	814.5	−29.5	−4
International	1,497.8	1,516.9	−19.1	−1
% International	66	65		
Order backlog *				
Total	884.2	1,134.3	−250.1	−22
Domestic	335.7	312.8	22.9	7
International	548.5	821.5	−273.0	−33
% International	62	72		
Investments	130.6	159.0	−28.4	−18
where of tangible assets / intangible assets	130.6	136.9	−6.3	−5
Personnel costs	545.5	506.1	39.4	8
Personnel quota in %	23.2	22.4		
Employees	7.142	6.918	224	3
Plus trainees	320	248	72	29
Total employees *	7.462	7.166	296	4
EBITDA	243.1	232.5	10.6	5
EBIT	185.9	182.6	3.3	2
EBT	217.3	175.3	42.0	24
Annual result	159.6	121.1	38.5	32

* 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

The DMG MORI group in brief

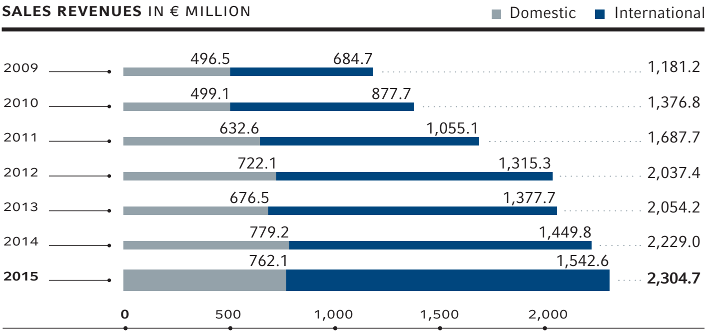
The DMG MORI group is a leading producer worldwide of cutting machine tools and offers innovative services for the entire life cycle of a machine. With a wide-ranging portfolio, which also includes software and energy solutions, our company has a diverse and well-developed customer structure in various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

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

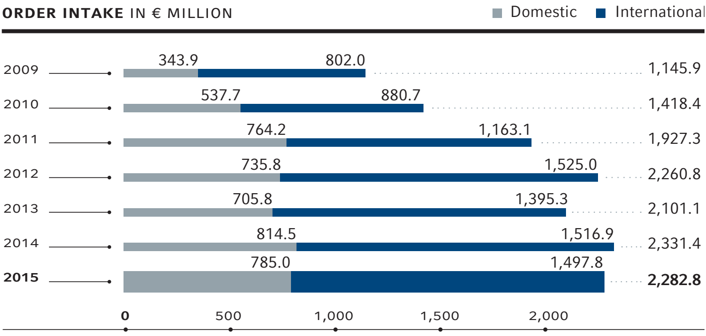
Our company's success is sustained by 7,462 employees. In total, 164 national and international sales and service locations bearing the worldwide brand name of DMG MORI maintain direct contact with our customers. Together with our Japanese partner, DMG MORI COMPANY LIMITED, we are present on all the major markets worldwide.

KEY FIGURES

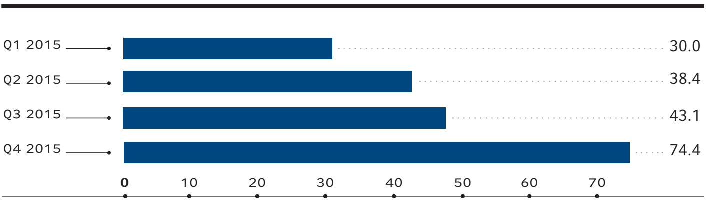
02 **SALES REVENUES** IN € MILLION



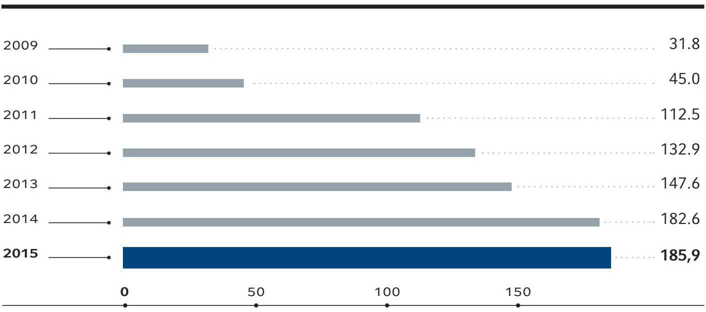
03 **ORDER INTAKE** IN € MILLION



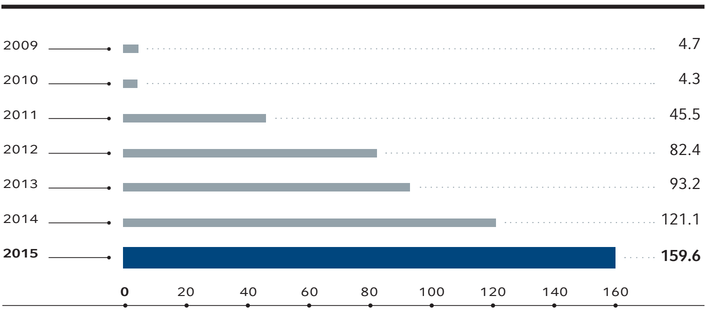
04 **QUARTERLY RESULTS (EBIT)** IN € MILLION



05 **EBIT** IN € MILLION



06 **ANNUAL RESULT** IN € MILLION



FINANCIAL CALENDAR

10 MARCH 2016	Press Conference of the Balance Sheet, Frankfurt
	Publication of the Annual Report 2015
	Analysts' Conference, Frankfurt
26 APRIL 2016	First Quarterly Report 2016 (1 January to 31 March)
06 MAY 2016	114th Annual General Meeting
09 MAY 2016	Dividend Distribution
28 JULY 2016	Second Quarterly Report 2016 (1 April to 30. June)
27 OCT. 2016	Third Quarterly Report 2016 (1 July to 30 September)
05 MAY 2017	115th Annual General Meeting

SUBJECT TO ALTERATION

ANNUAL REPORT 2015

TO OUR SHARE-HOLDERS

The Supervisory Board

Prof. Dr.-Ing. Raimund Klinkner (51)

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), 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, Klinkner has been a managing partner of the "Institute for Manufacturing Excellence" (IMX). He is a lecturer at the Technical University of Berlin and is chairman of the board of the "Bundesvereinigung Logistik e.V." (BVL– the German Logistics Association).

The Supervisory Board closely monitored the business performance and results of the DMG MORI group in financial year 2015. One main focus here was the consolidation of the cooperation with the Japanese partner, DMG MORI COMPANY LIMITED. In addition, the Supervisory Board discussed with the Executive Board questions of business policy, the risk situation and risk management, as well as compliance and the development of the group up to 2018, including investments.

During the reporting year, the Supervisory Board also received prompt, regular and full updates from the Executive Board on all processes and events essential to the company, not only at meetings, but also by telephone and in writing. Moreover, the Supervisory Board was regularly notified about the progress of company key performance indicators.

The Supervisory Board exercised due care and diligence when performing its duties, in accordance with the articles of association and statutory requirements, and met convened as a plenum a total of eight times in financial year 2015. The chairs of the Supervisory Board committees, who regularly prepared the Supervisory Board meetings at a number of meetings, reported to the plenum on the issues and recommendations discussed at committee meetings. During the past financial year, there were no conflicts of interests to report amongst members of the Supervisory Board or they were resolved through non-participation in the decision-making process.

Over the course of the reporting year, the following **personnel changes were made on the Executive Board**: At the Supervisory Board meeting on 7 May 2015 and with effect from 1 April 2016, Dr. Maurice Eschweiler was reappointed as a member of the Executive Board for a three-year term. Diplom-Kaufmann André Danks left the Executive Board on 26 November 2015 following his dismissal from office. With effect from 27 November 2015, his successor, Diplom-Kaufmann Björn Biermann, was appointed as Chief Financial Officer and full member of the Executive Board of DMG MORI AKTIENGESELLSCHAFT for a three-year term until 26 November 2018. He is responsible for controlling, finance, accounting, taxes and risk management. Responsibility for investor relations was assigned to Dr. Rüdiger Kapitza at the Supervisory Board meeting on 26 November 2015. Dr. Maurice Eschweiler assumed responsibility for IT. Moreover, Dr. Thorsten Schmidt left the Executive Board on 31 December 2015. He had been a member of the board since October 2006 and since November 2012, had been deputy chairman for the Executive Board and was responsible for sales and marketing. As of 1 January 2016, Dr. Schmidt is responsible for developing a direct sales and service network across the USA. Sales and Marketing is centrally managed by DMG MORI Global Headquarters in Winterthur, where Dr. Rüdiger Kapitza is chairman of the Board of Directors.

All Executive Board members and nine Supervisory Board members personally attended a **Supervisory Board meeting on 21 January 2015**. Two Supervisory Board members participated at the meeting by way of written vote. One Supervisory Board member was unable to attend. The Executive Board began by providing the Supervisory Board with detailed information about the structure of a closer cooperation with DMG MORI COMPANY LIMITED and the corresponding Cooperation Agreement 2015. The plenary session unanimously approved the conclusion of the Cooperation Agreement 2015. Supervisory Board member, Dr.-Ing. Masahiko Mori did not participate in the discussion and vote. Moreover, a resolution was passed to form a Committee for Capital Market Issues in 2015. Prof. Dr.-Ing. Raimund Klinkner, Prof. Dr. Edgar Ernst, Ulrich Hocker, Mario Krainhöfner and Dr. Constanze Kurz were approved as members. Prof. Dr.-Ing. Raimund Klinkner was also appointed as chairman of the committee.

At a **Supervisory Board meeting on 23 February 2015**, all Executive Board members and eleven Supervisory Board members attended the conference call. Supervisory Board member, Dr.-Ing. Masahiko Mori did not attend the meeting. The meeting focused on the final discussion of the "Joint Reasoned Opinion of the Executive Board and Supervisory Board" in accordance with Section 27(1) Securities Acquisition and Takeover Act (WPÜG) regarding the voluntary public tender offer from the bidder, DMG MORI GmbH, Stuttgart to the shareholders of DMG MORI AKTIENGESELLSCHAFT. The Executive and Supervisory Boards each passed a resolution on the contents of the statement and the release and publication of this joint statement.

The annual auditors, as well as all Executive Board and Supervisory Board members attended the **balance sheet meeting on 9 March 2015**. The Supervisory Board unanimously approved the annual and consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2014. Furthermore, the board agreed on the agenda and proposal for the appropriation of profits to be made at the 113th Annual General Meeting. The plenary meeting examined the reports from the Personnel, Nominations and Remuneration Committee, Technology and Development Committee and Technology Advisory Council. Further topics of discussion included business performance. The Executive Board also informed the Supervisory Board about the status of the tender offer and the current acceptance rate. The Supervisory Board approved the Executive Board's proposal to lower the minimum ownership threshold against an increase in the tender price and passed a resolution to amend Cooperation Agreement 2015.

At a **Supervisory Board meeting on 16 March 2015**, all Executive Board members and nine Supervisory Board members attended the conference call. The meeting focused on the final discussion of the "Supplementary Joint Reasoned Opinion of the Executive Board and Supervisory Board" in accordance with Section 27(1) Securities Acquisition and Takeover Act (WPÜG) regarding the revised tender offer from the bidder, DMG MORI GmbH, Stuttgart to the shareholders of DMG MORI AKTIENGESELLSCHAFT from 9 March 2015. The Executive and Supervisory Boards each passed a resolution on the contents of the reasoned opinion and the release and publication of this joint reasoned opinion. The plenary meeting also approved the invitation for the 113th Annual General Meeting.

All Executive and Supervisory Board members attended the **meeting on 7 May 2015**. The discussions mainly focused on preparations for the 113th Annual General Meeting, which was held on the following day. The meeting also discussed business performance and passed a resolution to reappoint Dr. Maurice Eschweiler as a member of the Executive Board.

At a **Supervisory Board meeting on 16 June 2015**, all Executive Board members and nine Supervisory Board members attended the conference call. The discussions mainly focused on current developments and the establishment of a Supervisory Board Committee for business relationships with shareholders (AfGA). The plenary session also discussed the report from the Personnel, Nominations and Remuneration Committee.

All Executive and Supervisory Board members attended the **meeting on 22 September 2015**. An important item on the agenda was the discussion of business performance. The plenary session also discussed the reports from the Finance and Audit Committee, Personnel, Nominations and Remuneration Committee, as well as the Technology and Development Committee.

In response to a proposal from the Personnel, Nominations and Remuneration Committee, the plenary meeting passed a resolution stating that 20% of all positions on the Executive Board of DMG MORI AKTIENGESELLSCHAFT should be occupied by female members of staff by 30 June 2017 at the latest. Furthermore, in response to another proposal from the Personnel, Nominations and Remuneration Committee, the Supervisory Board passed a resolution on a self-regulatory agreement pursuant to paragraph 5.4.1 of the German Corporate Governance Code. These objectives are shown in detail in the Corporate Governance section, page 39.

Moreover, resolutions were passed for the establishment of a Shareholder Business Relationships Committee (AfGA) and in this regard, for the addition of a new Section 12 to the Supervisory Board's rules of procedure. Supervisory Board member Dr.-Ing. Masahiko Mori did not participate in these votes.

Ulrich Hocker, Dr. Helmut Rothenberger, Hermann Lochbihler and Mario Krainhöfner were voted members of the Shareholder Business Relationships Committee and Ulrich Hocker was also appointed as chairman of the committee.

Furthermore, a resolution was passed on the realignment of the shareholder structure at DMG MORI Finance GmbH and the possible termination of the employment contract of Dr. Thorsten Schmidt. Supervisory Board member Dr.-Ing. Masahiko Mori did not participate in these votes.

All Executive and Supervisory Board members attended the **planning meeting on 26 November 2015**. The Supervisory Board began passing resolutions on the dismissal of Diplom-Kaufmann André Danks as a member of the Executive Board, the appointment of Diplom-Kaufmann Björn Biermann as an Executive Board member, as well as the change to the areas of responsibility within the Executive Board. The emphasis of the meeting was on corporate planning from 2016 to 2018 and on investment planning for 2016. Subsequently, the Supervisory Board approved the investment budget and group planning for 2016, including the consolidated balance sheet and the consolidated statement of cash flows; the Board also agreed to medium-term planning for 2017 and 2018, including the relevant consolidated balance sheet and consolidated statement of cash flows.

Furthermore, the main focus areas were defined for the statutory audit as of 31 December 2015. These comprise revenue recognition (IAS 18) from the sale of goods including bill & hold sales (also regarding the amendments to IFRS 15), the cash flow statement and relevant explanatory notes (IAS 7), disclosures on the balance sheet and income statement, as well as "related party" disclosures from subsidiaries (IAS 24) for the purpose of being presented in the consolidated financial statement.

The plenary session also discussed the reports from the Personnel, Nominations and Remuneration Committee, Technology and Development Committee and as well as the Shareholder Business Relationships Committee.

Furthermore, a resolution was passed to prepare a draft for the variable remuneration of the Executive Board for 2016, with regard to short-term, long-term and individual, performance-based remuneration, based on the regulations for "Short-Term Incentives" (STI) and "Long-Term Incentives" (LTI).

A resolution was also passed on the rules of procedure for the Shareholder Business Relationships Committee (AfGA).

A large proportion of the Supervisory Board's work is carried out by various committees: The **Finance and Audit Committee** held six meetings in financial year 2015. At its meetings, the committee discussed the current status of finances, the free cash flow trend, net working capital, taxes and the ongoing tax audits. It also examined and discussed risk management, as well as the audit and compliance reports for 2014. The committee examined the individual and consolidated 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. Further topics covered by the committee included the latest IFRS amendments, EU Audit Reform, the implementation of an internal control system within the DMG MORI group in accordance with Japanese statutory provisions

(J-SOX / Naibutousei) required as a result of the majority interest held by our Japanese partner and the potential sale of shares in DMG MORI COMPANY LIMITED. It also prepared resolution proposals on realigning the shareholder structure at DMG MORI Finance GmbH, as well as on the compliance statement pursuant to § 161 AktG (Companies Act) and audit focus areas for 2015.

The **Personnel, Nominations and Remuneration Committee** held five meetings. The committee prepared proposals for resolutions on the remuneration of the Executive Board regarding short-term, long-term and individual, performance-related remuneration, based on the regulations for "Short-Term Incentives" (STI) and "Long-Term Incentives" (LTI). It also prepared a resolution proposal for the Supervisory Board on the structure of variable remuneration for the Executive Board in 2016, as well as proposals for resolutions on future Supervisory and Executive Board positions. Moreover, it also recommended the reappointment of Dr. Maurice Eschweiler, the dismissal of Diplom-Kaufmann André Danks as an Executive Board member as well as the appointment of Diplom-Kaufmann Björn Biermann as a member of the Executive Board. At its meetings, the committee also discussed a contractual agreement on the cooperation with the "Institute for Manufacturing Excellence"(IMX). Prof. Dr.-Ing. Raimund Klinkner did not participate in these discussions. The IMX, whose managing partner, Prof. Dr.-Ing. Raimund Klinkner is also chairman of the Supervisory Board, provides companies with renowned expertise, enabling them to enhance their production and logistics systems. Since 2013, DMG MORI AKTIENGESELLSCHAFT has been working together with the IMX on developing the "TAKT" project. The "TAKT" project goal is to optimise production processes and implement cross-plant standards at all sites. Without the participation of Prof. Dr.-Ing. Raimund Klinkner, the committee stated that the contract provides the company with considerable benefits and payments should be excluded from the remuneration paid for Supervisory Board member tasks. It thus approved the signing of the contract to continue with the project.

The **Technology and Development Committee** met three times. This committee not only discussed and analysed general technical topics, such as universal trends in the machine tool industry, but also specific issues, such as alignment of the product portfolio and the investment budget. Moreover, the committee also prepared resolution proposals on the approval of the capital expenditure figure for 2016 and discussed the progress of the "TAKT" project.

The **Committee for Capital Market Issues 2015** held two meetings. The meetings focused on the discussion and preparation of the "Joint Reasoned Opinions of the Executive Board and Supervisory Board" in accordance with Section 27(1) of Securities Acquisition and Takeover Act (WPÜG) on the voluntary public tender offer from the bidder, DMG MORI GmbH, Stuttgart to the shareholders of DMG MORI AKTIENGESELLSCHAFT. The committee ended its term of service on 7 May 2015.

The **Shareholder Business Relationships Committee (AfGA)** held three meetings. The issues were the discussion on setting up a transparency department for business relations with shareholders within the DMG MORI group, as well as budgets and transactions with shareholders, the establishment of rules of procedure for the committee and the discussion on selling shares in DMG MORI COMPANY LIMITED. At its meetings, the committee passed a resolution approving the resolution of the Executive Board to sell these shares and it also approved various budgets and transactions with shareholders.

The **Corporate Governance** section on page 37 describes the activities of the Supervisory Board with regard to the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG). Since the last declaration of conformity in November 2014, DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 24 June 2014, as published in the Federal Gazette on 30 September 2014. DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 5 May 2015, since it was published in the Federal Gazette on 12 June 2015 and will comply with them in the future.

At the **balance sheet meeting on 8 March 2016,** attended by all members of the Supervisory and Executive Boards, the Supervisory Board, based on its own review and discussion, approved the annual financial statements as well as the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT for financial year 2015; thus the annual financial statements of DMG MORI AKTIENGESELLSCHAFT have been adopted pursuant to Section 172 German Stock Corporation Act (AktG). The resolutions were prepared by the Finance and Audit Committee. Based on its own review, the Supervisory Board endorsed the Executive Board's proposal for the appropriation of net retained profits. The Executive Board prepared the management report and the annual financial statements 2015, as well as the group management report 2015 of DMG MORI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The 2015 consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT were prepared in accordance with 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 provided detailed reports on their audit procedures and findings and were available for any further queries. In each case, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, issued an unqualified auditor's report for both the financial statements and the management report. The auditor also stated that the Executive Board has taken all the reasonable steps required under Section 91(2) AktG. In particular, it has established a suitable information and monitoring system in line with company requirements. The design and application of this system is suited to provide early warning of decisions posing a threat to the continued existence of the company. The chairman of the Finance and Audit Committee provided the Supervisory Board with a detailed report on the findings of the Finance and Audit Committee as well as on the discussions held with the annual auditors and the Executive Board. The Supervisory Board and the Finance and Audit Committee conducted a detailed discussion and review of the annual financial statements and consolidated financial statements, as well as the management and group management reports. The Supervisory Board concurred with the results of the audit based on its own review – as did the Finance and Audit Committee. No objections were raised by either the Supervisory Board or the Finance and Audit Committee.

Moreover, following preparation by the Shareholder Business Relationships Committee, the Supervisory Board conducted an independent examination of the Executive Board's **report on relationships with affiliated companies in financial year 2015** in accordance with Section 312(1) German Stock Corporation Act (AktG) and discussed this in detail with the Executive Board and the annual auditor, who is also the auditor of the report. The auditor provided a comprehensive report on the key points of his audit. During this process, the Supervisory Board conducted a detailed review of the auditors' opinion on the audit of the report. The discussion did not give rise to any grounds for objection.

The auditor issued the following audit opinion on the report: "In accordance with our audit and evaluation, which have been duly performed, we confirm that

1. the statements contained in the report are factually correct
2. the consideration of the company for the legal transactions outlined in the report was not unreasonably high."

Based on the final result of the Supervisory Board's extensive review of the report, the Supervisory Board states that it does not raise any objections (Section 314(3) AktG) to the concluding statement of the Executive Board on the report on relationships with affiliated companies in financial year 2015 (concluding statement pursuant to Section 312(3)(1) AktG).

The DMG MORI group successfully closed financial year 2015. The Supervisory Board wishes to express its sincere gratitude to the Executive Board and all group employees for their commitment and hard work!

Prof. Dr.-Ing. Raimund Klinkner
Chairman of the Supervisory Board
Bielefeld, 8 March 2016

The Executive Board

Dr. Rüdiger Kapitza (61)

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,

We look back on 2015 as a successful financial year for the DMG MORI group. Despite volatile market conditions, we succeeded in generating the best result in the company's history. We have increased sales revenues compared to the previous year by 3% to € 2.3 billion and EBIT to € 185.9 million (+2%). An important event during the reporting year was the voluntary tender offer by our Japanese partner. The **majority stake** (52.5%) acquired by DMG MORI COMPANY LIMITED in May 2015 set a strong foundation for our successful cooperation, established in 2009.

We made considerable progress in implementing our corporate strategy. We responded to the rise in globalisation within the machine tool market at an early stage. With 164 Sales and Service locations worldwide, the gradual expansion of our **global market presence** in recent years has enabled us and our Japanese partner to be easily accessible to our customers in all key markets today. Altogether, we operate in 76 countries around the world. In order to aptly respond to individual markets and their challenges, in July 2015, we streamlined the structure of our sales and service companies in our core sales territories in Europe, Asia and America. This **structure** guarantees quick decision-making in line with market demands; it creates efficiency gains, not just for DMG MORI, but also for our customers.

Dear shareholders, before examining the key figures for the reporting year, I would like to provide you with a short summary of the **economic development in financial year 2015**: Last year was marked by a large number of political conflicts. The corresponding uncertainty in the markets had a negative effect on growth during the course of the year, also in EU countries. Moreover, the decline in China's growth rates and recession in key emerging markets slowed down the global economy. As forecast by us, this also had a negative effect on the global machine tool market. According to the German Machine Tool Builders' Association (VDW), exchange rate fluctuations had a strong impact on the market. In terms of figures, the market volume grew in euros to € 67.3 billion (previous year: € 62.9 billion). However, measured in terms of local currencies affecting consumption, market volume fell by 0.4%.

Yet, we continued to perform well in these challenging market conditions: Order intake in financial year 2015 was with € 2,282.8 million below last year's figure (previous year: € 2,331.4 million). Sales revenues increased by 3% to € 2,304.7 million (previous year: € 2,229.0 million). EBITDA improved by 5% to € 243.1 million (previous year: € 232.5 million), EBIT rose by 2% to € 185.9 million (previous year: € 182.6 million) and EBT by 24% or € 42.0 million to € 217.3 million (previous year: € 175.3 million). The income (€ 37.8 million) from the sale of shares (9.63%) in DMG MORI COMPANY LIMITED had a one-off positive effect on EBT. DMG MORI AKTIENGESELLSCHAFT had acquired the shares over a five-year period (2009 – 2014). As a result of DMG MORI COMPANY LIMITED acquiring a majority interest, DMG MORI AKTIENGESELLSCHAFT was obligated to sell its interest in DMG MORI COMPANY LIMITED, in order to comply with statutory provisions. The shares were sold to DMG MORI COMPANY LIMITED in the scope of a buy-back programme in November 2015. The EBT rose meanwhile by € 4.2 million to € 179.5 million, even without this extraordinary effect. Thus, we reached the best result in the company's history. As of 31 December 2015, the group recorded annual profit of € 159.6 million (previous year: € 121.1 million). The free cash flow was positive at € 32.0 million (previous year: € 86.1 million). At the Annual General Meeting, the Executive and Supervisory Boards will propose the payment of a **dividend** amounting to € 0.60 per share for the reporting year (previous year: € 0.55).

Last year, at this point, I announced that together with our Japanese partner, we were planning on increasing our **market share** in strategically important markets. Markets which are of particular importance to us are those with a high-growth potential, but also with high machine tool consumption volumes. The grand opening of our state-of-the-art production plant in Ulyanovsk (Russia) was a further milestone at the end of September 2015: "Made in Russia for Russia and the world". With this aim, DMG MORI produces turning and milling machines from its ECOLINE series with cutting-edge technology at the major industrial centre for the aerospace and automotive industry. Furthermore, we are strengthening our presence in key markets using targeted measures, such as the construction of new technology centres in Moscow and Seoul (Korea), as well as increasing the number of sales and service territories.

Last year, together with DMG MORI COMPANY LIMITED, we started streamlining our **product portfolio**. Our goal is to cut complexity in the areas of development, production, purchasing, as well as sales and service and improve our profitability by reducing the number of machine models offered. As previously announced, we successfully completed the changeover of our product portfolio to the new standard **Corporate Design** at the autumn trade show, the EMO in Milan. With enhanced functions, improved user-friendliness and higher value retention, we established ourselves as a trendsetter within the machine tool industry.

A main driving force behind our sales development is the machine tool business. We are proud of the **innovations** we have developed and which we were able to present at international exhibitions during the past financial year. For example, at the EMO in Milan, we were able to show our customers a project co-developed with technology partners in the scope of Industrie 4.0. A product demonstration of the DMC 80 FD duoBLOCK® showed a machine tool fitted with over 60 monitoring sensors, connecting digitised components from the sensor to the cloud for data entry, storage and analysis. The objective is to achieve continuous machine monitoring. Our app-based control and operating software CELOS supports the interaction between man and machine.

The **18 world premieres** presented at 75 international trade shows and in-house exhibitions, uphold our position as a global technology leader for cutting machine tools. Our cutting-edge technology and our innovations have enabled us to further consolidate our strong market position.

Dear Shareholders, I wish to conclude by turning my attention to our **expectations for this financial year 2016**. Both my Executive Board colleagues and I are expecting a volatile overall economic development. Negative economic effects may arise from a continued weakness in emerging markets. Economic experts are predicting a fall in China's economic growth rate for 2016 and the poor economic climate in Russia will also have an impact on Germany and the EU. Moreover, exchange rate fluctuations between international currencies and the state debt problem in Europe will continue to burden the economy, and in particular the investments within the companies. Economic experts are expecting world energy prices to remain low.

According to forecasts by the German Machine Tool Builders' Association (VDW) and the British Economic Research Institute, Oxford Economics, global machine tool consumption should see a 4.1% rise this year. In view of the volatile global economic growth mentioned above, we consider this figure too optimistic. In financial year 2016, DMG MORI is expecting a slightly better order intake than in the previous year and steady sales revenues. EBT will be significantly below the high level of the previous reporting year. We are expecting to see major differences between individual markets and a substantially increase in competitive pressure.

Dear Shareholders, together with DMG MORI COMPANY LIMITED, we are in a strong strategic position to successfully tackle the challenges ahead. We see significant potential in our joint product development and production, as well as in purchasing through the development of our global supplier partnerships and optimisation of our international sales and service structures. Our highly qualified and motivated staff are ready to face the future. Thus, on behalf of myself and my colleagues on the Board, I wish to take this opportunity to express our sincere gratitude for their service and commitment in financial year 2015. We also wish to thank our customers, suppliers, investors and business partners for the confidence placed in us. And last, but not least, we wish to thank you, dear shareholders, for your dedication to DMG MORI AKTIENGESELLSCHAFT.

Best regards,

R. Kapitza

Dr. Rüdiger Kapitza
Chairman of the Executive Board
Bielefeld, 8 March 2016

Björn Biermann (36)

has been a member of the Executive Board since 27 November 2015. The Diplom-Kaufmann joined the DMG MORI group in 2008. Previously he was head of controlling and corporate planning and of the transparency department for assessment of transactions with shareholders. Björn Biermann is responsible for controlling, finance, accounting, taxes and risk management.

Dr. Maurice Eschweiler (41)

has been a member of the Executive Board since April 2013. He received a doctorate in economics from the University of Münster and joined the group in 2007, becoming managing director of DMG Vertriebs und Service GmbH. He is responsible for the Industrial Services division, which comprises the Services unit and Energy Solutions within the group, as well as Information technologies (IT).

Christian Thönes (43)

has been a member of the Executive Board since January 2012. The 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.

Share

Stock Market Listing and Trading Volume

The shares of DMG MORI AKTIENGESELLSCHAFT are listed on the official market on the stock exchanges in Frankfurt / Main, Berlin and Dusseldorf, as well as on the open market stock exchanges in Hamburg-Hannover, Munich and Stuttgart. DMG MORI 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 at the German stock exchanges was 68.9 million shares (previous year: 73.8 million shares); based on the number of shares a turnover is calculated for the financial year of 0.87 times (previous year's period: 0.94 times). At the German stock exchanges, the **average trading volume** decreased to around 271,000 shares per trading day (previous year: 293,000 shares).

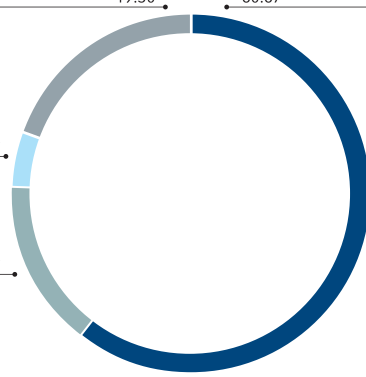
Voluntary Public Tender Offer and Shareholder Structure

On 21 January 2015, the DMG MORI COMPANY LIMITED announced that it will make a voluntary public tender offer for the outstanding shares of DMG MORI AKTIENGESELLSCHAFT. The acceptance period began on 11 February 2015 and ended on 13 April 2015. The tender offer has been accepted for a total of 9,377,464 DMG MORI AKTIENGESELLSCHAFT shares. This corresponded to 11.90% of the total share capital and the voting rights in DMG MORI AKTIENGESELLSCHAFT. The total number of shares held by the Bidder and companies acting in concert with the Bidder amounted to 41,408,563 directly following the execution of the tender offer, according to a corresponding notification of voting rights. This corresponded to 52.54% of the total share capital and the voting rights in DMG MORI AKTIENGESELLSCHAFT. In the course of the voluntary public tender offer of the DMG MORI COMPANY LIMITED, the free float of DMG MORI AKTIENGESELLSCHAFT shares decreased accordingly in 2015.

According to the further notifications of voting rights disclosed until 31 December 2015, the following two shareholders held more than 3% of the voting rights: Paul Singer / Elliott Asset Management and affiliated companies held 15.16% of the share capital as at the date of their last notification of voting rights. UBS Group AG, Zurich and affiliated companies held altogether a 4.87% share of voting rights as at the date of their notification of voting rights, which is structured in the following way: voting rights based on (financial / other) instruments pursuant to Sec. 25a WPHG: 1.37%, voting rights pursuant to Sec. 25(1) WPHG: 1.49% and voting rights pursuant to Sec. 21, 22 WPHG: 2.01%.

The graphic below shows the composition of the shareholders group as at 31 December 2015, according to the notification of voting rights sent in for the financial year ended pursuant to the WpHG. In addition, a further increase of the shares held by DMG MORI COMPANY LIMITED to 60.67% as at 31 December 2015 was considered, as shown in the annual financial statements published on 10 February 2016 by DMG MORI COMPANY LIMITED.

A . 01 **SHAREHOLDER STRUCTURE OF DMG MORI AKTIENGESELLSCHAFT / BREAKDOWN BY INVESTOR GROUPS**
IN %



* Last notification pursuant to German Securities Trading Act (WpHG)
** Disclosure as at 31 December 2015 according to the annual financial statements published on 10 February 2016 by DMG MORI COMPANY LIMITED

Status as of 31. Dec. 2015

Share Performance and Market Capitalisation

The share of DMG MORI AKTIENGESELLSCHAFT proved relatively stable in the course of the year in comparison to the volatility in the capital markets. Over the year, the security showed a plus of 61.2% and ranked 3rd place with this share performance in the MDAX. The MDAX increased by 22.5% in the same period.

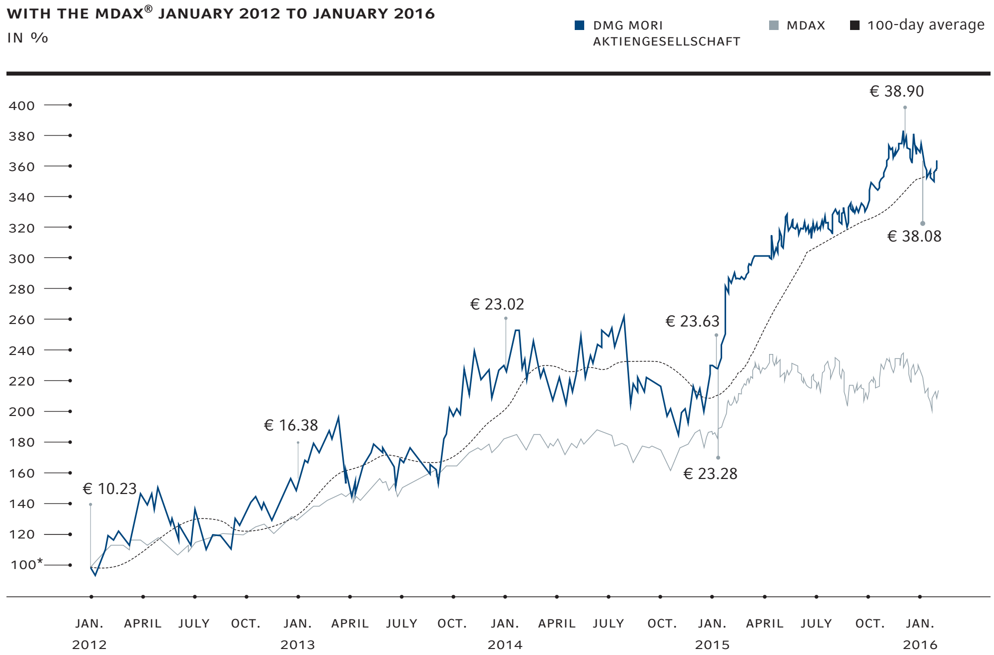
In the stock market year 2015, the share was initially quoted at € 23.63 (2 January 2015) and reached its highest value of € 38.90 on 2 December 2015. The lowest price of the year was at € 23.28 (9 January 2015). With the announcement of the voluntary public tender offer from DMG MORI COMPANY LIMITED on 21 January 2015 and an offer price of € 27.50, the share noted a jump in the stock price to € 28.82 (+ 12.6%). Subsequently, the share performance was influenced by the two increases in the offer price of DMG MORI COMPANY LIMITED: the offer price was raised to € 30.00 on 3 March 2015 and on 9 March to € 30.55. The share followed these offer prices. The share has moved slightly above the current offer price at all times in the further course. With the expiry of the voluntary public tender offer on 13 April 2015 and following the majority shareholding by DMG MORI COMPANY LIMITED, share price deviations and thus the volatility of the share has reduced considerably. The share closed the year on 30 December 2015 at € 38.08. The year 2016 opened with a share price of € 37.05 (on 4 January 2016).

Market capitalisation rose in the reporting period by € 1,149.2 million (+ 62 %) to € 3,001.4 million (reference date: 30 December 2015).

The company is currently being analysed in regular studies by eleven banks, one of which recommends buying the shares. Eight analysts recommend holding on to the securities, whereas one analyst has given it the rating "neutral". Moreover, one bank advises to sell the securities.

In a multiple year comparison, the DMG MORI AKTIENGESELLSCHAFT share has performed as follows:

A . 02 THE DMG MORI AKTIENGESELLSCHAFT SHARE IN COMPARISON WITH THE MDAX® JANUARY 2012 TO JANUARY 2016
IN %



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

P. 87 – 89
Dividend

The Executive Board and the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT will propose to the Annual General Meeting on 6 May 2016 to distribute a **dividend** of € 0.60 per share for financial year 2015 (previous year: € 0.55). For the approximate 78.8 million no par value shares with dividend rights, the amount to be distributed totals € 47.3 million. This results in a dividend yield of 1.6 %.

A . 03

KEY FIGURES OF THE DMG MORI AKTIENGESELLSCHAFT SHARE

		2015	2014	2013	2012	2011	2010	2009
Registered capital	€ million	204.9	204.9	204.9	156.4	156.4	118.5	118.5
Number of shares	million shares	78.8	78.8	78.8	60.2	60.2	45.6	45.6
Closing price 1)	€	38.08	23.50	23.15	15.25	9.75	16.70	11.33
Annual high 1)	€	38.90	26.82	24.53	16.11	17.50	17.19	11.69
Annual low 1)	€	23.28	18.85	15.00	9.74	8.69	7.53	4.25
Market capitalisation	€ million	3,001.4	1,852.2	1,824.6	917.6	586.6	761.2	516.4
Dividend	€	0.60 *	0.55	0.50	0.35	0.25	–	0.10
Dividend total	€ million	47.3	43.4	38.5	20.4	14.6	–	4.6
Dividend yield	%	1.6	2.3	2.2	2.3	2.6	–	0.9
Earnings per share 2)	€	1.90	1.41	1.33	1.32	0.85	0.09	0.10
Price-to-earnings ratio 3)		20.0	16.7	17.4	11.6	11.5	185.6	113.3

1) XETRA-based closing price
2) Pursuant to IAS 33
3) Closing price / earnings per share
* Proposal for the Annual General Meeting 2016

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.

DMGMORI.COM
Financial Reports

The work of the Corporate Public Relations department plays a significant role in maintaining and strengthening the DMG MORI 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 2015

GROUP MANAGEMENT REPORT

The Basis of the Group

The operating activities of the DMG MORI 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, Electronics and DMG MORI Systems. The “Industrial Services” segment includes the Services and Energy Solutions divisions. The Services division combines the marketing activities and the LifeCycle Services both for our machines and for those of our Japanese partner. Energy Solutions comprises the Energy Efficiency, Services, Components and Storage Technology business areas.

B . 01 **SEGMENTS OF THE DMG MORI GROUP**

DMG MORI
AKTIENGESELLSCHAFT

MACHINE TOOLS
- TURNING TECHNOLOGY
- MILLING TECHNOLOGY
- ADVANCED TECHNOLOGIES
- ECOLINE ASSOCIATION
- ELECTRONICS
- SYSTEMS

INDUSTRIAL SERVICES
- SERVICES
- ENERGY SOLUTIONS

CORPORATE SERVICES
- MANAGEMENT HOLDING

B.02 **SEGMENTS AND BUSINESS DIVISIONS**

MACHINE TOOLS

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

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

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

SYSTEMS
- Standard automation
- Flexible manufacturing
- Production lines

ADVANCED TECHNOLOGIES
- ULTRASONIC
- LASERTEC

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

INDUSTRIAL SERVICES

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

ENERGY SOLUTIONS
- Energy Efficiency
- Service
- Components
- Storage Technology

CORPORATE SERVICES

"Corporate Services" essentially includes DMG MORI AKTIENGESELLSCHAFT with its group-wide holding functions.

As at: 8 March 2016

Group Structure

The DMG MORI group is a globally operating company: 164 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 AKTIENGESELLSCHAFT; Bielefeld

MACHINE TOOLS

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

INDUSTRIAL SERVICES

Worldwide Sales and Service Locations (164 **)

DMG MORI Sales and Service Holding AG Switzerland

DMG MORI Europe
Winterthur (Switzerland) (46)

- DMG MORI Italia S.r.l., (Bergamo, Milan, Tortona, Padova)
- DMG MORI France SAS (Paris, Lyon, Scionzier, Toulouse)
- DMG MORI Schweiz AG (Winterthur)
- DMG MORI Austria GmbH (Klaus, Stockerau)
- DMG MORI Sweden AB (Gothenburg)
- DMG MORI Polska Sp. z o. o. (Pleszew)
- DMG MORI Czech s.r.o. (Brno, Trencin)
- DMG MORI UK Ltd., (Coventry)
- DMG MORI Ibérica S.L. (Barcelona, Madrid, San Sebastian)
- DMG MORI Benelux (Veenendaal, Zaventem)
- DMG MORI Denmark ApS (Copenhagen, Fredericia)
- DMG MORI Russia OOO (Moscow, St. Petersburg, Ekaterinburg)
- DMG MORI Hungary Kft. (Budapest)
- DMG MORI Greece M.E.P.E. (Thessaloniki)
- DMG MORI Romania S.R.L., (Bukarest)
- DMG MORI Middle East FZE (Dubai)
- DMG MORI Istanbul Ltd. (Istanbul, Izmir, Ankara, Bursa, Konya)
- DMG MORI Finland Oy AB (Tampere)
- DMG MORI Baltics (Tallinn / Estonia; Riga / Latvia)
- DMG MORI Israel Ltd. * (Tel Aviv)
- DMG MORI Africa (Cairo / Egypt, Tunis / Tunesia, Casablanca / Morocco)
- DMG MORI Balcans (Ljubljana / Slovenia, Zagreb / Croatia, Belgrad / Serbia, Sofia / Bulgaria)

DMG MORI Asia
Shanghai, Singapore, Tokyo (55)

- DMG MORI Machine Tools Trading Co. Ltd. Shanghai (Shanghai, Beijing, Dongguan, Chongqing, Shenyang, Xi'an, Tianjin, Qingdao)
- DMG MORI Singapore Pte. Ltd. (Singapore)
- DMG MORI Korea Co. Ltd. (Seoul)
- DMG MORI India Pvt. Ltd. (Bangalore, New Dehli, Ahmedabad, Pune)
- DMG MORI Taiwan Co. Ltd. (Taichung)
- DMG MORI Malaysia (Kuala Lumpur)
- DMG MORI Vietnam (Hanoi, Ho Chi Minh City)
- DMG MORI Japan (Tokyo, Hokkaido, Akita, Yamagata, Sendai, Koriyama, Kita Kanto, Utsunomiya, Mito, Saitama, Hachioji, Yokohama, Isehara, Shizuoka, Hamamatsu, Nagoya, Anjo, Nagaoka, Nagano, Matsumoto, Kanazawa, Shiga, Kyoto, Osaka, Kobe, Himeji, Okayama, Hiroshima, Takamatsu, Ehime, Fukuoka, Kumamoto, Iga) *
- DMG MORI Australia (Sydney, Melbourne) *
- DMG MORI Thailand (Ayutthaya) *
- DMG MORI Indonesia (Jakarta) *

DMG MORI America
Itasca (Illinois) (27)

DMG MORI NORTH AMERICA

- DMG MORI Canada Inc. (Toronto)
- DMG MORI México S.A. de C.V. (Querétaro)
- DMG MORI USA (Chicago, Detroit, Cincinnati, Charlotte, Dallas, Los Angeles, Seattle, Houston, New Hampshire, Tampa, Kansas City, San Francisco, Connecticut, Cleveland, Iowa, Grand Rapids, Indianapolis, Milwaukee, Minneapolis, Nashville, Newark, Portland, St Louis) *

DMG MORI SOUTH AMERICA

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

DMG MORI Germany
Stuttgart (8)

- DMG MORI Stuttgart GmbH
- DMG MORI München GmbH
- DMG MORI Hilden GmbH
- DMG MORI Bielefeld GmbH
- DMG MORI Berlin GmbH (Berlin, Stollberg)
- DMG MORI Frankfurt GmbH
- DMG MORI Hamburg GmbH

DMG MORI Services
Bielefeld, Pfronten (23)

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

GILDEMEISTER energy solutions GmbH
Wurzburg (5)

- GILDEMEISTER energy services Italia S.r.l. (Milan)
- GILDEMEISTER energy services Ibérica S.L. (Madrid)
- GILDEMEISTER energy storage GmbH (Wiener Neudorf)
- GILDEMEISTER energy efficiency GmbH (Stuttgart)

* These markets are consolidated by our cooperation partner DMG MORI COMPANY LIMITED.
** 60 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 2015 on pages 236 et seq.

As at: 8 March 2016

Organisation and Legal Corporate Structure

P. 89 – 98
Segment Report

DMG MORI AKTIENGESELLSCHAFT manages the DMG MORI group centrally and across all functions as a management holding company; it comprises all cross-divisional key functions of the group. Through resolution by the Annual General Meeting on 8 May 2015 and the subsequent entry made in the commercial register on 5 June, DMG MORI SEIKI AKTIENGESELLSCHAFT changed its name to DMG MORI AKTIENGESELLSCHAFT. DMG MORI AKTIENGESELLSCHAFT has already acted in the past under the operative brand name DMG MORI worldwide in relation to business partners, in particular in relation to customers and suppliers. In subsequence during the reporting year, also the company names of the majority of group affiliates were adjusted accordingly. DMG MORI Sales and Service Holding AG, Winterthur, Switzerland, (formerly: DMG Holding AG, Dübendorf, Switzerland) is the holding company of the worldwide sales and service sites. Further holding functions are assumed by DMG MORI ECOLINE Holding AG, Winterthur, Switzerland, as the parent company of the ECOLINE production plants in Poland and in the future in Shanghai and Russia, and by GILDEMEISTER Beteiligungen GmbH, as the parent company of all other production plants of the group.

P. 28 – 29
Group Structure

All companies of the DMG MORI group are managed as profit centres and follow clear guidelines in order to achieve the best possible performance and results. A group-wide uniform IT infrastructure standardises the main work processes and workflows, and thus forms an integrative link for the group. The organisational costs of DMG MORI AKTIENGESELLSCHAFT in the reporting year amounted to € 28.4 million (previous year: € 26.7 million).

P. 169 – 173
Business Combinations

Essential changes in the **legal corporate structure** of the DMG MORI group did not arise in the reporting year. In detail, the following changes were made:

- With effect as of 25 March 2015, DMG Nippon K.K., Yokohama (Japan) was liquidated. The Japanese market is served by DMG MORI COMPANY LIMITED and its subsidiaries.
- The shares in SUN CARRIER OMEGA Pvt. Ltd. (50%) were sold effectively on 18 May 2015. The company had been included in the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT at equity until the date of the sale.
- In September 2015, DMG MORI EUROPE AG, Winterthur (Switzerland) founded DMG MORI BULGARIA EOOD with registered office in Sofia (Bulgaria) as a 100% subsidiary. The new company is to organise the sales and service business for our products as well as the business of DMG MORI COMPANY LIMITED in the Bulgarian market.
- Effective 5 November 2015, Micron S.p.A., Veggiano (Italy), was merged into DMG MORI ITALIA S.r.l., Milan (Italy).

The structure of the DMG MORI group is oriented on all companies making their contribution to further expand the position as the global market and innovations leader for cutting machine tools. The group is depicted in a **matrix organisation** with the production plants on the one side and the sales and service companies on the other side. The production plants are specialised according to business fields and product series.

The DMG MORI sales and service companies are responsible for the direct sales and services of our products and those of DMG MORI COMPANY LIMITED. In addition, our key accounts department manages large international customers. GILDEMEISTER energy solutions GmbH, Würzburg (formerly: a+f GmbH) operates in the field of regenerative energies. No significant change in the group structure is intended at the moment.

DMG MORI COMPANY LIMITED, Nagoya (Japan), according to its annual financial statements published on 10 February 2016, held a 60.67% share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2015. According to the further notification of voting rights disclosed until 31 December 2015, the following two shareholders held more than 3% of the voting rights: Paul Singer / Elliott Asset Management and affiliated companies held 15.16% of the share capital as at the date of their last notification of voting rights. UBS Group AG, Zurich and affiliated companies held altogether a 4.87% share of voting rights as at the date of their notification of voting rights, which is structured in the following way: voting rights based on (financial / other) instruments pursuant to Sec. 25a WPHG: 1.37%, share of voting rights pursuant to Sec. 25(1) WPHG: 1.49% and voting rights pursuant to Sec. 21, 22 WPHG: 2.01%.

P. 236 – 239
Shareholdings / Notes to the Consolidated Financial Statements

P. 20 – 23
Share

The DMG MORI group does not hold **any significant financial investments**. Within the scope of the strategic cooperation, DMG MORI AKTIENGESELLSCHAFT has held a share of 9.6% in DMG MORI COMPANY LIMITED, Nagoya (Japan). As a result of DMG MORI COMPANY LIMITED acquiring a majority interest in DMG MORI AKTIENGESELLSCHAFT during the reporting year, DMG MORI AKTIENGESELLSCHAFT was obligated to sell its interest in DMG MORI COMPANY LIMITED, in order to comply with statutory provisions. The total shares were sold to DMG MORI COMPANY LIMITED in the scope of a buy-back programme in November 2015.

Takeover Directive Implementation Act (Sec. 315(4) of the German Commercial Code (HGB))

The following mandatory disclosures apply to the DMG MORI group:

- The share capital of DMG MORI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 and is divided into 78,817,994 no-par value bearer shares. The no-par shares respectively hold a calculatory € 2.60 in the subscribed capital.
- Pursuant to Section 84 of the German Stock Companies Act (AktG), the appointment and dismissal of the members of the Executive Board is within the responsibility of the Supervisory Board. This authorisation is specified in § 7(2) of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT, to the effect that the Supervisory

Board appoints the Executive Board members, determines their number and regulates the allocation of responsibilities.

- As evidenced by its consolidated financial statements as at 31 December 2015, published on 10 February 2016, DMG MORI COMPANY LIMITED held a 60.67% share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. According to the further notification of voting rights disclosed until 31 December 2015, the following shareholder held more than 10% of the voting rights: Paul Singer / Elliott Asset Management and affiliated companies held 15.16% of the share capital as at the date of their last notification of voting rights.
- Pursuant to Section 119(1)(5) of the German Stock Companies Act (AktG), the Annual General Meeting passes resolutions on changes to the Articles of Association. The procedural rules accordingly specified are defined in Sections 179, 181 of the German Stock Companies Act (AktG), in conjunction with Article 15(4) of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT.
- Pursuant to Article 5(3) of the Articles of Association, the Executive Board is authorised to increase the share capital of the company to up to nominal € 102,463,392.20 within the period until 15 May 2019 with the agreement of the Supervisory Board by way of a single or several issues of up to 39,408,997 new shares against contribution in cash and / or in kind **(authorised capital)**. At the same time, the Executive Board is empowered to issue shares in the value of € 5,000,000 subject to the exclusion of pre-emptive rights, to employees of the company and to affiliates of the company.
- The Executive Board is furthermore authorised, with the approval of the Supervisory Board, to exclude the statutory subscription right in certain specifically defined cases according to the Articles of Association (authorised capital).
- The essential financing agreements of DMG MORI AKTIENGESELLSCHAFT in 2015 are subject to the condition of a **change of control** (meaning the acquisition of 30% or more of the voting rights) in consequence of the tender offer in the definition of Sec. 315(4) no. 8 of the German Commercial Code (HGB).
- The relevant financing agreements of DMG MORI AKTIENGESELLSCHAFT concluded in early 2016 are subject to the condition of a **change of control** (meaning the acquisition either of (i) 30% or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT, if the participation interests of DMG MORI COMPANY LIMITED in DMG MORI AKTIENGESELLSCHAFT is or falls below 50%, or (ii) 50% or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT (except by DMG MORI COMPANY LIMITED) or (iii) 50% or more of the voting rights in DMG MORI COMPANY LIMITED). Thus, a change of control is precluded for as long as DMG MORI COMPANY LIMITED holds more than 50% of the voting rights in DMG MORI AKTIENGESELLSCHAFT. Furthermore, also an increase of the voting rights share of DMG MORI COMPANY LIMITED held in DMG MORI AKTIENGESELLSCHAFT to 75% or more does not lead to a change of control.

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

- As at 31 December 2015, the share capital of the company amounted to € 204,926,784.40 divided into 78,817,994 no-par value bearer shares. Each share entitles to one vote and is decisive for the share in profits. The company may not exercise voting rights vested in treasury shares and may not participate pro-rata in the profits.
- The last amendment of the Articles of Association was made in May 2015; in this process, Article (1) and Article 12 (1 – 7) of the Articles of Association were rephrased.
- The Executive Board has not used the mentioned authorisations during the reporting year.
- The change of control conditions comply with the agreements common in the market. They do not entail an automatic termination of the aforementioned agreements, but merely provide our contractual partners the possibility to cancel them in the event of a change of control.

Corporate Strategy and Key Financial and Performance Indicators

P. 61 – 63
Production and Logistics

The corporate strategy of the DMG MORI group is directed towards expanding and consolidating its current market position as a global leader in manufacturing cutting machine tools together with DMG MORI COMPANY LIMITED in the worldwide machine tool market (volume 2015: € 67.3 billion). With a special focus on growing profitability, the group's main goal is to achieve an even deeper market penetration of its products with its innovative and varied product range. A key component of this strategy is our **partnership with the Japanese DMG MORI COMPANY LIMITED**. Here, synergies can be realized, in particular, by the Sales, Marketing, Service, Components, Product Development, Production and Purchasing divisions. Thanks to the joint use of production sites and successfully completed expansion of our global production network, we are able to produce "in the market, for the market", thus ensuring low import and logistics costs. Together with DMG MORI COMPANY LIMITED, we will systematically optimise our global sales and service structures. To this end, we are aligning the DMG MORI group to be market, product and customer-based. The following areas define the business activities of the DMG MORI group:

- **Increasing market share:** Our core business in the "machine tool" segment is focused on high-growth industries, such as aerospace, automotive, medical technology and power engineering. We offer our customers in these industries single-source production and system solutions enabling them to manufacture complex and specific components efficiently. Markets with high machine tool consumption volumes, but also with high growth potential, play a strategic role for us. These include i.a. Korea, India, Mexico and Taiwan. In these markets, we are intensifying the presence of DMG MORI through targeted measures such as the expansion of new technology centers and increasing the number of sales regions. In addition, we support our Japanese partner in the important market of the USA. We are also further developing smaller markets e.g. in South East Asia and Europe, where we see great potential for growth for us. A broad market presence in global markets helps us gain a better position from which we can offset market fluctuations in increasingly difficult market conditions.
- **Consistent focus on Services:** The "Industrial Services" segment makes a significant contribution both to the group's turnover and profitability. Our goal is to offer customers optimum support for the entire life cycle of their machine tool with our range of services. We have world-leading solutions, particularly in the areas of repair, service and spare parts. This is largely due to our partnership with DMG MORI COMPANY LIMITED, which benefits our customers due to optimised and faster service and a more efficient supply of spare parts. As a result, we are today able to guarantee a 95% spare parts availability on a global scale.
- **Strengthening existing customer relations:** We are constantly working towards securing our diverse and broad customer base in the long-term through targeted measures and towards developing our customer relationships. This is based on our innovative and extensive portfolio of products and services. Due to the ongoing development of our global DMG MORI Key Account Management (KAM), we have succeeded in cooperating closely with major international customers. With the aid of KAM, this cooperation enables us to position DMG MORI as a long-term partner offering a wide range of solutions. We support customers, predominantly medium sized companies, in financing new machine tools by offering customised financial solutions via the joint enterprise, DMG MORI Finance GmbH.

P. 73 – 74
Order intake

P. 53 – 58
Research and Development

- **Innovation as the main driver of growth:** In our strategy, innovative products, softwares and services are key components for sustainable growth and in the future, will enable us to launch innovations on the market from all business areas on a regular basis. In the "Machine Tools" segment, we offer innovative and high quality products from the turning, milling and advanced technologies sectors and the ECOLINE product range, as well as from the Electronics and Systems ranges. One main focus of our research and development department is the development of innovative software solutions, as well as the further development and marketing of our app-based control and operating software, CELOS. As a technology-independent system, CELOS supports the interaction between man and machine, and thereby represents a key element in creating intelligent production networks. CELOS takes the quality of data collection, processing and analysis to a new level. This enables us to equip our machine tools with enhanced sensor technology, which identifies and automatically corrects dysfunctional behaviour at an early stage. CELOS is a major step towards Industrie 4.0 for DMG MORI. Overall, by more closely coordinating research and development with our Japanese cooperation partner, both companies can focus more on their individual strengths, which, in turn, facilitates the effectiveness of joint development work.
- **Increasing profitability and the sustainable use of capital**: In order to achieve our goal of a sustainable increase in corporate value, we are constantly working towards raising the profitability of the DMG MORI group and ensuring the efficient and sustainable use of our capital. A major contribution towards this is our commitment to strengthening our cooperation with DMG MORI COMPANY LIMITED. Primarily, this can be achieved by constantly optimising our global delivery partnership, significantly reducing material costs, standardising components and streamlining our product portfolio.

Management System of the DMG MORI group:

P. 79 – 81
Financial Position

The Executive Board of DMG MORI AKTIENGESELLSCHAFT manages the group via a rigidly defined organisational and management structure, as well as by operative goals, the achievement of which is monitored by pre-defined key figures. With the aid of our internal controlling and management system, as well as our standard reporting system, we monitor and manage the attainment of key performance indicators and the efficient use of our capital. In particular, key internal target and control variables are order intake, sales revenues, earnings before taxes (EBT) and capital expenditure. We manage the activities of the group and individual companies sustainably and with a focus on value.

P. 123 – 129
Forecast Report

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

B . 04

KEY FINANCIAL PERFORMANCE INDICATORS
TARGETS AND RESULTS 2015

	Results 2014	Targets 2015 [1)]	Targets 2015 [2)]	Results 2015
Sales revenues	€ 2,229.0 million	around € 2.25 billion	around € 2.25 billion	€ 2,304.7 million
Order intake	€ 2,331.4 million	around € 2.4 billion	between € 2.3 and € 2.4 billion	€ 2,282.8 million
EBT	€ 175.3 million	around € 160 million	around € 160 million	€ 217.3 million
EBT	€ 175.3 million	around € 160 million	around € 160 million	€ 179.5 million *
Free cash flow	€ 86.1 million	between € 10 and € 20 million	between € 10 and € 20 million	€ 32.0 million
Net Working Capital	€ 189.5 million	moderate improvement	moderate improvement	€ 261.6 million
Capital expenditure of which tangible fixed assets / intangible assets	€ 136.9 million	around € 140 million	around € 140 million	€ 130.6 million
Research & Development expenses	€ 44.1 million	around € 48 million	around € 48 million	€ 45.9 million
New developments / world premieres	19	18	18	18

1) As at 9 March 2015
2) As at most recently published target values
* Without extraordinary one-off profit from the sale of shares held in DMG MORI COMPANY LIMITED.

Overall, the DMG MORI group achieved its **targets for financial year 2015**. As one of the leading manufacturers of cutting machine tools, we have further consolidated our global market share. For 2015, sales revenues of 2,304.7 million were achieved. This is a 3% rise from the previous year. Despite a generally challenging market environment, we achieved an order intake of € 2,282.8 million and EBT of € 217.3 million, which were at € 179.5 million, without the extraordinary one-off profit from the sale of the shares held in DMG MORI COMPANY LIMITED. Free cash flow reached € 32.0 million. Capital expenditure in property, plant and equipment and intangible assets amounted to € 130.6 million and expenditure for research and development amounted to € 45.9 million. In 2015, we presented 18 new developments or world premieres. The increase in net working capital from the original forecast was primarily attributable to the decrease in trade payables.

Corporate Governance Report

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

DMG MORI GROUP COMPLIES WITH CORPORATE GOVERNANCE CODE

The Executive Board and Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always 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 group has been following the recommendations of the German Corporate Governance Code for years.

In November 2015, 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 5 May 2015 and its publication in the electronic Federal Gazette (Bundesanzeiger) on 12 June 2015. The Executive Board and Supervisory Board likewise confirm that the recommendations of the "Government Commission on the German Corporate Governance Code" will also be complied with in the future.

I DMGMORI.COM
Declaration of confirmity

The current declaration of conformity and the corporate governance report are permanently accessible at our website www.dmgmori.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 group

At the DMG MORI group D&O insurance (directors' and officers' liability insurance) and legal protection insurance have been taken out for members of the Supervisory Board, all the Executive Board members and 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

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

P P. 111 – 122
Opportunities and Risk Report

Within the opportunities management system of the DMG MORI group, we focus our attention in particular on material individual opportunities in the sales area, overall economic and industry-specific opportunities as well as on corporate strategic and performance-related opportunities. Our risk management system includes an early risk identification system, an internal control system (ICS), and the central insurance management.

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

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

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

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

To be able to present the overall risk situation of the group, we determine the individual local and central risks as well as the group effects. Possible maximum loads from identified and assessed risks for the group are simulated using quantitative methods (Monte Carlo simulation).

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

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

The existing internal control system of the DMG MORI group serves to minimise or eliminate controllable risks in day-to-day business processes. Based on an analysis and documentation of basic business processes, which is updated annually, controllable risks are registered and eliminated or minimised to an acceptable level by arranging the organisational structure and workflow management accordingly, and by implementing suitable control measures. This is supported by existing internal guidelines and instructions as part of the ICS. The effectiveness of the ICS is judged by annual self-assessments. A report on the results of the self-assessments is given to the Executive Board and the Supervisory Board. The ICS of DMG MORI AKTIENGESELLSCHAFT is structured in accordance with the requirements of the German Stock Companies Act as well as the necessary requirememts of the “Japanese Financial Instruments and Exchange Act” (J-SOX / Naibutousei).

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

Cooperation between the Executive Board and Supervisory Board

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

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

P. 43 – 52
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 AKTIENGESELLSCHAFT.

Objectives in the Composition of the Supervisory Board

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

- The Supervisory Board should be staffed with the same number of owners' representatives with experience in managing or governing companies with global operations;
- Employees from key DMG MORI sectors should be taken into consideration as employee representatives;
- Knowledge about DMG MORI and key markets for DMG MORI, as well as knowledge about technical contexts and technology management should be taken into consideration;
- Specialist knowledge and experience in the use of accounting principles, internal monitoring procedures and compliance processes should be taken into consideration;
- At least two male and two female Supervisory Board members should be elected for both the owners' and the employees' sides, as soon as possible, but no later than the election of the new Supervisory Board in 2018;
- At least 50% of all Supervisory Board members should be independent;
- Conflicts of interest should be avoided;

- An upper age limited of 70 years at the time of election to the Supervisory Board should be observed;
- Nominations for future staffing of the Supervisory Board should also look, in particular, to the interests of the company, while observing the objectives mentioned above.

A resolution was also passed on a maximum limit of five terms of office.

Avoiding Conflicts of Interest

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

Shareholders and Annual General Meeting

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

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

Transparency

DMGMORI.COM
Public Relations

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

DMGMORI.COM
Compliance

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

The code of conduct of the DMG MORI group is applicable worldwide in all group companies and applies to all employees and, inter alia, governs their behaviour towards third parties. This code of conduct is set out more specifically in the compliance guidelines inter alia in the areas of anti-corruption, competition law behaviour, export controls and dealing with insider information.

Our compliance management system, which we introduced in 2008, has been further expanded, also this year. 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 at the regions, respectively. The local compliance officers ensure that the measures are implemented and thus support the Chief Compliance Officer in his duties. Beyond this, our compliance work is supported by the Compliance Committee. The Committee is composed of experts from the audit, legal, risk management, internal control system, personnel, IT, purchasing and sales departments; the Committee acts as an advisor to the Chief Compliance Officer. All employees have the possibility to address questions relating to compliance to their local compliance officer or to the Chief Compliance Officer or central compliance management, respectively. In addition, we have set up a compliance helpdesk, which employees may contact by email. In order to ensure that our compliance management system is adjusted to the present conditions at all group companies at all times, regular meetings and functions tests are conducted at the group affiliates.

Our senior executives regularly attend training sessions organised by the Chief Compliance Officer. Our senior executives are then expected to act as multipliers, passing their knowledge on to their employees. Moreover, online training courses are conducted for all employees. In order to establish our compliance programme, we have carried out a dedicated analysis of all compliance risks, both centrally and locally, at the group units. We align our compliance measures with the identified risks and review the processing of further compliance topics.

In the reporting year, we have successfully subjected our compliance management system to an extensive test of effectiveness.

Statutory Gender Quota / Diversity Requirements

Based on the act on equal participation of women and men in executive management roles in the public and private sectors of 24 April 2015, the Supervisory Board is required to define quotas for the percentage of women on the Executive Board. Moreover, the Executive Board is responsible for defining quotas for the percentage of women in management positions below Executive Board level. Executive Board and Supervisory Board have fulfilled this obligation:

- Considering this legal framework, the Supervisory Board passed a resolution on 22 September 2015 specifying that a quota of 20% for the Executive Board of DMG MORI AKTIENGESELLSCHAFT should be occupied by female members of staff by 30 June 2017.
- As a result of flat hierarchies, at DMG MORI AKTIENGESELLSCHAFT only one management level exists below that of the Executive Board. The target quota set by the Executive Board on 09 September 2015 for this management level was 6% for women. This target figure should be achieved by 30 June 2017.

Financial Accounting and Annual Audit

P. 130
Other disclosures

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

Share Ownership of the Executive Board and Supervisory Board Members

Only one member of the Supervisory Board is an indirect shareholder in DMG MORI AKTIENGESELLSCHAFT. The Supervisory Board member Dr.-Ing. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nagoya, Japan). The DMG MORI COMPANY LIMITED holds, directly and indirectly 60.67 per cent of the share capital of DMG MORI AKTIENGESELLSCHAFT (as at 31 December 2015). Hence, Dr.-Ing. Masahiko Mori is indirectly a shareholder of DMG MORI AKTIENGESELLSCHAFT.

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

Suggestions of the German Corporate Governance Codex

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

Remuneration Report

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

Remuneration of the Supervisory Board of DMG MORI 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 AKTIENGESELLSCHAFT. The components of the remuneration for the Supervisory Board include the fixed remuneration that each member of the Supervisory Board receives, remuneration for committee work and attendance fees for meetings.

In financial year 2015, the fixed remuneration for each individual member of the Supervisory Board was € 60,000; the chairman received 2.5-times that amount (€ 150,000) and the deputy chairman 1.5-times that amount (€ 90,000). The fixed remuneration therefore totalled € 900,000 (previous year: € 356,548).

Remuneration for committee work totalled € 434,022 (previous year: € 284,384) 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 Committee for Capital Market Issues in 2015 and the Shareholder Business Relationships Committee. The individual committee members each received € 18,000. The chairperson of a committee also received an additional fixed remuneration of a further € 18,000 and the deputy chairperson a further € 6,000.

The members of the Supervisory Board and its committees receive an attendance fee of € 1,500 for each Supervisory Board and committee meeting that they participate in as a member. In total, attendance fees for financial year 2015 amounted to € 267,000 (previous year: € 88,000).

As of the financial year 2015, the remuneration for the Supervisory Board does not include any variable performance-based remuneration component anymore, so that the component of the LTI was eliminated in comparison to the previous year. In the previous year 2014, the variable remuneration of the LTI amounted to € 356,548.

The Supervisory Board remuneration in 2015 was made up as follows:

B . 05

REMUNERATION OF THE SUPERVISORY BOARD OF DMG MORI AKTIENGESELLSCHAFT	Fixed remuneration in €	Committee remuneration: Finance and Auditing (F&A) in €	Committee remuneration: Personnel, Nominations and Remuneration committee (PNR) in €	Committee remuneration: Technology and Development committee (T&D) in €	Committee remuneration: Committee for Capital Market Matters (22 Jan. 2015 to 07 May 2015) in €	Committee remuneration: Shareholder Business Relationships Committee (since 23 Sep. 2015) in €	Meeting attendance fees in €	**Total in €**
Prof. Dr.-Ing. Raimund Klinkner Chairman SB, Chairman T&D and PNR, Chairman capital market	150,000	18,000	36,000	36,000	10,455	0	33,000	283,455
Dr. Helmut Rothenberger deputy chairman SB	90,000	0	18,000	0	0	4,932	24,000	136,932
Ulrich Hocker Chairman Shareholder Business Relationships Committee	60,000	0	18,000	0	5,227	9,863	27,000	120,090
Prof. Dr. Edgar Ernst Chairman F&A	60,000	36,000	0	0	5,227	0	19,500	120,727
Dr.-Ing. Masahiko Mori	60,000	18,000	0	18,000	0	0	19,500	115,500
Prof. Dr.-Ing. Berend Denkena	60,000	0	0	18,000	0	0	15,000	93,000
Dr. Constanze Kurz *	60,000	18,000	18,000	18,000	5,227	0	21,000	140,227
Dietmar Jansen *	60,000	0	0	0	0	0	7,500	67,500
Mario Krainhöfner * Deputy chairman SB	90,000	0	18,000	0	5,227	4,932	27,000	145,159
Matthias Pfuhl	60,000	18,000	0	18,000	0	0	24,000	120,000
Peter Reinoß *	60,000	0	0	0	0	0	12,000	72,000
Hermann Lochbihler Deputy chairman SB	90,000	18,000	18,000	18,000	0	4,932	37,500	186,432
Total	**900,000**	**126,000**	**126,000**	**126,000**	**31,364**	**24,658**	**267,000**	**1,601,022**

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

For financial year 2015, the total remuneration of the Supervisory Board was € 1,601,022 (previous year: € 1,085,480).

Remuneration of the Executive Board of DMG MORI AKTIENGESELLSCHAFT

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

PERFORMANCE-BASED EXECUTIVE BOARD REMUNERATION

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

The total remuneration received by the Executive Board totalled € 13,584 K (previous year: € 9,679 K). Of this sum, fixed salaries accounted for € 2,851 K (previous year: € 2,252 K) and STI accounted for € 5,740 K (previous year: € 5,804 K). Individual performance-based remuneration accounted for € 3,590 K (previous year: € 581 K) and included a payment for the extraordinary and successful activity of the Executive Board Chairman in the context of an important group project.

When awarded, the fair value of the LTI totalled € 1,276 K (previous year: € 924 K). The Executive Board waived a total amount of € 1,666 K in variable remuneration for the financial year 2015. Benefits in kind amounted to € 127 K (previous year: € 118 K). The total remuneration received by the Executive Board in the year 2015 was as follows:

B . 06

EXECUTIVE BOARD DIRECT REMUNERATION

	Fixum € K	STI € K	LTI * € K	Performance remuneration € K	Project remuneration € K	**Total** **€ K**
Dr. Rüdiger Kapitza, chairman	1,300	1,945	355	3,200	46	6,846
Dr. Thorsten Schmidt, deputy chairman Member of the Executive Board until 31 Dec. 2015	500	972	236	100	30	1,838
Christian Thönes	420	972	236	100	21	1,749
Dr. Maurice Eschweiler	318	972	236	100	16	1,642
Björn Biermann, Member of the Executive Board as of 27 Nov. 2015	25	–	–	–	1	26
André Danks, Revocation of the appointment to the Executive Board on 26 Nov. 2015	288	879	213	90	13	1,483
Total	**2,851**	**5,740**	**1,276**	**3,590**	**127**	**13,584**

* Fair value of the LTI at the state of grant

The former Executive Board member André Danks received a payment of € 135 K as remuneration in the financial year 2015 for the period since cancellation of his appointment to the Board until 31 Dec. 2015. The service contract concluded with Mr. Danks, which has a term until 10 March 2017, remains unaffected for now.

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

B . 07

ALLOCATED GRANTS (in € K)

				2014	2015	2015 (Min)	2015 (Max)
Dr. Kapitza	Chairman		Fixum	800	1,300	1,300	1,300
			Perquisite	44	46	46	46
			Sum	**844**	**1,346**	**1,346**	**1,346**
			STI	1,600	1,200	400	2,500
			Performance remuneration	200	3,200	0	3,200
			LTI 2014 – 2017	261	–	–	–
			LTI 2015 – 2018	–	355	0	2,600
			Sum	**2,061**	**4,755**	**400**	**8,300**
			Service cost	422	619	619	619
			Total	**3,327**	**6,720**	**2,365**	**10,265**
Dr. Schmidt	Deputy chairman	until	Fixum	500	500	500	500
		31 Dec. 2015	Perquisite	30	30	30	30
			Sum	**530**	**530**	**530**	**530**
			STI	800	600	0	1,250
			Performance remuneration	100	100	0	100
			LTI 2014 – 2017	174	–	–	–
			LTI 2015 – 2018	–	236	0	1,000
			Sum	**1,074**	**936**	**0**	**2,350**
			Service cost	120	120	120	120
			Total	**1,724**	**1,586**	**650**	**3,000**
Mr. Thönes	Executive Board		Fixum	318	420	420	420
	Product development,		Perquisite	19	21	21	21
	production and		**Sum**	**337**	**441**	**441**	**441**
	technology		STI	800	600	0	1,250
			Performance remuneration	100	100	0	100
			LTI 2014 – 2017	174	–	–	–
			LTI 2015 – 2018	–	236	0	840
			Sum	**1,074**	**936**	**0**	**2,190**
			Service cost	50	120	120	120
			Total	**1,461**	**1,497**	**561**	**2,751**
Dr. Eschweiler	Executive Board		Fixum	318	318	318	318
	Industrial Services		Perquisite	14	16	16	16
			Sum	**332**	**334**	**334**	**334**
			STI	800	600	0	1,250
			Performance remuneration	100	100	0	100
			LTI 2014 – 2017	174	–	–	–
			LTI 2015 – 2018	–	236	0	636
			Sum	**1,074**	**936**	**0**	**1,986**
			Service cost	50	50	50	50
			Total	**1,456**	**1,320**	**384**	**2,370**

ALLOCATED GRANTS (in € K)

				2014	2015	2015 (Min)	2015 (Max)
Mr. Biermann	Executive Board Finance	As of 27 Nov. 2015	Fixum	–	25	25	25
			Perquisite	–	1	1	1
			Sum	**–**	**26**	**26**	**26**
			STI	–	–	–	–
			Performance remuneration	–	–	–	–
			LTI 2014 – 2017	–	–	–	–
			LTI 2015 – 2018	–	–	–	–
			Sum	**–**	**–**	**–**	**–**
			Service cost	–	50	50	50
			Total	**–**	**76**	**76**	**76**
Mr. Danks	Executive Board Finance	Revocation of the appointment to the Executive Board on 26 Nov. 2015	Fixum	257	288	288	288
			Perquisite	7	13	13	13
			Sum	**264**	**301**	**301**	**301**
			STI	649	542	0	1,130
			Performance remuneration	81	90	0	90
			LTI 2014 – 2017	141	–	–	–
			LTI 2015 – 2018	–	231	0	576
			Sum	**871**	**845**	**0**	**1,796**
			Service cost	50	45	45	45
			Total	**1,185**	**1,191**	**346**	**2,142**
Ms. Dahnke	Executive Board Finance	Until 24 Feb. 2014	Fixum	59	–	–	–
			Perquisite	4	–	–	–
			Sum	**63**	**–**	**–**	**–**
			STI	–	–	–	–
			Performance remuneration	–	–	–	–
			LTI 2014 – 2017	–	–	–	–
			LTI 2015 – 2018	–	–	–	–
			Sum	**–**	**–**	**–**	**–**
			Service cost	120	–	–	–
			Total	**183**	**–**	**–**	**–**
Total			Fixum	2,252	2,851	2,851	2,851
			Perquisite	118	127	127	127
			Sum	**2,370**	**2,978**	**2,978**	**2,978**
			STI	4,649	3,542	400	7,380
			Performance remuneration	581	3,590	0	3,590
			LTI 2014 – 2017	924	–	–	–
			LTI 2015 – 2018	–	1,276	0	5,652
			Sum	**6,154**	**8,408**	**400**	**16,622**
			Service cost	812	1,004	1,004	1,004
			Total	**9,336**	**12,390**	**4,382**	**20,604**

B . 08

INFLOW FOR THE FINANCIAL YEAR (in € K)

				2014	2015
Dr. Kapitza	Chairman		Fixum	800	1,300
			Perquisite	44	46
			Sum	**844**	**1,346**
			STI	1,997	1,945
			Performance remuneration	200	3,200
			LTI 2011 – 2014	1,231	–
			LTI 2012 – 2015	–	1,468
			Sum	**3,428**	**6,613**
			Service cost	422	619
			Total	**4,694**	**8,578**
Dr. Schmidt	Deputy chairman	until	Fixum	500	500
		31 Dec. 2015	Perquisite	30	30
			Sum	**530**	**530**
			STI	999	972
			Performance remuneration	100	100
			LTI 2011 – 2014	784	–
			LTI 2012 – 2015	–	978
			Sum	**1,883**	**2,050**
			Service cost	120	120
			Total	**2,533**	**2,700**
Mr. Thönes	Executive Board		Fixum	318	420
	Product development,		Perquisite	19	21
	production and		**Sum**	**337**	**441**
	technology		STI	999	972
			Performance remuneration	100	100
			LTI 2011 – 2014	–	–
			LTI 2012 – 2015	–	489
			Sum	**1,099**	**1,561**
			Service cost	50	120
			Total	**1,486**	**2,122**
Dr. Eschweiler	Executive Board		Fixum	318	318
	Industrial Services		Perquisite	14	16
			Sum	**332**	**334**
			STI	999	972
			Performance remuneration	100	100
			LTI 2011 – 2014	–	–
			LTI 2012 – 2015	–	–
			Sum	**1,099**	**1,072**
			Service cost	50	50
			Total	**1,481**	**1,456**

INFLOW FOR THE FINANCIAL YEAR (in € K)

				2014	2015
Mr. Biermann	Executive Board Finance	As of 27 Nov. 2015	Fixum	–	25
			Perquisite	–	1
			Sum	**–**	**26**
			STI	–	–
			Performance remuneration	–	–
			LTI	–	–
			Sum	**–**	**–**
			Service cost	–	50
			Total	**–**	**76**
Mr. Danks	Executive Board Finance	Revocation of the appointment to the Executive Board on 26 Nov. 2015	Fixum	257	288
			Perquisite	7	13
			Sum	**264**	**301**
			STI	810	879
			Performance remuneration	81	90
			LTI	–	–
			Sum	**891**	**969**
			Service cost	50	45
			Total	**1,205**	**1,315**
Ms. Dahnke	Executive Board Finance	Until 24 Feb. 2014	Fixum	59	–
			Perquisite	4	–
			Sum	**63**	**–**
			STI	–	–
			Performance remuneration	–	–
			LTI	–	–
			Sum	**–**	**–**
			Service cost	120	–
			Total	**183**	**–**
Mr. Bachmann	Executive Board production and technology	Until 31 Dec. 2013	Fixum and Perquisite	–	–
			Sum	**–**	**–**
			STI	–	–
			Performance remuneration	–	–
			LTI 2011 – 2014	759	–
			LTI 2012 – 2015	–	900
			Sum	**759**	**900**
			Service cost	–	–
			Total	**759**	**900**
Total			Fixum	2,252	2,851
			Perquisite	118	127
			Sum	**2,370**	**2,978**
			STI	5,804	5,740
			Performance remuneration	581	3,590
			LTI 2011 – 2014	2,774	–
			LTI 2012 – 2015	–	3,835
			Sum	**9,159**	**13,165**
			Service cost	812	1,004
			Total	**12,341**	**17,147**

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

The STI is based on targets relating to key figures. In the reporting year the earnings after taxes (EAT) provided the reference value used. The target figures are on a sliding scale and are specified anew each year. In addition, the STI includes a ceiling limit (CAP) in an amount of € 1,250 K for 2015 for a full member of the Supervisory Board. The CAP is likewise fixed anew every year. As a pre-condition for the payment of the STI, the sustainability factor of the group (total of expenses for R&D and corporate communication, as well as for vocational and further training in relation to total sales revenues) for the respective financial year must fall within a fixed range. This promotes a corporate management focused on sustainability.

REMUNERATION COMPONENTS WITH SUSTAINABILITY FACTOR

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

The LTI involves a **performance units plan**, which does not include any dividend payments or voting rights. In addition, the units may not be traded or sold to any third party. The tranches awarded at the beginning of each year have a term of four years. Each tranche is defined by an assumed amount of money that is converted into a number of performance units using the average share price. Following expiry of the relevant period, the amount to be paid out is calculated from the number of units. From the LTI tranche 2012 – 2015, which was awarded on 31 December 2015 and will be paid out in 2016, the resulting payment totals € 3,835 K (previous year's tranche 2011 – 2014: € 2,774 K).

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

The tranches awarded for financial year 2015 will be allocated on 31 December 2018 and will be paid out in 2019, 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 2012, 2013, 2014 and 2015, as well as the fair value of the LTI at the date it was granted to each Executive Board member.

B . 09

TRANCHES OF THE LONG-TERM INCENTIVE	Tranche 2012 4-year term			Tranche 2013 4-year term		Tranche 2014 4-year term		Tranche 2015 4-year term	
	Number of performance units	Fair value when awarded € K	Allocation amount for 2015 € 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	22,422	248	1,468	22,848	277	16,000	261	13,095	355
Dr. Thorsten Schmidt, deputy chairman	14,948	165	978	15,232	185	10,667	174	8,730	236
Günter Bachmann (member of the Executive Board until 31 Dec. 2013)	14,948	165	900	15,232	185	–	–	–	–
Christian Thönes	7,474	83	489	15,232	185	10,667	174	8,730	236
Dr. Maurice Eschweiler	–	–	–	7,616	92	10,667	174	8,730	236
André Danks (Revocation of the appointment to the Executive Board on 26 Nov. 2015)	–	–	–	–	–	8,650	141	7,893	213
Total	**59,792**	**661**	**3,835**	**76,160**	**924**	**56,651**	**924**	**47,178**	**1,276**

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

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

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

B . 10 INDIRECT REMUNERATION FOR EXECUTIVE BOARD MEMBERS

	€ K
Dr. Rüdiger Kapitza, chairman	619
Dr. Thorsten Schmidt, deputy chairman	120
Christian Thönes	120
Dr. Maurice Eschweiler	50
Björn Biermann	50
André Danks	45
Total	**1,004**

In financial year 2015, pursuant to the International Financial Reporting Standards (IFRS), a provisions expense of € 619 K arose for the defined benefit plan (previous year: € 422 K). The total amount of the provision is € 15,242 K (previous year: € 14,529 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 € 385 K (previous year: € 390 K). The expense for the financial year just ended amounted to € 1,004 K (previous year: € 812 K).

In financial year 2015, Dr. Rüdiger Kapitza was paid an amount of € 16 K (gross) as an insurance benefit, which was financed by a salary conversion of variable remuneration.

Advances in favour of members of the Executive Board – as for the rest also in favour of members of the Supervisory Board – were not granted. There was no share option plan or similar securities-based incentive system.

Companies in the DMG MORI AKTIENGESELLSCHAFT group did not pay any remuneration directly to members of governing bodies for services personally rendered, in particular consulting and introduction services. During the reporting year, expenses accrued for consulting services of the Institute for Manufacturing Excellence GmbH, where Prof. Dr.-Ing. Raimund Klinkner is managing partner, in the amount of € 1,529 K (previous year: € 1,483 K). As of 31 December 2015, the pending liabilities amounted to € 109 K (previous year: € 112 K).

Former members of the Executive Board and their surviving dependants were paid € 605 K in pensions (previous year: € 610 K). The amount of pension obligations for former members of the Executive Board and their surviving dependants amounted to € 11,584 K (previous year: € 12,000 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 2015, the following notifications of directors' dealings were made:

B . 11 **DIRECTORS' DEALINGS 2015**

Name	Position	Date	Type of the Transaction	Number	Share price in €	**Business volume in €**
Christian Thönes	Member of the Executive Board	7 May 2015	Sale of shares, cash compensation	1,080	30.55	32,994.00

Research and Development

The purpose of the DMG MORI group's joint research and development activities is to increase the added value of our products for our customers. We develop cutting-edge technology products around the world based on regional market requirements and offer our customers a wide range of machine tools. As a technology leader, we stand out from our competitors, in particular through our app-based control and operating software CELOS, as well as innovative application technologies.

Its ongoing research and development enables DMG MORI to set a standard for future-oriented products within the industry. In the era of Industrie 4.0, we place particular focus on integrated technology and software solutions. CELOS allows us to currently offer our customers the key factor for a networked, intelligent production. CELOS is compatible with other systems, such as PPS or ERP and enables the system to be linked to CAD / CAM applications. Our wide range of CELOS apps supports the general management, documentation and visualisation of order, process and machine data. By connecting machines to the network via CELOS, set-up times can be reduced by up to 30%. The cost of evaluating technology stocks and searching for key information is also reduced by up to 50%. Our CELOS PC version enables production and manufacturing processes to be planned and managed during the pre-production phase. It also allows integration of any machine or equipment into an integral CELOS periphery.

We presented an innovation project in the scope of Industrie 4.0 at the leading EMO trade fair in Milan in October 2015. We developed new basic components for the milling and turning machining centre DMC 80 FD duoBLOCK® and fitted them with 60 extra sensors. The data are stored and allow qualified machine and process forecasts. DMG MORI offers customers tailored solutions based on the data collected.
The main focal points of our research and development programme are:

- increasing machine functionality and full network connectivity to our business organisation through our app-based control and operating software, CELOS,
- standardising components (SCOPE) and increasing vertical integration for core components (DMG MORI COMPONENTS),
- increasing the value retention and user-friendliness of our machines through the new Corporate Design. The changeover of our product portfolio to the new Corporate Design was successfully completed for the EMO autumn trade show in Milan.
- Market-directed consolidation and development of the product portfolio (product streamlining),
- expanding the localisation of machines and components.

Expenses for research and development (R&D) at € 45.9 million were around 4.1% above the previous year's figure (€ 44.1 million).

The innovation ratio in the "Machine Tools" segment was 3.6% (previous year: 3.5%). Investments in new developments are listed in the explanations on the segments as capitalised development costs. Research and development activities as drivers of growth make a marked contribution to the group's results.

B . 12

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

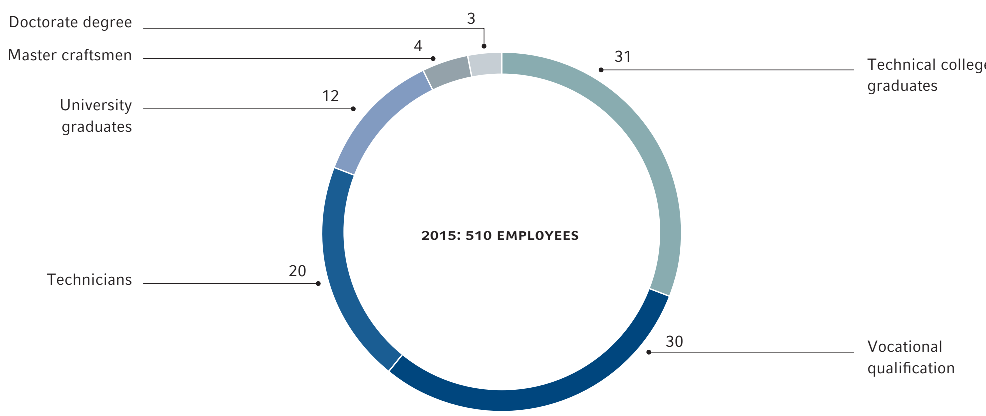
		2015	2014	2013	2012	2011	2010	2009
R&D employees	number	510	501	504	502	485	451	435
Proportion of R&D employees [1]	in %	14	14	15	15	15	15	15
R&D expense [2]	€ million	45.9	44.1	42.5	45.3	44.7	40.3	39.7
Innovation ratio [3]	in %	3.6	3.5	3.5	3.9	4.1	5.2	5.2
Capitalisation ratio [4]	in %	18	18	26	20	24	23	16
New developments	number	18 [5]	19 [5]	20 [5]	17 [5]	20	17	15

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

The success of our R&D work is reflected in the quality of our innovations and demand from our customers. Overall, machines that were developed in the past three years accounted for around 31% of all orders in the reporting period (previous year: 31%). Together with our Japanese partner, we presented 18 world premieres at 75 national and international trade fairs, as well as at open house exhibitions in the reporting period and thus demonstrated our innovative capacity. This included ten of our own developments, three joint developments and five world premieres from our partner. In total, the value of our portfolio of protected rights, defined by the market value method, amounts to around € 544 million (previous year: € 535 million).

A total of 510 employees work on developing our products (previous year: 501 employees); this corresponds to 14% of the total workforce at the plants (previous year: 14%).

B.13 **GROUP WIDE QUALIFICATION STRUCTURE IN THE AREA OF DEVELOPMENT / CONSTRUCTION**
IN %



Research and development activities at the sites are decentralised and are coordinated with each other through a product development body. Our development activities are directed towards a close cooperation with DMG MORI COMPANY LIMITED. In particular, our activities are centred on integrating and further developing our joint product portfolio. For this purpose, we are strengthening cooperation developments and discontinuing the marketing and production of discontinued products.

In the future, a standard Cooperative R&D Platform (CRP) should support our global development activities. Across the group, it facilitates the exchange and generation of development-related information, such as CAD data, parts list structures and rules on parts management. The first project phase was completed in the reporting year with the implementation of a new product data management system (PDM). A standard parts list structure was successfully implemented. In current phase two, the information stored in the PDM will be made available to down-stream departments in a suitable format and a new CAD-system will be implemented for creating mechatronics circuit diagrams. This phase is scheduled for completion in May 2016.

For our app based control and operating software, CELOS, we have presented a total of five new apps within the reporting year: PALLET CHANGER, JOB SCHEDULER, MESSENGER, SERVICE AGENT and TOOL HANDLING. Thus, CELOS now has 16 apps in total with the prospect of adding further cutting-edge apps.

The **Turning** division presented four new developments. The “compactMASTER”, a new, compact milling spindle for use in turn and mill applications has been added to the second generation CTX TC series, already including the CTX beta 1250 TC, CTX GAMMA 1250 TC and CTX GAMMA 2000 TC . In the automatic machine tool range, the group presented the SPRINT 32|5 at the EMO. Minimum unit costs and a footprint measuring just 2.8 m^2 allow complete, efficient and productive machining of small and large series.

Within the **Milling** division, we have presented six new developments in the past financial year: DECKEL MAHO Pfronten GmbH presented two new horizontal machining centres, the DMC 100 H duoBLOCK® and DMC 125 H duoBLOCK®, in the fourth generation of the successful duoBLOCK® series. The company also presented three other machines for high-production 5-axis machining, the DMU 100 P duoBLOCK®, DMC 100 U duoBLOCK® and DMC 125 FD duoBLOCK® in the fourth generation of the duoBLOCK® series. The fourth generation duoBLOCK® provides increased rigidity of up to 30% for maximum productivity. Extensive cooling improves part accuracy by up to 30%. The DMC 270 U was also added to the product range for large 5-axis portal machines. With a solid portal structure, this machine allows maximum precision and dynamic performance for the productive machining of large parts weighing up to nine tons.

In **Advanced Technologies**, our focus is on additive manufacturing. This innovative hybrid-solution combines the flexibility of the laser metal deposition process with the precision of the cutting process. The key aspect in this area is the entire process chain starting with the exclusive CAD / CAM module, which enables automatic programming for generative and removal production. During this process, the customer is supported with suitable process parameters from a materials database. The additive manufacturing process is also monitored using continuous process control and constantly documented for quality assurance.

LASERTEC 65 *3D*: Manufacturing of complex geometries in finished-part quality

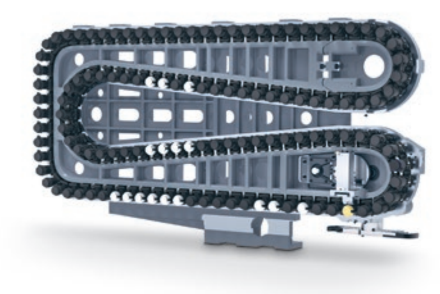
The unique **technological combination of laser build-up welding by means of powder nozzle and milling** offers completely new possibilities to the user for application and geometry. The flexible **change between laser and milling processing** enables a direct processing of component segments that can later not be reached anymore on the finished part. DMG MORI offers the complete process chain Additive Manufacturing, starting with automated hybrid NC-programming in CAD / CAM, through technology parameters from a materials database, to implementation, process monitoring and documentation.

In the reporting year, the **ECOLINE** division presented the *ecoMill* 600 V, *ecoMill* 800 V and *ecoMill* 1100 V as world premieres, thus the ECOLINE product portfolio for vertical machining centres was completely new realigned. The new DMG MORI SLIM*line*® Multi-Touch control system allows intuitive operation. Fitted with 3D control technology, it is the next stage of development for an ultra-modern user interface. The practical, ergonomically designed and high-resolution 19" multi-touch screen has a 45° swivel range.

DMG MORI COMPONENTS, core components co-developed with the DMG MORI COMPANY LIMITED, allow us to unite the qualities of both companies with regard to quality, precision and durability. The purpose of our activities is to create synergies through the use and global production of standard components in all machine series, designed to withstand even the toughest operating conditions. At the autumn trade fair EMO, we presented the new toolSTAR tool magazine for the first time. This product combines innovative components, enabling quick tool changing times and high wear resistance and a compact design. In the future, we plan on continuing the development of innovative and standard components. Moreover, as part of our cooperation programme, "SCOPE", we were also able to further aggregate our purchasing volume with DMG MORI COMPANY LIMITED through the systematic standardisation of purchased parts and as a result, achieve substantial cost benefits in the European and Asian procurement markets.

As a result of the additional integration of **DMG MORI technology cycles**, customers also have access to our exclusive technological expertise. Using parametrized context menus and dialogue control programming, complex machining processes can be programmed up to 60% faster on the machine. At the start of 2015, DMG MORI presented the "gearSKIVING" technology cycle, offering a productive and innovative process for manufacturing gears on turning and milling machines. Gears can be manufactured up to eight times faster than with gear shaping. The redesigned "Machine Protection Control" (MPC)

DMG MORI COMPONENTS: toolSTAR magazine



The new toolSTAR magazine from DMG MORI provides quick tool changing times and high-wear resistance combined with a compact design. With only 0.9 secs tool changing time, it has enough space for 30, 60 or 120 tools. The roller bearing, anti-wear chain with servo drive enables chain speeds of up to 400 tools per minute.

technology cycle provides optimum machine protection during critical vibration conditions through automatic fast shutdown. This extends the life of the spindle and reduces tool damage. The latest version also integrates cutting force monitoring while drilling and thread cutting and displays spindle imbalance at idling speed.

We have continued to enhance our **"Industrial Services"** segment portfolio in all areas. As a leading manufacturer of cutting machine tools, DMG MORI provides customised Service products for your machine's entire life cycle, guaranteeing higher performance and machine availability.

Our new "Service Plus" product family offers attractive service contracts for preserving the long-term productivity of our customers' machines. With the DMG MORI software, processes can be optimised in all phases of production. PC programme simulation completely replaces lengthy machine start-up times and minimizes set-up times. The certified CAD / CAM system and unique 1:1 simulation on the DMG MORI Virtual Machine maximizes the productivity of all DMG MORI turning and milling machines. The DMG MORI Messenger allows permanent and mobile access to detailed machine status data. With its NC programme converter, the DMG MORI Academy now provides an NC programme conversion service. This enables customers to also use programmes on old control systems with their new machines. The DMG MORI Microset external tool presetting device considerably enhances workpiece quality while keeping tool costs to a minimum. Through quick, precise and automatic tool measuring and setting, our Microvision software enables users to realise savings potential extremely quickly when planning their manufacturing processes.

In **Energy Solutions**, the GILDEMEISTER energy monitor enables users to constantly monitor consumption and costs and helps prepare their companies for the new EU Energy Efficiency Directive (EED). Detailed analysis functions display specific cost reduction options for efficiently reducing energy costs and consumption.

In October 2015, **GILDEMEISTER energy solutions** became a certified service partner of renowned suppliers, providing preventive and corrective services for their products.

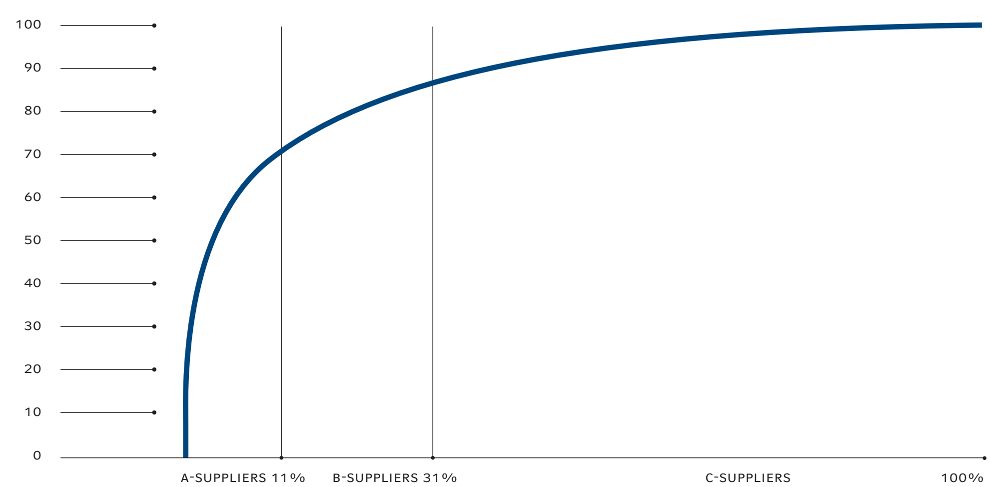
Purchasing

In the reporting year, work in the purchasing area was concentrated on cost optimisation of the new DMG MORI multi-touch control, which was presented at the EMO. Furthermore, **local purchasing in Russia** was expanded to push ahead the local supplier development.

The **costs** of materials and purchased services amounted to € 1,211.4 million (previous year: € 1,190.0 million), of which raw materials and consumables accounted for € 1,068.1 million (previous year: € 1,041.5 million). The **materials ratio** was 51.5% (previous year: 52.6%). Our **depth of value added** was 33.4% (previous year: 30.9%).

Our supplier structure is illustrated in the following diagram:

B . 14 **STRUCTURE ANALYSIS OF SUPPLIERS 2015**
SHARE OF SUPPLIERS IN PURCHASING VOLUME IN %



The structure analysis shows that 11% of our suppliers cover around 69% of the total purchasing volume. We refer to these as our A-suppliers. A further 20% of our suppliers have a share of 18% of the purchasing volume (B-suppliers); 31% of our suppliers thus cover 87% of the entire purchasing volume. The remaining 13% share of materials purchased is spread among the remaining 69% of our suppliers, the so-called C-suppliers.

Cooperation strengthens innovation: Under this motto, DMG MORI strengthens the strategic partnerships at a global level with DMG MORI COMPANY LIMITED and the exclusive choice of suppliers in the area of purchasing and procurement, in order to expand the

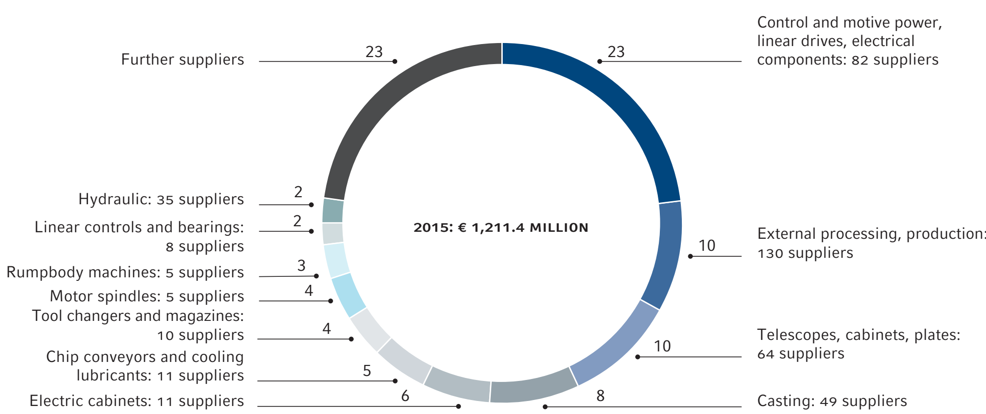
DMGMORI.COM
coSupply

innovations leadership and support competitiveness internationally. The supplier network plays an important role here and it is being optimised continuously with a new Partner Programme.

This programme was introduced on occasion of the "1st DMG MORI Premium Partner Summit" in early June 2015 in Leipzig. The event has replaced the Suppliers Day having been held annually since the year 2000, which used to be conducted traditionally with participation of more than 200 representatives of our top 100 supply partners.

Beside an intensive supplier management, the **Material Group Management** is also an important pillar within our purchasing activities. Divided into 30 material groups, it coordinates cooperation between purchasing and technology throughout the group.

B.15 **SHARE OF MATERIALS GROUP IN PURCHASING VOLUME**
IN %



In the area of non-production materials and services, the focus was especially on the investments for the construction of the production site in Ulyanovsk (Russia). Moreover, the group-wide use of the company's own Energy Solutions products was further accelerated, so that the electricity-related conditions with our contractors could be optimised again. The purchasing activities in specific areas were closely coordinated with the corresponding departments and were decided centrally. In a central committee, proposed capital investments were presented to the Executive Board monthly and a final decision was made.

Production and Logistics

TAKT PHASE 3 STARTED

In the **Production and Logistics** area, we pressed ahead further with the group-wide standardisation within the scope of the continuous **"TAKT"** project, so as to increase efficiency in production and in the production-related areas. Through the introduction of integrated planning and control in combination with the group-wide standardised order processing workflow, we have further optimised the inventories at all plants. In the course of aligning our production with Industrie 4.0, we have developed and installed independent shop floor monitors that are customised for our processes, helping our employees in the plant every day and safeguarding the integrated processes on a permanent basis. Regular auditing of the methods, workstation layout in production and observation of visual standards are integral parts of **"TAKT"**, serving consistent and group-wide optimisation.

The average delivery period and consequently the calculatory extent of the order backlog of the DMG MORI group, was about four months in the reporting year ended. On industry average in the German machine tools industry, this value is quantified by the German Machine Tool Builders' Association (VDW) as 6.8 months; since it includes a considerably much higher percentage in special and project machines with typically longer through-put times, it is consequently slightly higher.

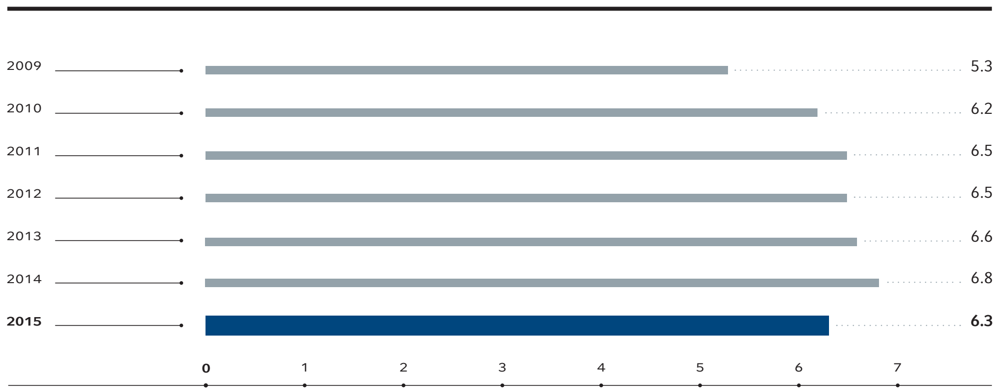
INTENSIFIED COOPERATION WITH DMG MORI COMPANY LIMITED

In the reporting year, we also intensified the cooperation with our Japanese partner in the area of production. This way, our customers increasingly profit from shorter delivery periods and reduced transport costs, which we could reach through the reciprocal use of the worldwide production capacities. One example for this is the universal turning machine NLX 2500 SY | 700 of our cooperation partner, which has been produced successfully in series since 2014 by GILDEMEISTER Italiana S.p.A. at our site in Bergamo (Italy). In the course of a continuous improvement process, a permanent exchange between the production plants takes place, in order to optimise processes, increase efficiency and guarantee the highest measure of quality. With the help of our global production network, we can increase our flexibility, utilise capacities optimally, and reduce the distance to our customers by virtue of local production. We intend to continue on this path in the coming years and increasingly produce "in the market for the market".

SUCCESS IN THE IDEAS MANAGEMENT

In the past financial year, we have once again profited from our successful **Ideas Management System**. Our employees contribute continuously to the improvement and further development of our company through the employee suggestion system. In the ranking by the Institut für Betriebswirtschaft (German Institute for Business Administration) consisting of 84 companies from twelve industries, our plants DECKEL MAHO Seebach GmbH and DECKEL MAHO Pfronten GmbH took the top two ranks, as well as GILDEMEISTER Drehmaschinen GmbH the fourth rank.

B . 16 **SUGGESTIONS FOR IMPROVEMENT AT PRODUCTION PLANTS**
NUMBER PER EMPLOYEE



In the **Milling** divison, DECKEL MAHO Pfronten, in cooperation with technology partners, has developed a project in the scope of Industrie 4.0. A DMC 80 FD duoBLOCK® was thereby fitted with over 60 monitoring sensors, connecting digitised components from the sensor to the cloud for data entry, storage and analysis. The objective is to achieve continuous machine monitoring. This prevents e.g. machine overloads and allows more flexible maintenance cycles. In addition, we have expanded the cycle-timed material supply to also include the DMU 210. At the same time, also a new form of JIS material supply is implemented for large parts directly at the assembly station.

In this year's opening of the "Porsche Motorsport CNC Competence Centre" at the DECKEL MAHO Seebach site, we have set another corner stone for a permanent technology partnership between DMG MORI and Porsche. At this time, 27 different, high-quality components for the new Porsche 919 Hybrid are produced on three high-tech machines, the CTX beta 800 TC, HSC 70 *linear* and the DMU 60 eVo *linear*. The application spectrum also includes chassis parts and crankshaft housings, yet also service equipment that makes a big contribution to success in racing action.

In the **Turning** divison, at GILDEMEISTER Drehmaschinen GmbH, we are continuing the restructuring of the production and logistics areas in consideration of the energetic site concept. Furthermore, a standardised process and sequence structure as well as a cross-site project organisation has been introduced in the course of the continuous process optimisation. For tool spindle assembly, we reduced the processing time by more than 35%.

The site of GILDEMEISTER Italiana S.p.A. has integrated the assembly of the SPRINT 20|5, SPRINT 30|5 and SPRINT 32|8 on one shared assembly line. This became possible through the rigorous implementation of a platform strategy encompassing all machines, whereby the standardisation of assembly processes in production is facilitated, thus shorter processing times, and shortened delivery periods reduced for the customer. In addition, the components of the switch cabinet were also changed over to the group-wide standards to reduce the multitude of variants also in all other machine series of the site.

DMG MORI ECOLINE HOLDING AG bundles the ECOLINE production plants of FAMOT Sp.z o.o. (Poland), DMG Shanghai Machine Tools Co. Ltd. (China) and our plant in Ulyanovsk (Russia), which was completed this year.

In Pleszew (Poland), modernisation of the mechanical production in the area of precision and large-parts processing continued. Moreover, series production of the *ecoTurn* 450 was started successfully. We have fundamentally redesigned the Shanghai site. In particular, the assembly hall, the logistics area and the technology centre were modernised. In Ulyanovsk (Russia), we opened our state-of-the-art production plant on 29 September. The centrepiece of the premises with a size of 330,000 m² is the production and assembly plant with modern equipment, and a state-of-the-art technology and demonstration centre. The total building area has a size of 21,000 m². With the aim of "Made in Russia for Russia and the world", technologically high-quality turning and milling machines of the ECOLINE series are produced here. The total capacity of the production plant is laid out for around 1,200 machines per year.

The **Energy Solutions** system business offers complete solutions for the energy management of commercial customers. This includes efficiency analyses for energy savings as well as systems for generating, storing and using renewable energy. The combination of solar energy generating systems and stationary storage units on the basis of the vanadium redox flow technology facilitates efficient energy consumption for energy-conscious commercial customers.

In matters relating to quality, we have further improved our pioneering **"First Quality standard"**. "First Quality" bundles all measures relating to the improvement of our processes and products. These guidelines cover all steps from the development to installation of the machine at the customer's premises. The focus in development is the cross-product construction as well as in-house assembly of modular and standardised DMG MORI COMPONENTS with the highest measure of accuracy and robustness. Examples of the resulting customer benefit are the new spindle generations, the speedMASTER, compactMASTER and powerMASTER, with an increase of the lifecycle-dependent warranty to now 10,000 spindle hours. The use of innovative cooling concepts furthermore improves accuracy by up to 20%. Additional fixed parts of our established "First Quality Standards" are the 100-hour quality test according to strict criteria and with replication of production conditions similar to the real conditions, as well as the five-day start-up support for our technology machines.

Report on Economic Position

In 2015, the global economy has slowed its pace. In Asia, China's phase of economic weakness dampens the global economic growth. The economy in the USA continued its recovery. The euro zone continues to be on a path of modest growth. The global machine tool market was strongly influenced by the exchange rate fluctuations and stagnated on the whole.

Business Environment

Overall Economic Development

The global economy in the reporting year 2015 has lost pace; China's phase of economic weakness, recession in important emerging countries – such as Russia and Brazil – and conflicts in the Near East dampen the global economy. According to preliminary calculations by the Institute for World Economics (IfW) of Kiel University, economic growth in 2015 of 3.1% was at the lowest level since 2009 (previous year: + 3.5%).

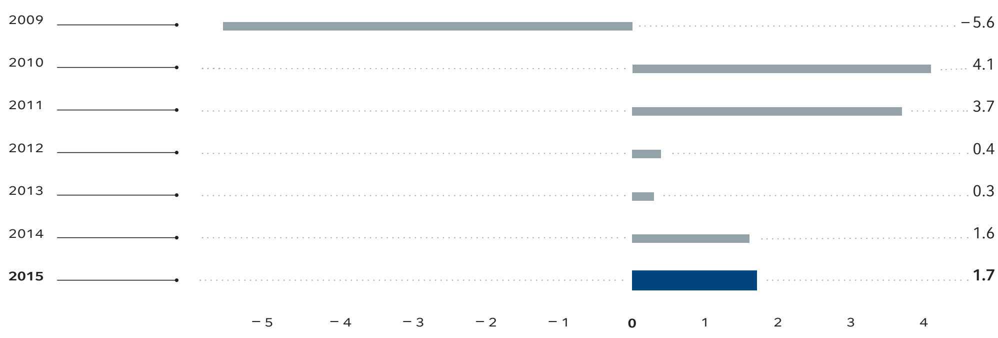
The economy in **Asia** with a growth of 6.5% expanded altogether more slowly than in the previous year (+ 6.9%). According to the IfW, the gross domestic product (GDP) in **China** reached merely a plus of 6.8% for the first time (previous year: + 7.4%); in March, the People's Republic still announced a growth target of + 7.0%. In **Japan**, the economy grew again in the reporting year (+ 0.7%; previous year: – 0.1%). In the Asian emerging countries, economic growth reached the level of the previous year. On the whole, growth was the strongest in Asia as in the year before. The IfW forecasts for **Europe** that economic growth will rise to 1.9% (previous year: + 1.3%). The development was carried foremost by Germany (+ 1.7%), Great Britain (+ 2.4%) and Spain (+ 3.1%). Likewise, the countries of Eastern Europe most recently reported higher growth rates. The economy in the **USA** continued its recovery. According to the IfW, the GDP increased by 2.5% in the whole year (previous year: + 2.4%). The national economies in **South America** accounted for merely restrained economic growth in light of falling raw materials prices; Brazil and Venezuela are even in a recession.

P. 71
Overall Statement of the Executive Board on the Business Environment

The **Euro zone** reported once again a modest economic development in the reporting year 2015. Even though all Member States have overcome the recession, the cyclical dynamics are still low on the whole. The GDP growth in the year 2015 is expected to amount to just + 1.5% (previous year: + 0.9%).

Sources: Federal Statistic Office, Wiesbaden; Institute for World Economics (IfW), Kiel.

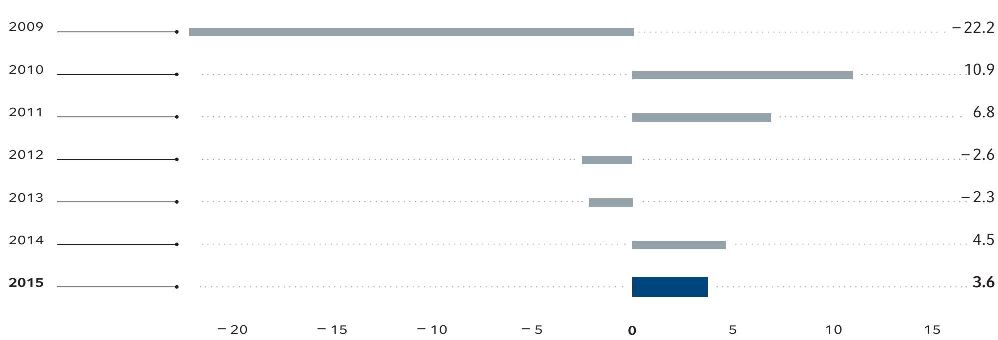
C.01 **GROSS DOMESTIC PRODUCT IN GERMANY**
REAL CHANGES AGAINST THE PREVIOUS YEAR
IN %



Source: Federal Statistical Office, Wiesbaden

In **Germany** the economy followed a modest upwards trend; according to preliminary figures of the Federal Statistics Office, the GDP in 2015 rose slightly by 1.7% (previous year: +1.6%). Investments in equipment grew by 3.6% and thereby contributed a little less to economic growth than in the previous year (+4.5%). The following graph shows a multiple year comparison:

C.02 **EQUIPMENT INVESTMENTS IN GERMANY**
REAL CHANGES AGAINST THE PREVIOUS YEAR
IN %



Source: Federal Statistical Office, Wiesbaden

The DMG MORI group's international business is affected by the euro's exchange rate. Of particular importance are the US dollar, the Japanese yen and the Russian rouble. Compared to the previous year, the **exchange rates** of these currencies changed as follows: The euro shed a lot of value compared to the dollar and closed out the year at USD 1.09 (previous year: USD 1.21). Compared to the Japanese yen, the euro weakened and closed at an exchange rate of JPY 131.07 (previous year: JPY 145.23). The Russian rouble weakened compared to the euro and closed at an exchange rate of RUB 80.67 (previous year: RUB 72.34).

The average exchange rates in the reporting period indicated a similar development: The average value of the us dollar against the euro was USD 1.11 (previous year: USD 1.33). The average value of the euro against the yen was JPY 134.31 (previous year: JPY 140.31). The average value against the Russian rouble was RUB 68.07 (previous year: RUB 50.95).

The average value of the euro listed a loss of value of 16.5% against the US dollar compared to the previous year. Compared to the Japanese yen, the euro lost 4.3%. Compared to the Russian rouble, the euro significantly gained 33.6%. For customers in the USA and in dollar-dependent markets prices for the products from our European manufacture have thus become considerably cheaper meanwhile prices in the Russian markets have risen significantly.

Development of the Machine Tool Building Industry

International Development

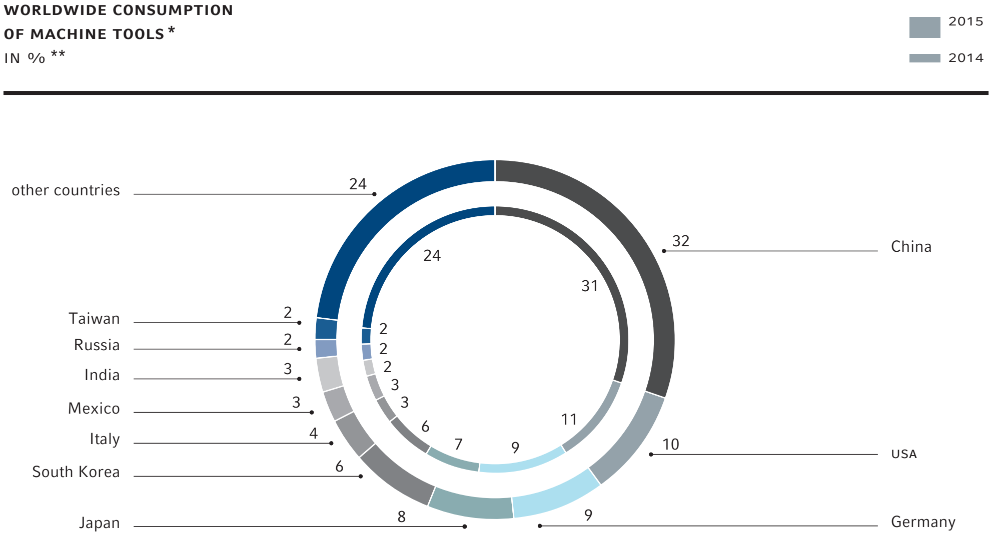
P. 123 – 129
Forecast Report

According to the information of the German Machine Tool Builders' Association (VDW), exchange rate fluctuations had a strong impact on the global machine tool market in 2015. In terms of figures, the market volume grew in euros to € 67.3 billion (previous year: € 62.9 billion). However, measured in terms of local currencies affecting consumption, market volume fell by 0.4%. The major cause of this was the devaluation of the euro compared to the US dollar, the Chinese renminbi, the Japanese yen and the Korean won.

Measured in local currencies, Asia recorded a decline of 5.3% in the past reporting year (previous year: + 6.9%; in euro: + 7.8%). In North and South America, the development was likewise declining by − 3.6% (previous year: − 6.1%; in euro: + 10.7%). In Europe, demand for machine tools fell by 2.6% (previous year: + 6.8%).

In **China**, the worldwide largest market, the consumption of machine tools fell by −11.4% measured in renminbi (in euro: +4.0%). The USA, being the second most important market for machine tools, recorded a reduction of 15.6% measured in US dollars (in euro: +1.1%). In the third largest market Germany, consumption rose by 4.7% in the reporting year. Japan climbing by 26.5% measured in yen ranks fourth (in euro: +32.1%). As in the previous year, South Korea ranked fifth with a decline of 2.8% measured in won (in euro: +8.1%). The ten most important consumption markets accounted for a calculatory 79% of the machine tool consumption in the reporting year, measured on euro basis. The following diagram presents an overview:

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



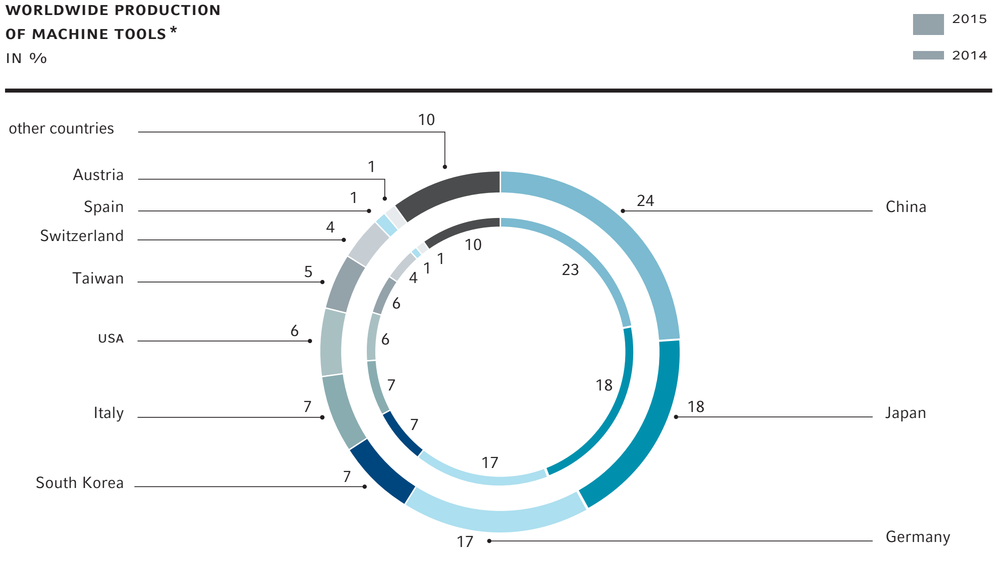
– Figures based on euro –
2015: Total € 67.3 BILLION // 2014: Total € 62.9 BILLION

* 2014 figures revised, 2015 figures calculatory on euro basis.
Further corrections to the figures cannot be excluded according to VDW information.
** rounded figures / note 2014: 7th place Russia, 8th place Mexico, 9th place India, 10th place Thailand.

The VDW calculated for **global production** on euro basis a calculatory € 67.3 billion (previous year: € 62.9 billion). The worldwide largest producer of machine tools in the year 2015, in spite of a drop by 6.0% in renminbi was China again (in euro: +10.3%). Production in Japan measured in yen rose by 5.0% (in euro: +9.7%). Germany was once more the third largest producer and recorded a production growth of 2.1%. The ten key production countries again, as in the previous year, account on euro basis for calculatory 90% of all machine tools.

In the most important markets, production shares developed as follows:

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



– Figures based on euro –
2015: Total € 67.3 BILLION // 2014: Total € 62.9 BILLION

* 2014 figures revised; 2015 figures calculatory on euro basis.
Further corrections to the figures cannot be excluded according to VDW information.

Sources: The basis of the world machine tool statistics is the data published by the VDW (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. The data are preliminarily and will be corrected in the course of the year. Status: 22 February 2016

German Machine Tool Industry

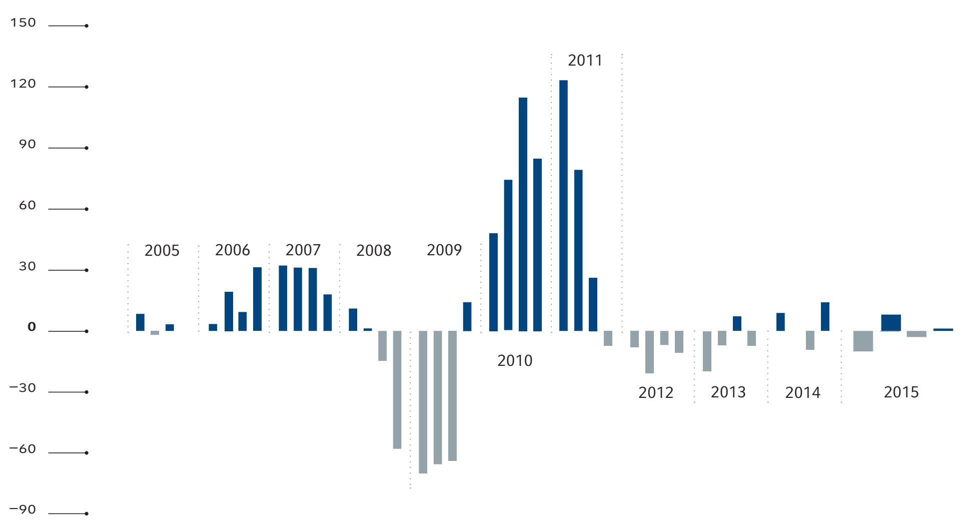
The **ifo business climate index** for trade and industry is the leading indicator for economic development in Germany. The survey indicates for the main buyer industries (mechanical engineering, road vehicle manufacturing and electrical engineering) index values for the most part that are slightly below the level of the previous year. This reflects the presently uncertain economic situation.

In 2015, the German machine tool industry recorded stable order intake, increasing production and increasing sales revenues. At € 14.9 billion, the **order intake** of plants in Germany were slightly above the level of the previous year (previous year: € 14.8 billion; + 1.0%). At the same time, domestic demand decreased by 1.0% (previous year: + 6.0%), demand from abroad increased by 2.0% (previous year: + 4.0%). The VDW reports that order intake for cutting machines rose by 3.0% (previous year: + 4.0%). In the forming machines area, order intake decreased by 6.0% (previous year: + 5.0%). Order intake at foreign plants of German manufacturers is not included in this figure.

Sales revenues of German machine tool manufacturers rose by 2.0% compared to the previous year (previous year: −5.0%).

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 %



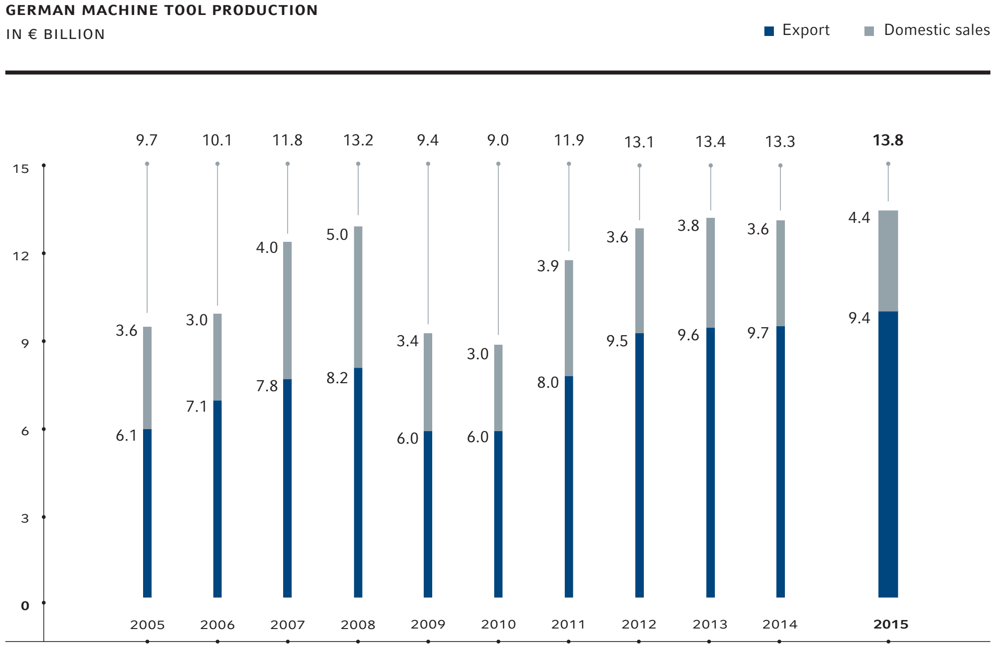
* previous year's figures partly adjusted

The **production** reached a volume of € 13.8 billion and was thereby € 0.5 billion above the previous year's level.

Machines with a value of € 9.4 billion were exported (previous year: € 9.1 billion), **exports** thus rose by 4.3% compared to the previous year; the export ratio remained at 68%. The most important export market for German machine tools was once again China at € 2.1 billion (previous year: € 2.3 billion); this represents 22% of German machine tool exports (previous year: 25%). The USA took second place with an export volume of € 1.0 billion (previous year: € 0.9 billion; export share: 10%). At € 0.4 billion Italy was the third most important export market (previous year: € 0.3 billion; export share: 5%).

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

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



Imports of machine tools rose by € 0.2 billion or 5.0% to € 3.3 billion (previous year: € 3.1 billion). Accounting for an import share of 29%, almost every third imported machine tool came from Switzerland, followed by Japan (11%) and Italy (8%) also ranking among the top 3.

Domestic consumption rose by € 0.4 billion (+ 4.7%) to € 7.7 billion (previous year: € 7.3 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 88.2% (previous year: 90.1%).

The extent of the **order backlog** also fell slightly over the course of the year. It was an average of 6.8 months (previous year: 7.3 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 68,521 (previous year: 67,514).

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 **global economy** in the reporting year 2015 has lost pace; China's phase of economic weakness, recession in important emerging countries – such as Russia and Brazil – and conflicts in the Near East dampen the global economy. The economy in **Germany** followed a modestly upward trend: according to the preliminary statements of the Federal Statistics Office, the gross domestic product in the year 2015 rose slightly by 1.7% (previous year: + 1.6%).

The international business of the DMG MORI group is affected by the euro **exchange rates**. Particularly important are the US dollar, the Japanese yen, and the Russian rouble. Accordingly, the median value of the euro recorded a loss in value of 16.5% against the US dollar compared to the previous year. In comparison to the Japanese yen, the euro recorded a loss in value of 4.3%. Compared to the Russian rouble, the euro achieved an increase in value of 33.6%. For customers in the USA, in dollar-dependent markets and in China, prices for the products from our European manufacture have thus become considerably cheaper meanwhile prices in the Russian markets have risen significantly. These **economic framework conditions** had a signifikant effekt on our business.

G P. 74
Trend in regional breakdown in order intake

Customer requirements in our industry increasingly demand tailor-made offers – covering everything from the entry machine to complex technology solutions as well as comprehensive services. As a leading manufacturer of cutting machine tools, we develop technologically sophisticated products based on regional market requirements and offer our customers a comprehensive range of machine tools as well as perfectly matched service products throughout the entire machine lifecycle.

Industry situation and competitive environment: According to the information of the German Machine Tool Builders' Association (VDW), exchange rate fluctuations had a strong impact on the global machine tool market in 2015. In terms of figures, the market volume grew in euros to € 67.3 billion (previous year: € 62.9 billion). However, measured in terms of local currencies affecting consumption, market volume fell by 0.4%. Despite the challenging market environment, we were able to fortify our position as a market leader in the machine tool business. Also, the intensified cooperation with DMG MORI COMPANY LIMITED contributed to this success.

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

C.07 **OVERALL ECONOMIC FACTORS AFFECTING BUSINESS DEVELOPMENT IN 2015**

Rising gross domestic product	+
Steady business climate index	0
Exchange rates (weaker Euro)	+
Rising equipment investments	+
Stagnating machine tool market	–

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

Results of Operations, Net Worth and Financial Position

Sales Revenues

The DMG MORI group's sales revenues were € 2,304.7 million during the reporting year and surpassed the previous year's record level by € 75.7 million or 3% (previous year: € 2,229.0 million). In the fourth quarter, sales revenues amounted to € 655.9 million (previous year: € 666.6 million).

P. 89 – 98
Sales revenues in the segments

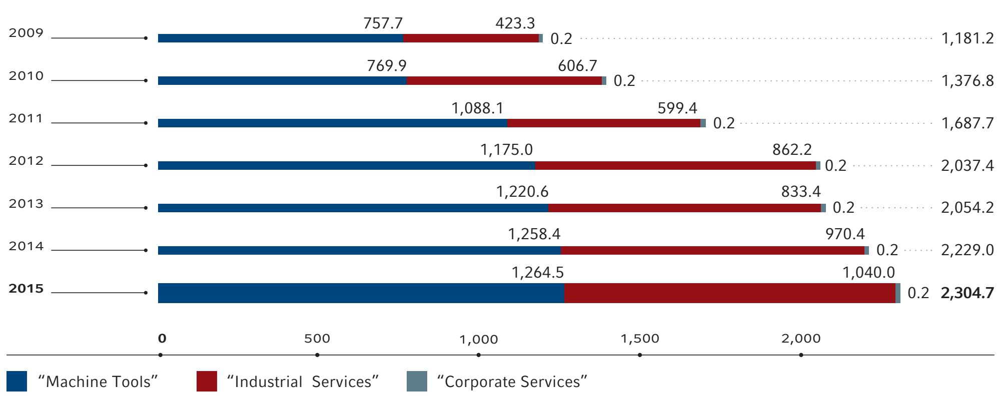
In core segment of "Machine Tools", the sales revenues rose by € 6.1 million to € 1,264.5 million (previous year: € 1,258.4 million). It reached € 372.1 million in the fourth quarter (previous year quarter: € 395.1 million).

The "Industrial Services" segment developed again positively with an increase of sales revenues by € 69.6 million or 7% to € 1,040.0 million (previous year: € 970.4 million). Sales revenues in the Services division rose by € 63.8 million to € 996.5 million (previous year: € 932.7 million). Sales revenues from trade with products of our Japanese partner increased to € 463.3 million (previous year: € 421.8 million). The Energy Solutions division accounted for € 43.5 million (previous year: € 37.7 million). In the fourth quarter, sales revenues in the "Industrial Services" segment amounted to € 283.8 million (previous year quarter: € 271.5 million).

International sales revenues of the group increased by 6% to € 1,542.6 million. Domestic sales revenues amounted to € 762.1 million. The export share rose to 67% (previous year: 65%).

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

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



Order Intake

In a challenging market environment, we reached an order intake of € 2,282.8 million (previous year: € 2,331.4 million; – 2%). In the fourth quarter order intake amounted to € 540.8 million (previous year: € 590.6 million).

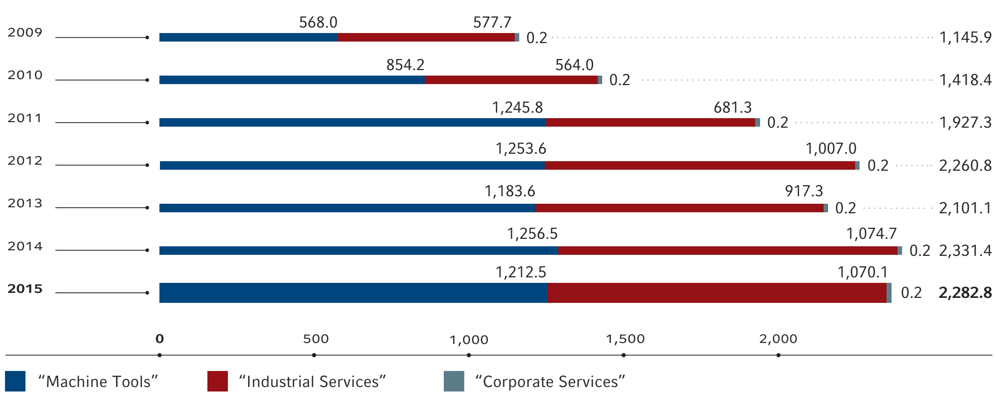
P. 89 – 98
Order intake in the segments

Orders in the "Machine Tools" segment in the reporting period were € 1,212.5 million (previous year: € 1,256.5 million). Order intake was affected by cancellations. The "Industrial Services" segment recorded order intake of € 1,070.1 million (previous year: € 1,074.7 million), of which € 1,021.2 million was accounted for the Services division (previous year: € 1,031.3 million). This figure includes orders for machines of DMG MORI COMPANY LIMITED in the amount of € 405.7 million (previous year: € 442.5 million). The primary service business developed positively. In the Energy Solutions division, orders were € 48.9 million (previous year: € 43.4 million).

Domestic orders amounted to € 785.0 million (previous year: € 814.5 million). International orders were € 1,497.8 million (previous year: € 1,516.9 million). Thus the proportion of foreign business was 66% (previous year: 65%).

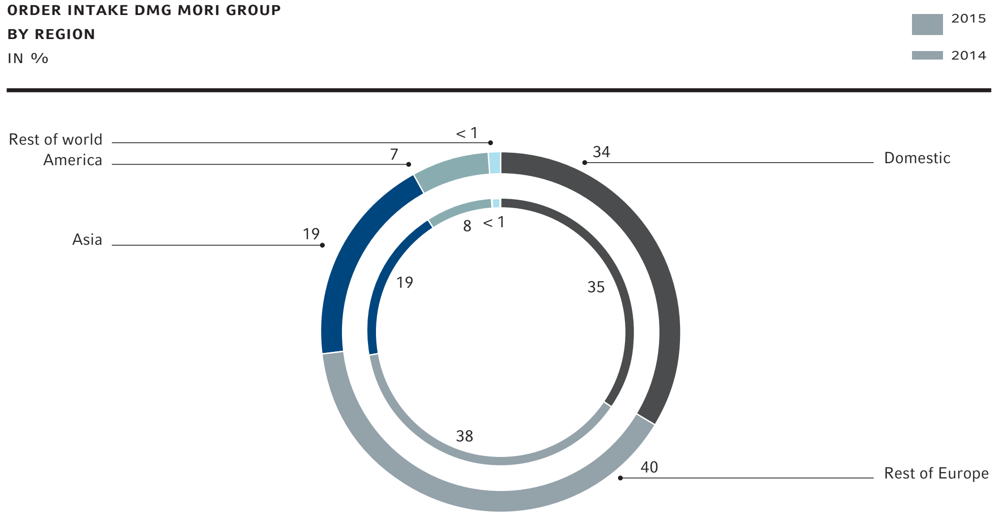
In a multiple year comparison, the segments contributed to group order intake as follows:

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



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

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



TOTAL
2015: € 2,282.8 MILLION // 2014: € 2,331.4 MILLION

With 7,386 machines sold, orders were below the previous year's figure (7,673 machines). The machines were delivered to 5,365 different customers (previous year: 5,473). We have raised our **sales prices** in the reporting period across the entire product range by around 3%. The **Global Key Account Management** once again contributed substantially to order intake with a 16% contribution (previous year: 14%).

Order Backlog

P. 6
Interim Report first half year

On 31 December 2015, the order backlog at the group was € 884.2 million; it was thus € 250.1 million or 22% below the previous year's figure (€ 1,134.3 million). In determining the order backlog, we have made a methodical change relating to the majority shareholding of DMG MORI COMPANY LIMITED and for the benefit of greater transparency already in the second quarter. Orders for machines of DMG MORI COMPANY LIMITED, resulting in sales revenues at DMG MORI AKTIENGESELLSCHAFT only in the amount of the commission payment, are no longer considered in order backlog.

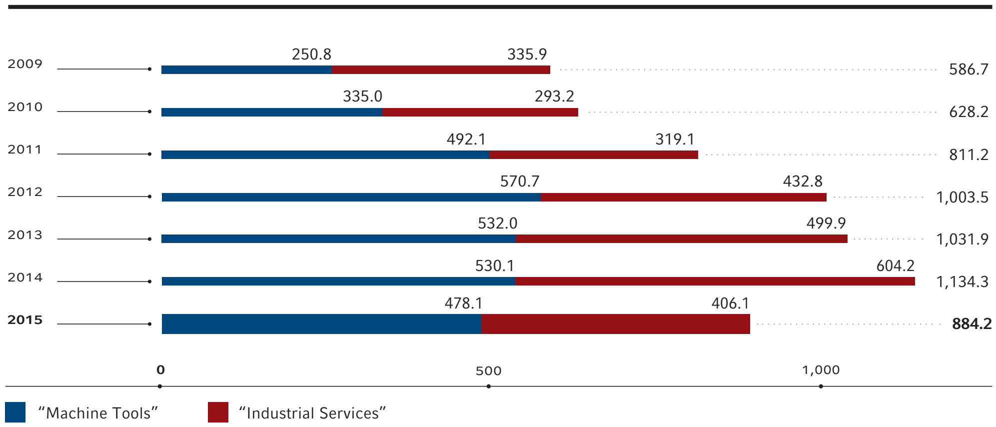
The domestic order backlog was € 335.7 million (corresponding date of the previous year: € 312.8 million). The foreign order backlog decreased by € 273.0 million to € 548.5 million (previous year: € 821.5 million); international orders account for 62% of orders in hand (corresponding date of the previous year: 72%).

P. 89 – 98
Order backlog in the segments

The order backlog varied in the individual segments. In “Machine Tools” it amounted to € 478.1 million (31 Dec. 2014: € 530.1 million). “Industrial Services” had an order backlog as at 31 December 2015 totalling € 406.1 million (previous year: 604.2 million); of which € 387.8 million was accounted for by the order backlog in the Services division (previous year: € 591.3 million). The Energy Solutions order backlog amounted to € 18.3 million (previous year: € 12.9 million).

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

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



In “Machine Tools”, order backlog results in a calculated production capacity of an average of four 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.

Successful conclusions at EMO 2015 in Milan

With order intake of € 106.9 million, DMG MORI AKTIENGESELLSCHAFT took a positive stock at the EMO 2015 in Milan. This significant leading trade fair for the machine tool industry was with 78% more customers and interested visitors registered at the DMG MORI booth, compared to the previous EMO in Milan (2009), a complete success.

Results of Operations

In financial year 2015, the key income figures of the DMG MORI group developed as follows: The **EBITDA** rose by 5% to € 243.1 million (previous year: € 232.5 million); **EBIT** amounted to € 185.9 million (previous year: € 182.6 million) and **EBT** rose by 24% to € 217.3 million (previous year: € 175.3 million). EBT was influenced positively in the fourth quarter by a one-off effect as profit (€ 37.8 million) received from the sale of shares held in DMG MORI COMPANY LIMITED. The EBT rose meanwhile by € 4.2 million to € 179.5 million, even without this extraordinary effect. Thus, we reached the best result in the company's history. **Annual profit** in the group reached € 159.6 million (+ 32%; previous year: € 121.1 million).

In the **fourth quarter** EBITDA reached € 91.2 million (previous year: € 86.6 million); EBIT amounted to € 74.4 million (previous year: € 70.9 million). EBT rose to € 108.5 million (previous year: € 68.6 million). Earnings after tax amounted to € 84.5 million (previous year: € 47.4 million).

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

	2015		2014		Changes against previous year	
	€ million	%	€ million	%	€ million	%
Sales revenues	**2,304.7**	**98.0**	**2,229.0**	**98.5**	**75.7**	**3.4**
Changes in finished goods and work in progress	33.5	1.4	17.2	0.8	16.3	94.8
Own work capitalised	13.8	0.6	16.1	0.7	−2.3	14.3
Total work done	**2,352.0**	**100.0**	**2,262.3**	**100.0**	**89.7**	**4.0**
Cost of materials	−1,211.4	−51.5	−1,190.0	−52.6	−21.4	1.8
Gross profit	**1,140.6**	**48.5**	**1,072.3**	**47.4**	**68.3**	**6.4**
Personnel costs	−545.5	−23.2	−506.1	−22.4	−39.4	7.8
Other expenses and income	−352.0	−15.0	−333.7	−14.7	−18.3	5.5
EBITDA	**243.1**	**10.3**	**232.5**	**10.3**	**10.6**	**4.6**
Depreciation of fixed assets	−57.2	−2.4	−49.9	−2.2	−7.3	14.6
EBIT	**185.9**	**7.9**	**182.6**	**8.1**	**3.3**	**1.8**
Financial result	30.8	1.3	−7.9	−0.3	38.7	489.9
Results of at equity valued companies	0.6	0.0	0.6	0.0	0.0	0.0
EBT	**217.3**	**9.2**	**175.3**	**7.8**	**42.0**	**24.0**
Taxes on profit	−57.7	−2.4	−54.2	−2.4	−3.5	6.5
Annual profit	**159.6**	**6.8**	**121.1**	**5.4**	**38.5**	**31.8**

P. 81 – 84
Net Worth

Total work done rose in financial year 2015 to € 2,352.0 million; it was thus some € 89.7 million or 4.0% above the previous year's figure (€ 2,262.3 million). This rise resulted substantially from an increase in sales revenues of € 75.7 million or 3.4% (previous year: € 2,229.0 million).

P. 59 – 60
Purchasing

The **materials ratio** amounted to 51.5% (previous year: 52.6%). Due to the risen total work done, the expenditures for materials increased by € 21.4 million or 1.8% to € 1,211.4 million (previous year: € 1,190.0 million). Gross profit rose by € 68.3 million or 6.4% to € 1,140.6 million (previous year: € 1,072.3 million).

P. 101 – 104
Employees

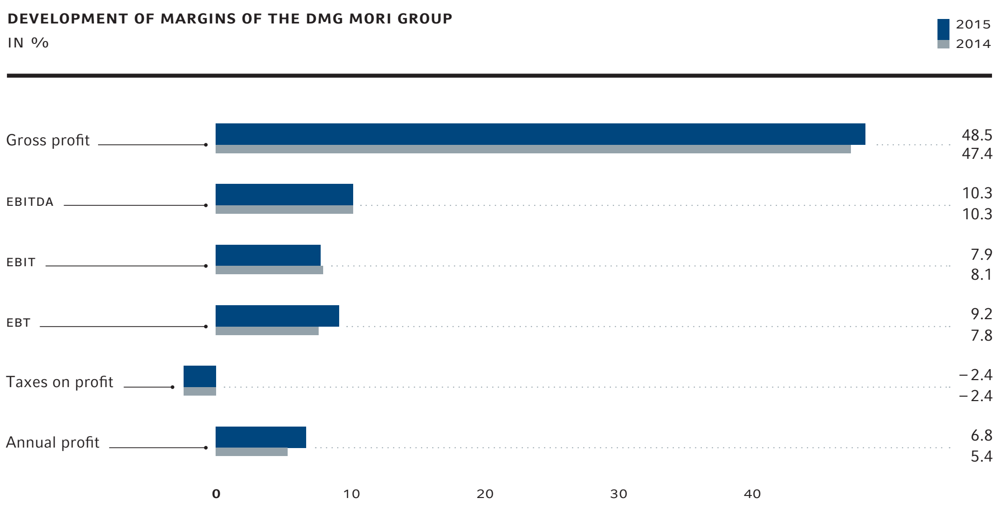
The **personnel ratio** amounted to 23.2% (previous year: 22.4%). Employee expenses rose, due to the increased number of employees, by € 39.4 million to € 545.5 million (previous year: € 506.1 million).

The balance of other income and expenses amounted to € –352.0 million (previous year: € –333.7 million). Other operating income amounted to € 129.9 million (previous year: € 75.8 million); it includes, as in the previous year, in particular exchange rate profits (€ 65.9 million; previous year: € 26.4 million), which should be seen in connection with the exchange rate losses in other operating expenses. In the financial year 2015, an exchange rate profit resulted in the amount of € 4.6 million on balance (previous year: € 3.1 million). Other operating expenses rose by € 72.4 million to € 481.9 million (previous year: € 409.5 million). This rise was essentially due to sales-related expenses as well as higher currency exchange losses (€ 61.3 million; previous year: € 23.3 million).

P. 175 – 177
Notes to the Consolidated Financial Statements

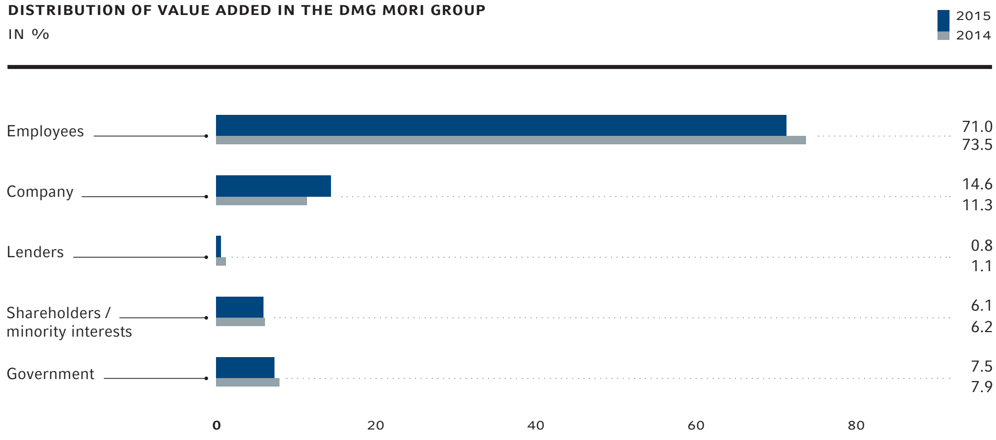
At a continued high investment volume, **depreciations** amounted to € 57.2 million (previous year: € 49.9 million). The **financial result** rose significantly by € 38.7 million to € 30.8 million (previous year: € – 7.9 million). Especially the earnings from the sale of shares held in DMG MORI COMPANY LIMITED (€ 37.8 million) as well as a reduction of interest expenses by € 1.7 million to € 8.0 million (previous year: € 9.7 million) contributed to this result. The tax ratio reduced to 26.5% (previous year: 30.9%). The improvement is the result of the tax-exempt sale of the shares held in DMG MORI COMPANY LIMITED. The tax expense amounted to € 57.7 million (previous year: € 54.2 million).

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



The earnings margins, which are determined on the basis of gross revenue, have changed as follows: The gross margin was 48.5% (previous year: 47.4%). The EBITDA margin reached 10.3% (previous year: 10.3%), the EBIT margin 7.9% (previous year: 8.1%) and the EBT margin was 9.2% (previous year: 7.8%). Taking the tax expenses into consideration, the net income margin was 6.8% (previous year: 5.4%).

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



In financial year 2015, the **value added** of the DMG MORI group amounted to € 770.8 million and therefore rose by € 81.0 million against the previous year (€ 689.8 million). Other revenues include income from the sale of shares in DMG MORI COMPANY LIMITED (€ 37.8 million).

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

	2015		2014		Changes aginst previous year	
	€ million	%	€ million	%	€ million	%
Source						
Sales revenues	2,304.7	91.5	2,229.0	95.3	75.7	3.4
Other revenues	215.0	8.5	109.1	4.7	105.9	97.1
Operating performance	**2,519.7**	**100.0**	**2,338.1**	**100.0**	**181.6**	**7.8**
Cost of materials	1,211.4	48.1	1,190.0	50.9	21.4	1.8
Depreciation	57.2	2.3	49.9	2.1	7.3	14.6
Other expenses	480.3	19.0	408.4	17.5	71.9	17.6
Purchased materials and services	**1,748.9**	**69.4**	**1,648.3**	**70.5**	**100.6**	**6.1**
Value added	**770.8**	**30.6**	**689.8**	**29.5**	**81.0**	**11.7**

Distribution						
Employees	547.1	71.0	507.2	73.5	39.9	7.9
Companies	112.3	14.6	77.7	11.3	34.6	44.5
Lenders	6.4	0.8	7.3	1.1	– 0.9	– 12.3
Shareholders / minority interests	47.3	6.1	43.4	6.2	3.9	9.0
Government	57.7	7.5	54.2	7.9	3.5	6.5
Value added	**770.8**	**100.0**	**689.8**	**100.0**	**81.0**	**11.7**

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 € 142.7 million (previous year: € 170.6 million).

Substantial contributions to this cash flow came from earnings before taxes (EBT) of € 217.3 million (previous year: € 175.3 million) and depreciation of € 57.2 million (previous year: € 49.9 million). The reduction in trade debtors by € 21.7 million led to an improvement of the cash flow. The decline in trade creditors by € 46.5 million as well as rise in inventories by € 27.2 million led to a reduction of the cash flow. The Payments for taxes on profit and income (€ 49.4 million) and interest (€ 9.7 million) lowered the cash flow.

C.16 **CASH FLOW**

	2015 € million	2014 € million
Cash flow from operating activity	142.7	170.6
Cash flow from investment activity	18.9	–145.3
Cash flow from financing activity	–44.3	39.0
Changes in cash and cash equivalents	119.1	61.9
Liquid funds at the start of the reporting period	433.0	371.1
Liquid funds at the end of the reporting period	552.1	433.0

P. 85 – 86
Investments

The **cash flow from investing activities (cash inflow)** amounted to € +18.9 million (previous year: € –145.3 million). The positive cash flow from investment activity results from payments amounting to € 153.7 million, which were received for the sale of the shares held in DMG MORI COMPANY LIMITED. Payments made for investments in property, plant and equipment were € 124.0 million (previous year: € 111.5 million) and in intangible assets were € 14.8 million (previous year: € 16.4 million); the key points were the construction projects that have been started in the previous years and announced in the course of our capital increase with subscription rights in 2013, which will be completed by the end of 2016.

The **free cash flow** was positive at € 32.0 million (previous year: € 86.1 million). The free cash flow is defined as the balance of the cash flow from operating activities and the cash flow from investing activities, whereas the inflows and outflows relating to financial assets (€ 153.7 million; previous year: € –19.2 million) and payments to plant, property and equipment (€ –24.1 million; previous year: € –41.6 million), which are financed by loans, remained outside of consideration.

C.17

FREE CASH FLOW	2015 € million	2014 € million
Free cash flow from operating activity	142.7	170.6
Free cash flow from investing activity	– 110.7	– 84.5
Free cash flow	32.0	86.1

Cash flow from financing activities (cash outflow) was € – 44.3 million (previous year: € 39.0 million) and essentially results from the dividend payment in May 2015 in the amount of € 43.4 million (previous year: € 39.4 million). In the previous year, cash flow from financing activity was influenced positively by the sale of own shares (€ 38.6 million) and borrowing of external financing (€ 40.0 million).

The change in the cash flow as at 31 December 2015 resulted in an increase of liquid funds by € 119.1 million to € 552.1 million (previous year: € 433.0 million); the DMG MORI group is therefore in a very good liquidity position at the end of the year.

As at 31 December 2015, surplus funds are recorded in the amount of € 500.3 million (previous year: € 380.8 million).

The **DMG MORI group** covers its capital requirements from the operating cash flow, the stock of liquid funds and from taking out short- and long-term financing. The amount of the agreed financing lines totals € 726.4 million in the financial year 2015. It's material elements are a syndicated credit facility of € 450.0 million with a term until august 2016, additional aval lines of € 53.3 million and factoring agreements of € 167.5 million.

P. 206 – 209
Financial debts

In February 2016, a new syndicated credit line was agreed with a total volume of € 500.0 million and a term of five years (until February 2021). It consists of a cash tranche in the amount of € 200.0 million as well as an aval tranche of € 300.0 million. The syndicated credit line expiring in August 2016 was thereby completely replaced prematurely. The new syndicated credit line was concluded on improved conditions with a consortium of international banks.

Factoring remains an important component of our financing mix. In addition to the financing effect, we can also optimise the process of our debtor management. Besides this we still have some long-term loans and short-term bilateral loan commitments to individual subsidiaries with a total volume of € 55.6 million (previous year: € 71.7 million). For its operating activities the DMG MORI group requires aval lines in order to have guarantees for pre-payments and warranties issued.

The DMG MORI 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 agreements in line with the market for the observation of certain covenants. As at 31 December 2015, all covenants have been adhered. The financing is supplemented by off balance sheet operating lease agreements. The sum of future obligations from the operating lease agreements is € 65.0 million (previous year: € 60.9 million).

P. 213 – 214
Future financial obligations

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 2016 as the seasonally required liquidity can be covered by the financial resources available.

P. 217 et seq.
Measurement and financial risks

The DMG MORI group financing takes place centrally. Only if group financing is not advantageous due to the legal framework, local financing is concluded in individual cases. Cash pooling is used to employ the liquidity surpluses of subsidiaries cost-effectively within the group.

Net Worth

The assets and capital structure developed as follows in the reporting period: The **balance sheet total** rose by € 54.1 million to € 2,283.9 million (previous year: € 2,229.8 million). Under equity and liabilities **equity** rose by € 91.4 million to € 1,357.5 million (previous year: € 1,266.1 million). This rise essentially results from net income for the year amounting € 159.6 million. The equity ratio was 59.4% (previous year: 56.8%).

C.18

BALANCE SHEET OF THE DMG MORI GROUP	31 Dec. 2015 € million	31 Dec. 2015 %	31 Dec. 2014 € million	31 Dec. 2014 %	Changes against previous year € million	Changes against previous year %
Assets						
Long-term assets						
Fixed assets	742.7	32.5	810.9	36.4	−68.2	−8.4
Long-term receivables and other assets	103.7	4.6	69.1	3.1	34.6	50.1
	846.4	37.1	880.0	39.5	−33.6	−3.8
Short-term assets						
Inventories	522.3	22.8	495.3	22.2	27.0	5.5
Short-term receivables and other assets	363.1	15.9	421.5	18.9	−58.4	−13.9
Liquid funds	552.1	24.2	433.0	19.4	119.1	27.5
	1,437.5	62.9	1,349.8	60.5	87.7	6.5
Balance Sheet total	**2,283.9**	**100.0**	**2,229.8**	**100.0**	**54.1**	**2.4**
Equity and liabilities						
Long-term financing resources						
Equity	1,357.5	59.4	1,266.1	56.8	91.4	7.2
Outside capital						
Long-term provisions	77.4	3.4	79.6	3.6	−2.2	−2.8
Long-term liabilities	54.0	2.4	52.8	2.3	1.2	2.3
	131.4	5.8	132.4	5.9	−1.0	−0.8
	1,488.9	65.2	1,398.5	62.7	90.4	6.5
Short-term financing resources						
Short-term provisions	216.5	9.5	197.0	8.9	19.5	9.9
Short-term liabilities	578.5	25.3	634.3	28.4	−55.8	−8.8
	795.0	34.8	831.3	37.3	−36.3	−4.4
Balance Sheet total	**2,283.9**	**100.0**	**2,229.8**	**100.0**	**54.1**	**2.4**

P. 85 – 86
Investments

Under **assets, fixed assets** decreased by € 68.2 million or 8.4% to € 742.7 million (previous year: € 810.9 million). Property, plant and equipment rose by € 68.5 million to € 463.7 million (previous year: € 395.2 million), due to our construction projects. The intangible assets decreased by € 4.1 million to € 209.9 million (previous year: € 214.0 million). Financial assets declined significantly by € 132.6 million to € 69.1 million (previous year: € 201.7 million). The reduction of financial assets largely results from the sale of shares held in DMG MORI COMPANY LIMITED in the fourth quarter, which had a value of € 133.1 million as at 31 December 2014.

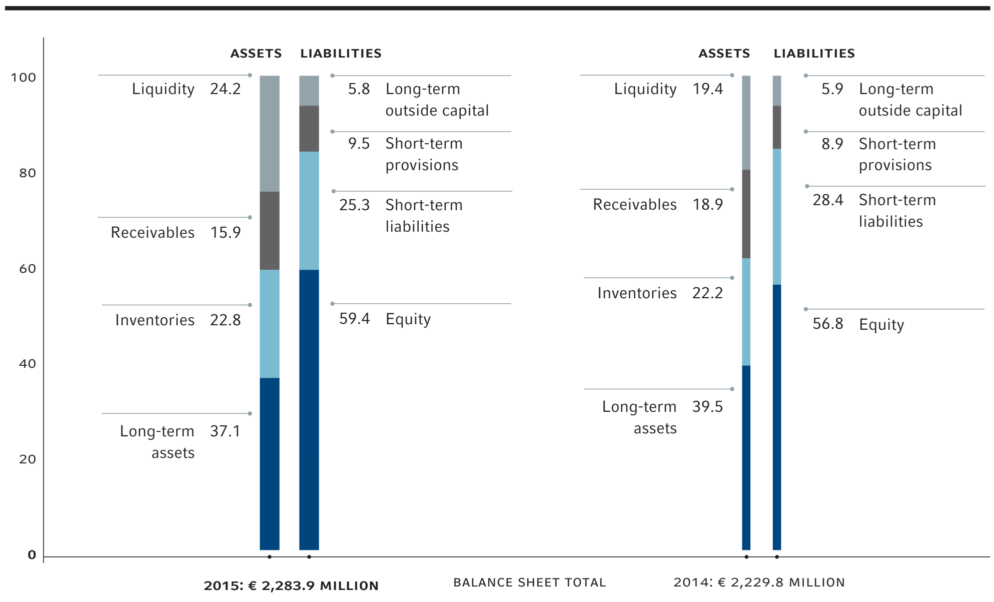
P. 188 – 189
Notes to the Consolidated Financial Statements

Long-term trade debtors and other long-term assets rose by € 34.6 million to € 103.7 million (previous year: € 69.1 million). The increase primarily results from the restructuring of assets amounting to € 36.5 million, which had been recognised in the previous year under short-term assets held for sale. Deferred taxes amounted to € 53.4 million (previous year: € 53.8 million).

Inventories rose slightly by 5.5% or € 27.0 million to € 522.3 million (previous year: € 495.3 million) at increased overall performance. Stocks of raw materials and consumables rose by € 5.7 million to € 196.4 million (previous year: € 190.7 million). Stocks of work in progress rose by € 17.5 million to € 125.6 million (previous year: 108.1 million) and stocks of finished goods and goods for sale by € 4.3 million to € 197.6 million (previous year: € 193.3 million). The turnover rate of inventories amounted to 4.4 (previous year: 4.5).

Overall, the proportion of inventories in the balance sheet total rose slightly to 22.8% (previous year: 22.2%).

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



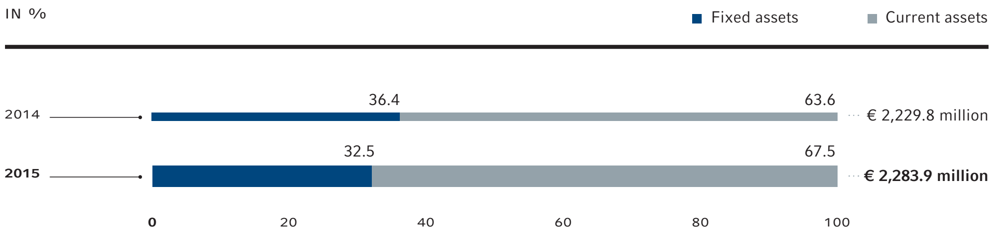
Short-term receivables and other assets decreased in comparison with the previous year by 13.9% or € 58.4 million to € 363.1 million (previous year: € 421.5 million). In doing so, trade debtors decreased by € 18.8 million to € 241.0 million (previous year: € 259.8 million).

P. 189 – 193
Notes to the Consolidated Financial Statements

The turnover rate of trade debtors amounted to 9.8 (previous year: 10.3). Other assets decreased by € 39.6 million to € 122.1 million (previous year: € 161.7 million). The decline results in particular from the reclassification of assets held for sale into long-term assets. The disclosure was changed, as the sale of the assets did not seem to be highly probable anymore in the short term.

At the end of the reporting period, **cash and cash equivalents** rose to € 552.1 million (previous year: € 433.0 million). This equates to 24.2% of the balance sheet total (previous year: 19.4%). In the assets structure, the share of long-term assets decreased by 2.4 percentage points to 37.1% (previous year: 39.5%).

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



Under **equity and liabilities**, **equity** rose by € 91.4 million or 7.2% to € 1,357.5 million (previous year: € 1,266.1 million). The annual profit in the amount of € 159.6 million and increased equity, while the dividend payment in May 2015 in the amount of € 43.4 million led to a reduction. The **minority interests´ share of equity** amounted to € 146.6 million (previous year: € 134.7 million). The equity ratio rose by 2.6 percentage points to 59.4% (previous year: 56.8%). As at the same date in the previous year, we have surplus funds and thus no **gearing**.

Long-term borrowings decreased slightly by € 1.0 million to € 131.4 million (previous year: € 132.4 million). The proportion of the balance sheet total decreased by 0.1 percentage points to 5.8% (previous year: 5.9%). The long-term provisions decreased by € 2.2 million to € 77.4 million. At the same time, the long-term liabilities rose by € 1.2 million to € 54.0 million. Liabilities of € 3.9 million (previous year: € 3.9 million) related to deferred tax liabilities.

The **long-term financial resources**, comprising equity and long-term borrowings, rose in the reporting period by € 90.4 million or 6.5% to € 1,488.9 million. Long-term fixed assets are financed as to 175.9% (previous year: 158.9%) by funds that are available on a long-term basis.

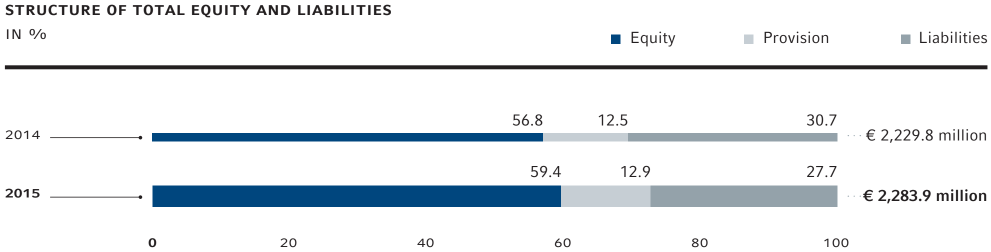
Short-term financing resources decreased to € 795.0 million (previous year: € 831.3 million). Trade creditors decreased as planned by € 54.5 million to € 360.7 million (previous year: € 415.2 million). Prepayments received amounted to € 132.9 million (previous year: € 139.0 million); the proportion of prepayments was 15.0% (previous year: 12.3%). Short-term provisions rose to € 216.5 million (previous year: € 197.0 million).

The total of fixed assets and inventories of € 1,265.0 million (previous year: € 1,306.2 million) is covered as to 117.7% (previous year: 107.1%) 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 2.6 percentage points to 59.4% (previous year: 56.8%). The proportion of provisions rose by 0.4 percentage points to 12.9% (previous year: 12.5%). The liabilities ratio decreased by 3.0 percentage points to 27.7% (previous year: 30.7%).

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

P. 207 and 214
Factoring programme, Operating Leasing

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



Investments

Investments in **plant, property and equipment and in intangible assets** of € 130.6 million were below the level of the previous year (€ 136.9 million). Depreciation on fixed assets, taking into account capitalised development costs and finance leases in the amount of € 57.2 million, was above the previous year's level (€ 49.9 million).

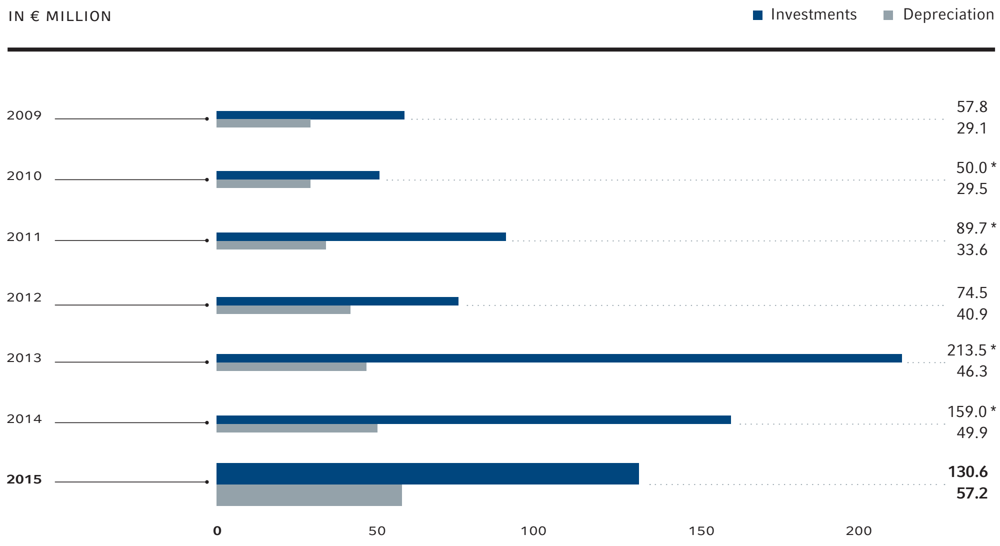
Our ongoing large projects were at the centre of the investment activities in the reporting year: With a grand opening, we opened our worldwide most modern production plant in Ulyanovsk (Russia) on 29 September. At the industrial centre Ulyanovsk, which is significant for the aerospace and automotive industry, we produce technologically high quality turning and milling machines of the ECOLINE series for the Russian and world market. The completion of our technology centre in Moscow (Russia) continues progressing as planned, its opening is expected on 23 May 2016. We will continue to expand our market presence also in Asia. In South Korea, the world's fifth largest market for machine tools, the construction of our new technology centre in Seoul continues to be on track. The opening is planned for 15 July 2016. Upon completion of these construction projects in the current year, we will significantly reduce the investment level. In addition, we modernised our production plants in Shanghai (China) and Pleszew (Poland) in the reporting year. Through the modernisation of mechanical production in Pleszew, we were able to expand the manufacturing expertise in the area of precision and large-parts processing at this site. Further focus points of investment during the past year were the provision of tools, models and equipment needed for production, and the development of innovative products.

P. 89 – 98
Segment Report

DMG MORI opens production plant in Ulyanovsk (Russia)

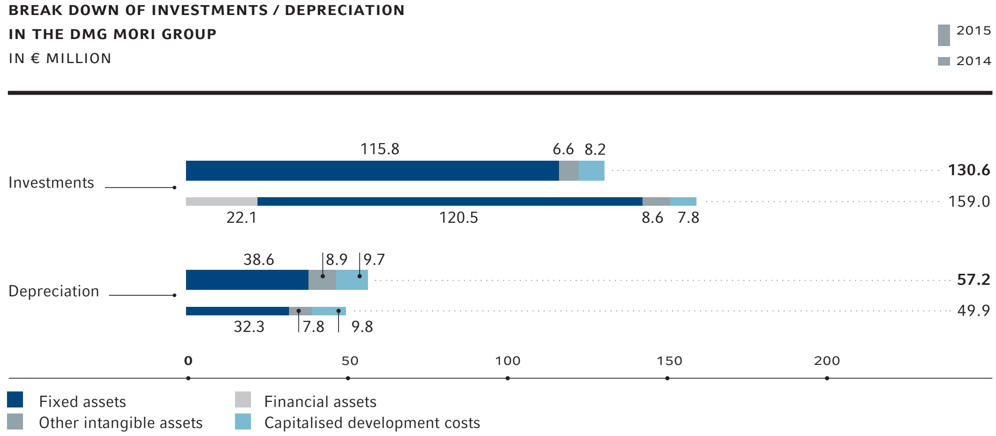
On 29 September, we inaugurated our state-of-the-art production plant in Ulyanovsk (Russia). The centrepiece of the premises with a size of 330,000 m² is the manufacturing and assembly plant with modern equipment, and a modern technology and demonstration centre.

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



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

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



Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT (summary)

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

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

	2015 € million	2014 € million
Assets		
Fixed assets		
Shares in affiliated companies	601.7	525.6
Other equity investments	6.7	180.1
Other fixed assets	39.4	40.4
	647.8	**746.1**
Short-term assets		
Receivables from affiliated companies	442.0	474.2
Other short-term assets	392.6	281.5
	834.6	**755.7**
Balance Sheet total	**1,482.4**	**1,501.8**
Equity and liabilities		
Equity	**968.5**	**964.8**
Provisions	**58.0**	**47.1**
Liabilities		
Liabilities to affiliated companies	437.1	478.4
Other liabilities	18.8	11.5
	455.9	**489.9**
Balance Sheet total	**1,482.4**	**1,501.8**

The DMG MORI AKTIENGESELLSCHAFT balance sheet total reduced by € 19.4 million to € 1,482.4 million (previous year: € 1,501.8 million). Fixed Assets decreased by € 98.3 million to € 647.8 million (previous year: € 746.1 million). The decline results essentially from the complete sale of the shares held in DMG MORI COMPANY LIMITED. Short-term assets rose by € 78.9 million to € 834.6 million (previous year: € 755.7 million) and essentially result from bank balance, which rose by € 111.0 million to € 367.3 million (previous year: € 256.3 million).

Under equity and liabilities equity rose by € 3.7 million to € 968.5 million (previous year: € 964.8 million). The equity ratio amounted to 65.3% (previous year: 64.2%).

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

	2015 € million	2014 € million
Sales revenues	20.6	15.5
Other operating income	28.2	18.8
Other expenses	−97.8	−69.0
Income from financial assets	86.1	125.4
Financial result	45.8	6.0
Result from ordinary activities	82.9	96.7
Extraordinary expenses	−0.2	−0.2
Income taxes	−35.6	−41.5
Net income	**47.1**	**55.0**
Retained profits brought forward	**1.7**	**0.1**
Appropriation to revenue reserves	0.0	10.0
Net profit	**48.8**	**45.1**

Essentially, DMG MORI AKTIENGESELLSCHAFT income came from returns from subsidiaries in Germany totalling € 83.7 million (previous year: € 123.2 million), resulting from the profit and loss transfer, and from an equity investment of DMG MORI COMPANY LIMITED totalling € 2.4 million (previous year: € 2.2 million).

Other expenses increased to € 97.8 million (previous year: € 69.0 million) and primarily result from personnel expenses in the amount of € 35.5 million (previous year: € 24.9 million) and other operating expenses in the amount of € 53.2 million (previous year: € 38.0 million).

The financial result was € 45.8 million (previous year: € 6.0 million). This result was essentially supported by income received from the sale of shares held in DMG MORI COMPANY LIMITED (€ 37.8 million). The tax expense decreased to € 35.6 million (previous year: € 41.5 million).

DMG MORI AKTIENGESELLSCHAFT closes the financial year 2015 with net income for the year of € 47.1 million (previous year: € 55.0 million). Taking into account the profit carryforward of the previous year and the appropriation to revenue reserves, net retained profits amount to € 48.8 million (previous year: € 45.1 million).

The Executive Board and the Supervisory Board will propose to the 114th Annual General Meeting on 6 May 2016 that a dividend of € 0.60 per share be distributed for the financial year 2015, a total of € 47.3 million (previous year: € 0.55 or € 43.4 million). Furthermore, it will be proposed to the Annual General Meeting to carry the remaining net retained profits of € 1.5 million forward to new account.

Segment Report

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

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

	2015 € million	2014 € million	Changes 2015 against 2014 € million	%
Sales revenues	**2,304.7**	**2,229.0**	**75.7**	**3**
Machine Tools	1,264.5	1,258.4	6.1	0
Industrial Services	1,040.0	970.4	69.6	7
Corporate Services	0.2	0.2	0.0	
Order intake	**2,282.8**	**2,331.4**	**−48.6**	**−2**
Machine Tools	1,212.5	1,256.5	−44.0	−4
Industrial Services	1,070.1	1,074.7	−4.6	0
Corporate Services	0.2	0.2	0.0	
EBIT	**185.9**	**182.6**	**3.3**	**2**
Machine Tools	102.6	93.6	9.0	10
Industrial Services	126.6	123.8	2.8	2
Corporate Services	−42.6	−34.9	−7.7	

P. 229 – 232
Explanation of the data segment

"Machine Tools"

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

The **turning** division comprises GILDEMEISTER Drehmaschinen GmbH in Bielefeld, GRAZIANO Tortona S.r.l. and GILDEMEISTER Italiana S.p.A. Our full-line range of turning machines includes six product lines and covers the full range from universal lathes and machining centres to turn-mill centres for 5-axis complete machining, through to production lathes with 4-axis turn-mill 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 nine product lines: from universal milling machines to horizontal and vertical machining centres, and from travelling column and HSC precision machines to milling machines and machining centres for 5-axis machining. The SAUER GmbH products in Advanced Technologies with the ULTRASONIC and LASERTEC lines can be adapted to 5-axis machining centres.

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

DMG Electronics GmbH bundles our group-wide competencies in control and software development. In particular, the further development of CELOS and its adaptation to our machine portfolio is presently in the focus. **DMG MORI Systems GmbH** offers integrated turnkey solutions to our customers. Automation is increasingly gaining importance also at mid-sized companies. Based on the DMG MORI machine portfolio, the automation business is integrated in the **Systems** division. The competencies in the system business for large-series production and flexible automation are bundled this way and they will be expanded further in the future. Our assembly centre is located in the economically strong central Neckar region near Stuttgart. We can be easily reached there by many of our customers.

P. 61 – 63
Production and Logistics

C.27 **KEY FIGURES "MACHINE TOOLS" SEGMENT**

	2015 € million	2014 € million	Changes 2015 against 2014 € million	%
Sales revenues				
Total	1,264.5	1,258.4	6.1	0
Domestic	420.8	444.3	−23.5	−5
International	843.7	814.1	29.6	4
% International	67	65		
Order intake				
Total	1,212.5	1,256.5	−44.0	−4
Domestic	417.7	452.8	−35.1	−8
International	794.8	803.7	−8.9	−1
% International	66	64		
Order backlog *				
Total	478.1	530.1	−52.0	−10
Domestic	137.3	140.4	−3.1	−2
International	340.8	389.7	−48.9	−13
% International	71	74		
Investments	82.5	71.0	11.5	16
Employees	3,599	3,520	79	2
plus trainees	259	241	18	7
Total employees *	3,858	3,761	97	3
EBITDA	138.7	126.6	12.1	10
EBIT	102.6	93.6	9.0	10
EBT	92.1	82.1	10.0	12

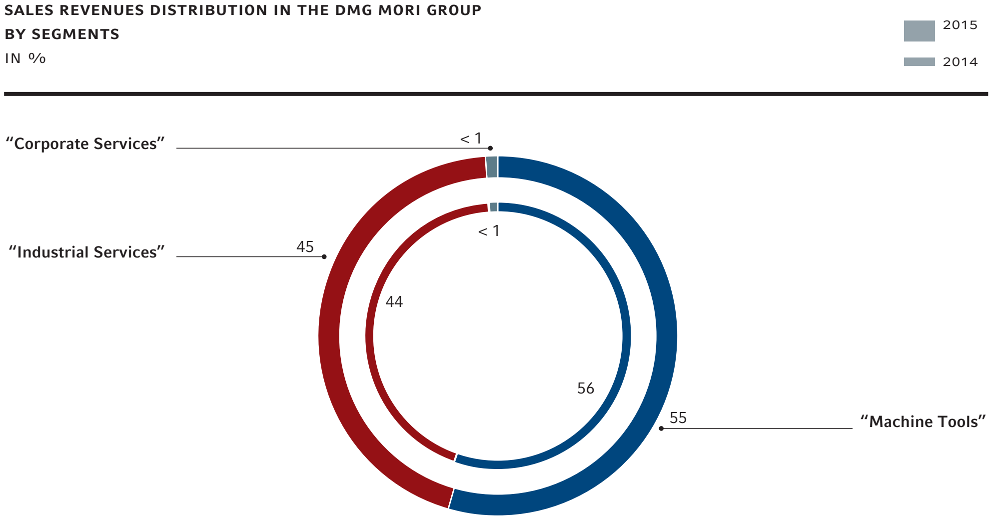
* reporting date 31 December

Our "Machine Tools" core segment developed as follows in the financial year 2015: In the fourth quarter, **sales revenues** reached € 372.1 million and were thus 6% or € 23.0 million below the previous year's level (€ 395.1 million). For the complete year, "Machine Tools" achieved sales revenues of € 1,264.5 million; whereby the previous year's level of € 1,258.4 million could be outperformed once more. While domestic sales declined by 5% or € 23.5 million to € 420.8 million (previous year: € 444.3 million), international sales improved by 4% of € 29.6 million to reach € 843.7 million (previous year: € 814.1 million). The quota of international sales was 67% (previous year: 65%). The "Machine Tools" segment accounted for a share of 55% in sales revenues (previous year: 56%). The turning technology of GILDEMEISTER contributed 12% (previous year: 12%). The milling technology of DECKEL MAHO accounted for 33% of sales revenues (previous year: 35%); ULTRASONIC / LASERTEC contributed 3% (previous year: 3%). The ECOLINE business segment contributed 7% (previous year: 6%).

The **sales volume** of new machines fell by 4% compared to the previous year to 7,076 (previous year: 7,396).

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

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



TOTAL
2015: € 2,304.7 MILLION // 2014: € 2,229.0 MILLION

Order intake in the "Machine Tools" segment in the fourth quarter at € 273.7 million was slightly below the level of the previous year at € 276.9 million. Over the whole year, order intake amounted to € 1,212.5 million and was thus € 44.0 million or 4% below the previous year's figure (€ 1,256.5 million). The decline compared to the previous year was essentially due to weaker order intakes in Russia, Germany and in Asia.

Domestic order intake declined by 8% or € 35.1 million to € 417.7 million (previous year: € 452.8 million). International orders amounted to € 794.8 million. At € 803.7 million, they were lower by 1% or € 8.9 million compared to the previous year; the international share was 66% (previous year: 64%). The percentage of orders in the "Machine Tools" segment amounted to 53% (previous year: 54%).

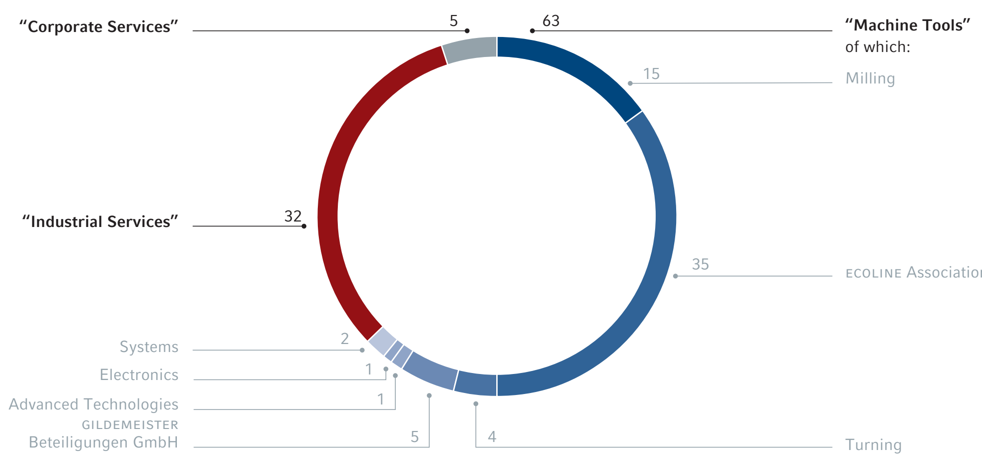
P. 74 – 75
Order Backlog

Order backlog as at 31 December 2015 amounted to € 478.1 million (previous year: € 530.1 million). The domestic order backlog fell by € 3.1 million to € 137.3 million (previous year: € 140.4 million). International orders accounted for 71% (previous year: 74%); they declined by € 48.9 million or 13% to € 340.8 million (previous year: € 389.7 million).

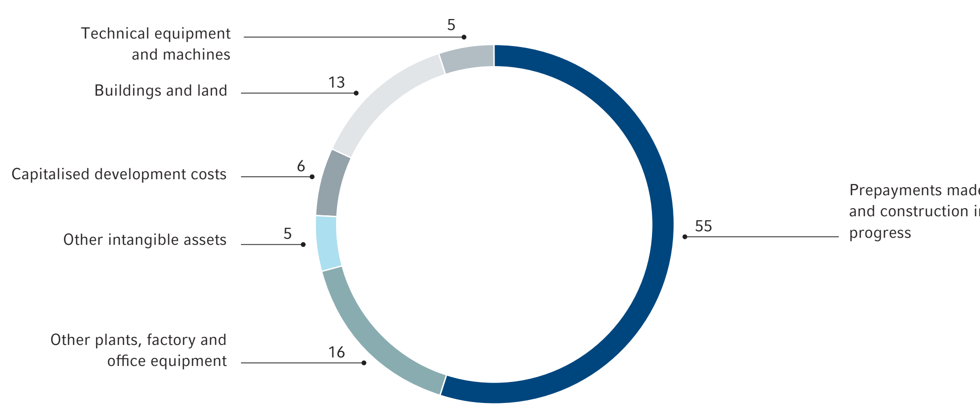
EBITDA reached € 138.7 million (previous year: € 126.6 million). **EBIT** rose to € 102.6 million (previous year: € 93.6 million) and **EBT** improved by 12% to € 92.1 million (previous year: € 82.1 million).

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

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



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



Investments in the **"Machine Tools"** segment amounted to € 82.5 million (previous year: € 71.0 million). With a grand opening on 29 September, we started operations of our worldwide most modern production plant in Ulyanovsk (Russia). On the premises with a size of 330,000 m², furthermore the modern technology and demonstration centre is accommodated, as well as a pioneering energy park, from which up to 15% of the energy required at the site is generated in own production. Here, we produce turning and milling machines of the ECOLINE series in high-tech quality for the Russian and world market. At our production site in Seebach, we opened the Porsche Motorsport CNC Competence Centre, and thereby set a further milestone in the sustainable technology partnership between DMG MORI AKTIENGESELLSCHAFT and the PORSCHE LMP1 Team. In addition, we modernised our production plants in Shanghai (China) and Pleszew (Poland) in the reporting year. Through the modernisation of mechanical production in Pleszew, we were able to expand the production competences in the area of precision and large-parts processing at the site. Due to the positive business development in the Advanced Technologies division, we furthermore initiated first measures at our Idar-Oberstein site to expand the assembly and logistics area. In the course of digitalisation, we have started to install independent shop floor monitors at all production sites that are aligned to our production processes. Further focus points of investment were the provision of tools, models and supplies needed for production, and the development of innovative products. The capitalised development costs amounted to € 7.3 million (previous year: € 7.0 million).

The "Machine Tools" segment had 3,858 **employees** at year-end (previous year: 3,761 employees). As in the previous year, this represents 52% of the total staff at the group. The addition of 97 employees is largely the result from hiring additional personnel in the course of setting up and expanding our production site in Ulyanovsk as well as at DMG MORI Systems GmbH in Wernau. Furthermore, the "Advanced Technologies" division at SAUER GmbH has received additional staff. The personnel ratio in the "Machine Tools" segment was 19.0% (previous year: 18.3%); employee expenses reached € 240.3 million (previous year: € 230.0 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 service contracts, repair and training services offered to our customers ensures the maximum cost-efficiency of their machine tools.

In **Energy Solutions** we focus on the business areas of Energy Efficiency, Services, Components and Storage Technology.

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

	2015 € million	2014 € million	Changes 2015 against 2014 € million	%
Sales revenues				
Total	1,040.0	970.4	69.6	7
Domestic	341.1	334.7	6.4	2
International	698.9	635.7	63.2	10
% International	67	66		
Order intake				
Total	1,070.1	1,074.7	– 4.6	0
Domestic	367.1	361.5	5.6	2
International	703.0	713.2	– 10.2	– 1
% International	66	66		
Order backlog *				
Total	406.1	604.2	– 198.1	– 33
Domestic	198.4	172.4	26.0	15
International	207.7	431.8	– 224.1	– 52
% International	51	71		
Investments	41.4	60.9	– 19.5	– 32
Employees	3,419	3,283	136	4
plus trainees	61	7	54	–
Total employees *	3,480	3,290	190	6
EBITDA	144.3	137.6	6.7	5
EBIT	126.6	123.8	2.8	2
EBT	120.9	119.3	1.6	1

* reporting date 31 December

Sales revenues in the "Industrial Services" segment rose in the fourth quarter compared to the previous year by 5% or € 12.3 million to € 283.8 million (previous year: € 271.5 million). Sales revenues in the financial year increased by 7% or € 69.6 million to a total of € 1,040.0 million (previous year: € 970.4 million). While international sales rose by 10% or € 63.2 million to € 698.9 million (previous year: € 635.7 million), domestic sales improved by 2% or € 6.4 million to reach € 341.1 million (previous year: € 334.7 million). International sales of the segment accounted for a share of 67% (previous year: 66%).

The Services division increased its sales by € 63.8 million or 7% to reach € 996.5 million (previous year: € 932.7 million). Sales in the Energy Solutions division amounted to € 43.5 million (previous year: € 37.7 million). "Industrial Services" contributed a share of 45% to the group sales revenues (previous year: 44%).

Order intake at € 1,070.1 million was at the same level as in the previous year (€ 1,074.7 million). At the same time, the contribution of Services accounted for € 1,021.2 million (previous year: € 1,031.3 million). In particular, the order intake in our original business, LifeCycle Services (e.g. spare parts, maintenance and repair), and sales commissions contributed to this result. It increased by € 26.9 million or 5% to € 615.5 million (previous year: € 588.6 million). Orders for machines of our cooperation partner fell to € 405.7 million (previous year: € 442.5 million). The Energy Solutions division achieved an order intake of € 48.9 million (previous year: € 43.4 million). Domestic orders in "Industrial Services" rose by 2% or € 5.6 million to € 367.1 million (previous year: € 361.5 million).

A portion of 66% of all orders was received from abroad, accounting for € 703.0 million (previous year: € 713.2 million). Within the group, 47% of all orders were attributed to "Industrial Services" (previous year: 46%).

P. 74 – 75
Order Backlog

Order backlog as at 31 December amounted to € 406.1 million (previous year: € 604.2 million). The deviation from the previous year results largely from the change of methods for the assessment of the order backlog. As of the second quarter of 2015, orders for machines of DMG MORI COMPANY LIMITED, which result in sales at DMG MORI AKTIENGESELLSCHAFT only in the amount of the commission payment, are no longer considered in the order backlog. **EBITDA** in the "Industrial Services" segment in the reporting year amounted to € 144.3 million (previous year: € 137.6 million). **EBIT** was at € 126.6 million (previous year: € 123.8 million). In Services, EBIT amounted to € 127.4 million in the financial year (previous year: € 123.4 million). Overall, **EBT** of "Industrial Services" rose to € 120.9 million (previous year: € 119.3 million).

Investments in the **"Industrial Services"** segment amounted to € 41.4 million (previous year: € 60.9 million). The expansion of our international market presence was among the focus points of our investment activity: The completion of our technology centre in Moscow (Russia) continues progressing as planned; its opening is expected on 23 May 2016. In South Korea, the world´s fifth largest market for machine tools, the construction of our new technology centre in Seoul continues to be on track. The opening there is planned for 15 July 2016. In addition, we have started with the targeted modernisation of our worldwide showrooms. A further emphasis was on the equipment of our service employees with state-of-the-art tools and electronic measuring instruments. The capitalised development costs in the "Industrial Services" segment amounted to € 0.9 million.

The number of **employees** in the "Industrial Services" segment was 3,480 at the end of the year (previous year: 3,290 employees). The percentage of the employees in this segment accounted for 47% (previous year: 46%). The increase of the number of employees by 190 results in particular from additions to personnel at our local sales and service companies in Germany, Africa, India, Italy and France, as well as at DMG MORI Spare Parts.

The personnel ratio in the "Industrial Services" segment was 26.0% (previous year: 25.8%); employee expenses totalled € 270.4 million (previous year: € 250.6 million).

"Corporate Services"

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

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

	2015 € million	2014 € million	Changes 2015 against 2014 € million
Sales revenues	0.2	0.2	0.0
Order intake	0.2	0.2	0.0
Investments *	6.7	27.1	−20.4
Employees **	124	115	9
EBITDA	−39.2	−31.8	−7.4
EBIT	−42.6	−34.9	−7.7
EBT	5.0	−26.2	31.2

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

In the "Corporate Services" segment, both **sales revenues** as well as **order intake** in respective amounts of € 0.2 million primarily consisted of rental income as in the previous year. The "Corporate Services" segment in turn accounted for less than 0.1% of sales in the group (previous year: <0.1%). **EBIT** amounted to € −42.6 million (previous year: € −34.9 million); this includes risen personnel expenses and increased costs for legal advice and other consulting within the context of the tender offer from DMG MORI COMPANY LIMITED. **EBT** was at € 5.0 million (previous year: € −26.2 million). In the reporting year, this includes one-off income in the amount of € 37.8 million from the sale of the shares in DMG MORI COMPANY LIMITED in the fourth quarter. The financial result improved compared to the previous year to € 47.2 million (previous year: € 8.3 million).

Investments in property, plant and equipment and in intangible assets in the **"Corporate Services"** segment amounted to € 6.7 million (previous year: € 5.0 million). At our site in Bielefeld, we have continued the modernisation measures within the scope of the energy efficiency programme "DMG MORI 15/30". In this regard, the increase of energy efficiency and renewal of the lighting and air-conditioning technology was a central a focus point.

P. 98 – 101
Sustainability

As of 31 December 2015, the "Corporate Services" segment had 124 **employees** (previous year: 115 employees). This represents 1% of the group workforce (previous year: 2%).

Non-financial Key Performance Indicators

Sustainability

The DMG MORI group perceives it has an obligation for sustainable actions at all levels. We take responsibility for our employees, for society, and for the environment. We fulfil this claim both in the development of new innovative products as well as in our activities in the area of renewable energies. In all we do, we act responsibly and in conformity with all applicable laws. We expect the same code of conduct from our suppliers and our business partners. We offer the opportunity to our employees to advance their personal development. 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.

P. 37 – 43
Corporate Governance

Development of energy-saving products

From the DMG MORI 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. In the same way, we also pay attention to using energy-efficient components, which contribute to a positive energy balance of our products.

P. 53 – 58
Research and Development

DMG MORI ENERGY SAVING INCREASES ENERGY EFFICIENCY OF MACHINES

By tradition, the **energy efficiency of the machines** takes a high priority in our group. 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 MORI 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 MORI ENERGY SAVING currently find their way into 90% of the high-tech machines in our product portfolio. Due to the very different arrangement of machine tools, reliable comparative analyses with other company's products in the industry are not possible.

Our app-based control system, CELOS, enables, inter alia, the automated energy management of the machines through the CELOS "Energy Saving" app, by means of program-controlled functions for the machine, pneumatics system, monitor and work-room lighting. The integrated energy monitor furthermore delivers consumption data, the corresponding energy costs, as well as the CO_2 balance for different machine states. With CELOS, we are simultaneously developing the basis for an intelligent production within Industrie 4.0. By means of CELOS apps, maintenance and repair processes can be optimised. The comprehensive integration of company software in the CELOS platform makes the automated support of the operator possible.

Our subsidiary, GILDEMEISTER ENERGY SOLUTIONS, offers complete solutions for the energy management of industrial and commercial customers. This includes efficiency analyses for energy savings as well as systems for generating, storing and using renewable energies.

The combination of generating systems for wind and solar energy, and large storage systems with vanadium redox flow technology enables consumers with a high energy requirement to take charge of their own energy supply.

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

Resource-saving production

Besides the sustainable production and development of our machines, we are also intent on structuring our logistics processes as climate-friendly as possible. To keep the CO_2-emissions at our company as minimal as possible, we take account of not only economic but also ecological aspects when transporting operational and auxiliary supplies or spare parts. Thus, in selecting our suppliers we also pay attention as to whether their vehicles are equipped with the up-to date motor technologies and conform to the latest emission standards.

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

Integrated energy concept

As early as in the year 2013, the group-wide energy efficiency programme **"DMG MORI 15/30"** was brought to life. With the aim of lowering energy costs by 30 percent by the year 2015, the DMG MORI group has taken a pioneering role in matters of energy-efficient and sustainable management of resources. In the reporting year, the implementation of measures based on elaborate energy efficiency analyses was pushed ahead further, and the energy costs were reduced additionally.

Accordingly, many of the lighting systems at the production sites have been retrofitted for energy-efficient and modern LED technology. Likewise, energy-efficient and environmentally friendly compressed-air generation as well as heat and cold generation are priorities at all sites. Also, presently about 4% of the total electricity consumption has been generated from CO_2-neutral solar electricity through the increasing additions to photovoltaic energy-generating capacities having been made for years across all sites.

Group-wide approx. € 1.8 million in energy costs has been saved to date at the nine production sites. This is equivalent of energy produced in a volume of approx. 18 gigawatt hours or around 12,000 tons of avoided CO_2-emissions.

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

In the reporting year, we opened one of the world's most modern production and assembly plant in Ulyanovsk, Russia. The premises also include a trend setting energy park, which generates up to 15% of the energy required at the site. At this and other sites, furthermore our customers and employees have the opportunity to charge their electrical vehicles with green electricity at electrical charging points.

We will continue on this path also in 2016. Overall, we are planning a reduction of CO_2-emissions by a further 4,000 tons. Once the energy concept is fully implemented, we expect savings at the production sites of up to € 2.7 million per year. We will further utilise the savings potential.

In addition, the Europe-wide implementation of an **energy management system according to DIN EN ISO 50001** was pushed ahead during the past financial year, which is to be successfully certified early next year. The system serves for the systematic analysis of the energy situation at the group sites and demands a continuous improvement of the energy-related performance. Through the certification, we intend to strengthen once more our aspiration for continuously raising energy efficiency and lowering energy consumption for the long term.

No manufacturing-related waste production of harmful substances

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

Employees

On 31 December 2015, the group employed 7,462 employees, including 320 trainees, (previous year: 7,166 employees). The number of employees rose by 296.

The addition of employees in the “Machine Tools” segment resulted primarily from the hiring of further staff in the course of setting up and expanding our production site in Ulyanovsk as well as at DMG MORI Systems GmbH in Wernau. Furthermore, the growth division “Advanced Technologies” at SAUER GmbH has received additional staff.

The number of employees in the “Industrial Services” segment was increased in particular at our local sales and service companies in Germany, Africa, India, Italy and France, as well as at DMG MORI Spare Parts.

At year-end, 4,108 employees (55%) worked at our domestic companies and 3,354 employees (45%) at our foreign companies.

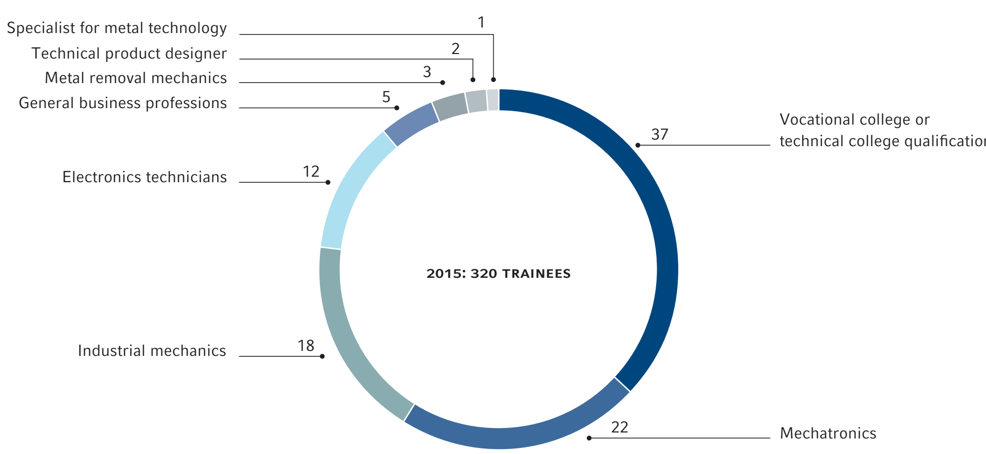
The number of **agency workers** employed throughout the group was 488 at the end of the financial year (previous year: 511).

At the end of December 2015, a total of 320 **trainees** were employed at the group (previous year: 248). At the start of the new training year, 89 trainees were hired (previous year: 58). The vocational training ratio at the domestic companies in the “Machine Tools” segment amounted to 9.6% (previous year: 9.2%). Overall, we offer vocational training in ten different occupations. Moreover, we offer courses of study in cooperation with regional colleges of advanced vocational education and universities of applied sciences. We are continuously expanding and developing these collaborations.

At the end of the reporting year, a total of 975 women were employed in the group (previous year: 938). As in the previous year, the **ratio of women** working for the group totalled 13.1%. In the "Machine Tools" segment, the ratio of women was 10%, in "Industrial Services" it was 16%, and in "Corporate Services" it was 29%.

DMG MORI 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 number of female employees continues to rise. Through projects such as MINT-relations, we specifically support girls and women in their interest in scientific and technical careers and strengthen their commitment.

C.33 **TRAINING IN THE DMG MORI 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 remains at a high level. In all, 97% of the workforce has a professional qualification or is currently receiving vocational training (previous year: 97%). Overall 5,369 employees or 72% of the workforce took part in further training courses (previous year: 5,344 employees or 75%). As in the previous year, this places us clearly above the latest industry average of 47%. 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 € 15.9 million (previous year: € 14.2 million).

Variable income components reward individual performance and encourage **employee motivation**. In addition, we have agreed a worldwide premium model for the financial year ended, which grants employees of the group a profit-dependent share in the result of 2015. The premium volume amounts in total to around € 8.9 million. Further components of employee motivation are occupational safety and health protection, which are a core element in our value creation system both nationally and internationally. Our certified quality management system sets out the working conditions for every country in which we have production plants as well as sales and service companies.

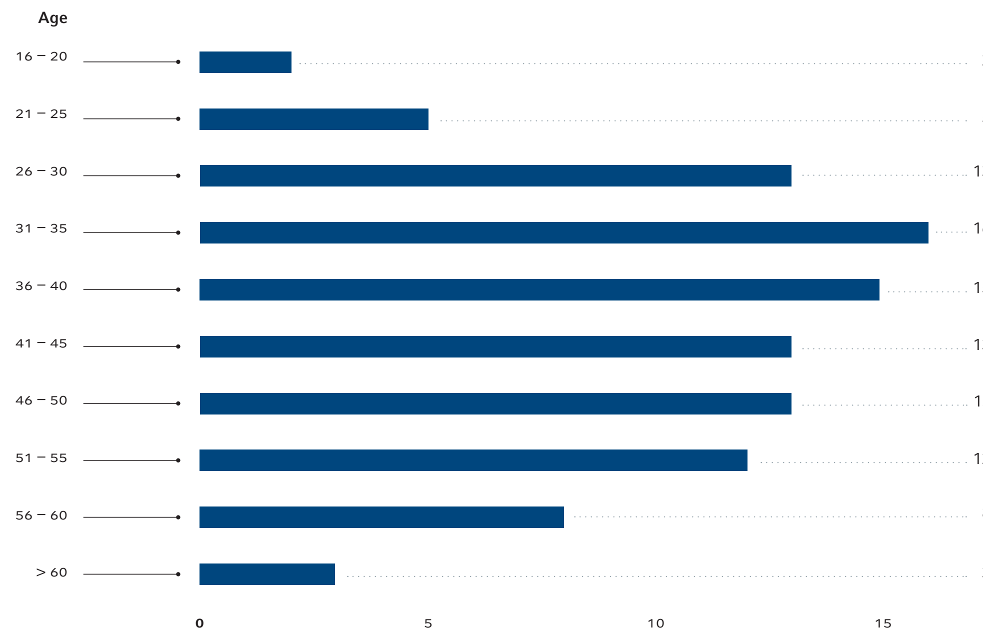
Employee expenses rose by € 39.4 million to € 545.5 million (previous year: € 506.1 million). Of this, wages and salaries accounted for € 463.6 million (previous year: € 432.5 million), social insurance contributions for € 74.9 million (previous year: € 66.5 million) and the costs of retirement pensions for € 7.0 million (previous year: € 7.1 million). As a result of increased total output the personnel ratio amounted to 23.2% (previous year: 22.4%).

International Exchange programme

In summer 2015, eight DMG MORI AKTIENGESELLSCHAFT trainees from Bielefeld, Pfronten and Seebach travelled to our Japanese partner's largest production site in Iga, Japan. They participated in the group-wide exchange programme being offered since 2012. During the intensive three-week training programme, the young technicians had the opportunity to get to know their colleagues' working practices and culture on the other side of the world. The agenda included training seminars at the DMG MORI Academy and interesting excursions, providing the trainees with a greater understanding of the country and its people.

Of our employees, 36% are 35 years of age and younger (previous year: 35%); 77% are 50 years of age and younger (previous year: 78%). Our employees' age structure is balanced and is represented as follows:

C.34 **AGE STRUCTURE OF EMPLOYEES IN THE DMG MORI GROUP 2015**
IN %



The part-time retirement plan covered 54 employment agreements (previous year: 60), 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 28 employees and 26 in the passive phase.

Other key performance indicators have changed as follows: In the reporting year as in the previous year there were 189 commuting and orperational accidents (previous year: 190); this corresponds – based on the total number of employees – to an percentage of 2.5% (previous year: 2.7%). The sickness rate was 3.5% (previous year: 3.3%) and was thus below the latest industry average of 4.6%, as in the previous year. The employee fluctuation rate in the financial year just ended was 8.1% (previous year: 8.8%).

Three employees have been recognised for their 50 years' employment with the company. In addition, 28 employees celebrated 40 years', 85 employees 25 years' and 250 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 group worked on its corporate communications also during the reporting year. This helped to strengthen the public image of the company.

Expenditure for corporate communications totalled € 55.7 million (previous year: € 57.6 million). During the year, a wide range of joint activities were carried out with our cooperation partner for which the costs were shared. The total costs carried on behalf of our cooperation partner and later forwarded relate to € 12.5 million (previous year: € 10.7 million).

DMGMORI.COM
Events

Trade fairs and exhibitions are the key marketing instrument for the DMG MORI group. During the reporting year, DMG MORI sales and service companies participated at over 70 events in Germany and abroad. The reporting year started off with the key trade show, the IMTEX in Bangalore, followed by the METALLOBRABOTKA in Moscow, the INTERMOLD in Seoul and CIMT in Peking. The EMO, held from 5 – 10 October in Milan, the leading trade show for the machine tool industry, was Europe's largest event. At the show, DMG MORI presented 40 exhibits across an area of 2,437 m², including 10 world premieres. The trade show visitors registered at the DMG MORI stand were mainly interested in innovations, cutting-edge product trends, Industrie 4.0 exhibits and the latest version of CELOS.

Another key area were in-house exhibitions. Experts on-site at DMG MORI Technology Centers were able to share their technical knowledge with visitors. Another 21 in-house exhibitions were held in 2015 following the EMO.

Trade fair business generally showed positive growth for the DMG MORI group. It registered 126,177 visitors (previous year: 117,559) from 84,528 companies (previous year: 82,386) and realised order intake of € 940.2 million.

During the reporting year, our expenditure for trade fairs and exhibitions totalled € 31.6 million (previous year: € 32.2 million). This equated to 57% of the total expenditure for marketing and corporate communications (previous year: 56%).

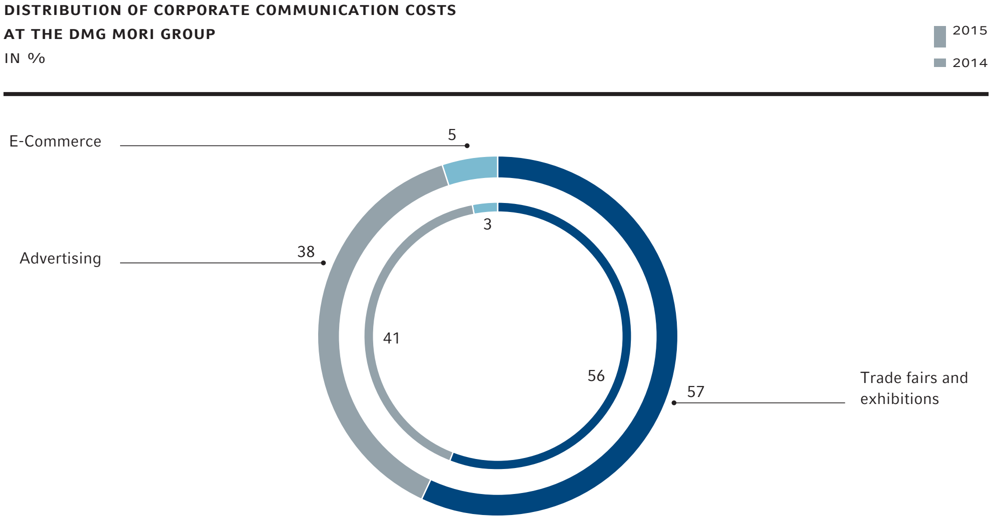
Product marketing is an important component of corporate communication. Investments in this area totalled € 21.2 million (previous year: €23.4 million), which is 38% of the total expenditure for marketing and corporate communication (previous year: 41%).

The DMG MORI journal was published twice during the reporting year, with a total circulation of around 1.2 million copies in 25 languages. The budget for this was € 3.7 million (previous year: € 3.8 million).

In the reporting year, DMG MORI was again the exclusive premium partner of Porsche and supported the team in its return to the top category in the motor racing world championship (WEC). The logo of the DMG MORI brand is a prominent eye-catcher on the Porsche 919 Hybrid. The partnership with Porsche and strong media presence during the overall victory at the 24 hours of Le Mans, as well as the Manufacturers' and Drivers' World Championship titles in 2015 are a firmly integrated part of DMG MORI marketing activities.

As a technology partner, DMG MORI supports Porsche in two ways: Firstly, as a supplier of machines to the companies, which manufacture car components for the racing team. Secondly, DMG MORI set up a parts manufacturing facility at DECKEL MAHO Seebach, which codevelops and manufactures an increasing range of high-tech components for the Porsche 919 Hybrid. At the same time, a DMU 65 monoBLOCK® and CTX beta 800 – both with CELOS – have been set up at Porsche's development centre in Weissach. Parts manufacturing is completed using a DMG MORI process chain.

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



TOTAL
2015: € 55.7 MILLION // 2014: € 57.6 MILLION

Five consecutive victories to win the Manufacturers' and World Championship title 2015

Porsche returned to the World Endurance Championship in 2014 with its state-of-the-art racing car. The 919 Hybrid's dual hybrid system with innovative exhaust gas heat recovery has proven its ability to deliver top performance. As the complex high-tech parts required fast and reliable production, Porsche and DMG MORI formed a technology partnership. DMG MORI's innovative machines are used to manufacture components at their cutting-edge parts facility.

Overall Statement of the Executive Board on Financial Year 2015

The DMG MORI group can look back on 2015 as a successful financial year. We were able to hold our ground in a challenging market environment. Order intake was with € 2,282.8 million below last year's figure (previous year: € 2,331.4 million). Sales revenues increased by 3% to € 2,304.7 million (previous year: € 2,229.0 million). EBITDA improved by 5% to € 243.1 million (previous year: € 232.5 million), EBIT rose by 2% to € 185.9 million (previous year: € 182.6 million) and EBT by 24% or 42.0 million to € 217.3 million (previous year: € 175.3 million). The income (€ 37.8 million) from the sale of shares (9.63%) in DMG MORI COMPANY LIMITED had a one-off positive effect on EBT. The EBT rose meanwhile by € 4.2 million to € 179.5 million, even without this extraordinary effect. Thus, we reached the best result in the company's history. As of 31 December 2015, the group recorded annual profit of € 159.6 million (previous year: € 121.1 million). The free cash flow was positive at € 32.0 million (previous year: € 86.1 million). At the Annual General Meeting, the Executive and Supervisory Boards will propose the payment of a **dividend** amounting to € 0.60 per share for the reporting year (previous year: € 0.55).

Customer requirements in our industry increasingly demand tailor-made offers – covering everything from the entry machine to complex technology solutions as well as comprehensive services. As a leading manufacturer of cutting machine tools, we develop technologically sophisticated products based on regional market requirements and offer our customers a comprehensive range of machine tools as well as perfectly matched service products throughout the entire machine lifecycle. The "Industrial Services" achieved EBT of € 120.9 million. The "Machine Tools" segment contributed € 92.1 million to the group EBT.

P. 108 – 110
Supplementary Report

Overall, the DMG MORI group developed according to forecast in the reporting year.

Supplementary Report

The global economy showed a mixed development on the whole in the first two months of the year. Troubles in the financial markets of China and Japan might take decisive influence on the further course of the cyclical development in 2016. In Western industrialised countries, low oil prices facilitate a vitalisation of the economy. The trend in demand in the German machine tool industry was about previous year's level at the beginning of the year.

Economic Development 2016

In the first two months of the current year, the **overall economic development** was on a changeful course. The economy in Asia was characterised by turbulences at the stock exchanges in China and Japan. Current cyclical indicators presently suggest a continued decline of growth rates in particular in China. The continuously low energy and raw materials prices furthermore dampened the development in important countries such as Russia and Brazil. In contrast, the energy prices had a rather stimulating effect on the economy in the euro zone. All in all, a modest recovery is expected in the Euro zone over the course of the year.

P. 123 – 129
Forecast Report

In Germany, the economic situation remained constant most recently. The ifo business climate index fell considerably in January 2016; the current estimation of the situation, however, continues to remain stable.

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

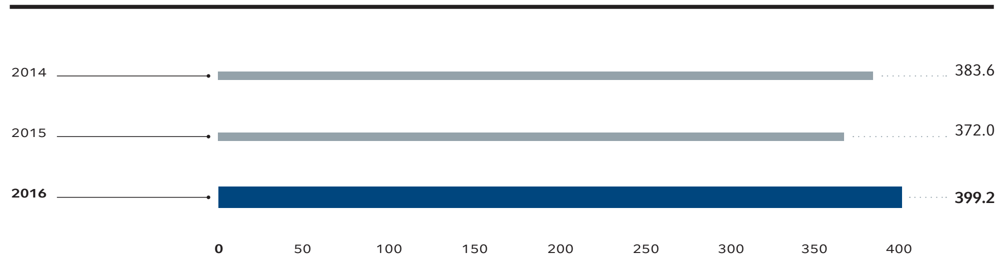
The **German machine tool industry** started with cautiously optimistic expectations into the year 2016. For the first half year, a rise of 3.0% in order intake is expected. However, the extent of order backlog remained below the level of the previous year and is forecast to be around 6.5 months.

Corporate situation after the end of the reporting period

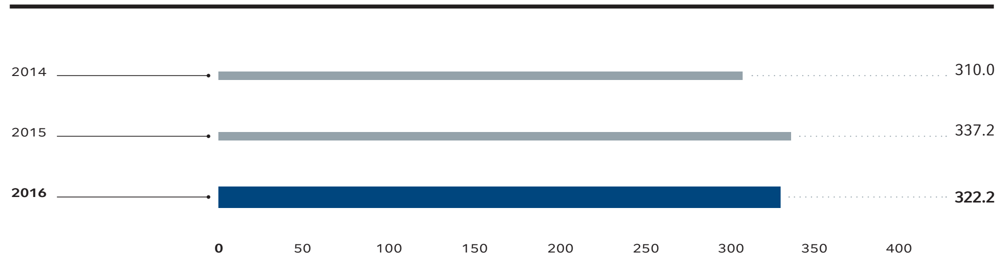
P. 123 – 129
Forecast Report

The year started off according to plan for the DMG MORI group. Order intake in January and February was € 399.2 million (previous year: € 372.0 million). **Sales revenues** amounted to € 322.2 million (previous year: € 337.2 million). The order backlog as at 29 February 2016 rose by € 77.0 million to € 961.2 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 below the previous year's figure. A more detailed statement is premature at the present time.

D . 01 **ORDER INTAKE AT THE DMG MORI GROUP IN JANUARY AND FEBRUARY 2016**
IN € MILLION



D . 02 **SALES REVENUES OF THE DMG MORI GROUP IN JANUARY AND FEBRUARY 2016**
IN € MILLION



We started into the new year with our traditional in-house exhibit in Pfronten and achieved a good result with an order intake of € 190.8 million and 681 products sold. More than 9,000 international trade visitors contributed to the record visitor number. At the METAV in Düsseldorf (23 to 27 February 2016), we sold 177 machines and service products valued at € 39.7 million.

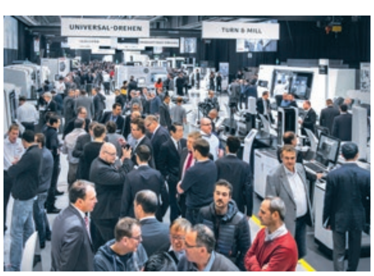
In the first two months of the year, the main focus of **investments** was placed on making progress on our major construction projects as well as on making production and operations equipment available.

In the first quarter, **sales prices** for "Machine Tools" remain unchanged. In February 2016, a new **syndicated credit line** was agreed with a total volume of € 500.0 million and a term of five years (until February 2021). The syndicated credit line expiring in August 2016 was thereby completely replaced prematurely.

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

Between the reporting date of the financial year (31 December 2015) and publication (8 March 2016), no events occurred requiring reporting.

Open House Exhibition Pfronten 2016



With order intake of € 190.8 million and 681 products sold, DMG MORI takes positive stock of this year's open house exhibition in Pfronten.

Opportunities and Risk Report

Our systematic opportunities and risk management system is an essential part of our corporate management. The DMG MORI 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 group is exposed to various opportunities and risks. Our opportunities and risk management assists us in identifying and assessing these timely. The Executive Board and the Supervisory Board are informed regularly about the current risk situation of the group and that of the individual business units.

Opportunities Management System (OMS)

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

General economic opportunities arise for the DMG MORI group from the comprehensive working of both established market regions as well as growth markets.

The economic development in Germany and in the euro zone was characterised by a slight recovery in 2015. In particular, extraordinary effects from the expansive monetary policy of the ECB, the lower crude oil prices and advantageous exchange rates in relation to the U.S. dollar and the British pound had a positive effect.

The cyclical development in Germany will continue in 2016, however, with an only reduced growth rate compared to the complete year 2015. There are very strong insecurities since an elimination of the extraordinary effects to complete extent or even only in parts might have a substantial negative influence on the economic development.

In Europe, the economic development in 2015 steadied on a low but stable level. A development in this direction is expected for 2016 as well. Great Britain and numerous former Euro crisis countries (Spain, Ireland, Portugal) report improved economic data. The cyclical insecurity existing in the markets has disappeared for the moment in consequence of the current situation in the debt crisis of Greece with the presently successful implementation of the approach of "credit payments against implementation of reforms".

In the USA, the positive cyclical development is expected to continue also in the calendar year 2016. There, however, the further orientation of the monetary policy will have a decisive influence in 2016. The cyclical situation in India is notably improving following the introduction of economic reforms.

Against the background of the existing and expected future overall economic developments and in consideration of the identified insecurities, we would like to utilise the opportunities arising.

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

Industry-specific opportunities are taken advantage of with our ECOLINE series through its attractive entry-level prices for innovative technology. As a broad, global market segment, the ECOLINE series offers access to turning and milling. The current product lines will be further extended in financial year 2016.

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

By virtue of the continuously and unchanged low exchange rate level of the Japanese yen compared to the euro, additional sales opportunities for the machines of DMG MORI COMPANY LIMITED, which are sold by us in the euro zone, are presented to us. These machines can be offered to customers at accordingly lower prices.

In the continuously growing market of renewable energies, we take advantage of opportunities, especially in the areas of conceptual design and construction, and respectively technical maintenance and servicing of photovoltaic parks, energy 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.

P. 53 – 58
Research and Development

Corporate strategic opportunities present themselves to the DMG MORI group through a sustained leadership in innovations and technology, as well as through marketleading 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. Moreover, we are tapping further markets by expanding new business fields such as comprehensive system and automation solutions.

Additionally we generate further opportunities in our "Advanced Technologies" in the field of the Premium series and the ECOLINE series through extended production possibilities or through increasing the product portfolio.

In addition, an innovative operating interface is available in CELOS, which offers numerous connectivity options for our machines with other systems. With its applications, CELOS makes it possible to use the consistent digitalised management, documentation and visualisation of order, process and machine data. Our customers benefit by increasing the functionality of their machines through connectivity options with other systems, which in turn makes their processes more efficient.

In the implementation of joint development activities, purchasing activities, and additional efficiency increases in production, we profit from our close cooperation with DMG MORI COMPANY LIMITED.

Furthermore, we are further expanding the service range of the DMG MORI group as an important segment. With our global service and spare parts supply concept, we provide comprehensive services to our customers around the world.

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

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

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

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

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

With our direct sales and service network, we are able to serve our customers worldwide. This means that we are in close proximity to our customers in 76 countries throughout the world; our customers enjoy the benefits of this and place a high value on being able to reach us directly. Thanks to the extensive research and development work, we are in a position to offer our customers innovations and new developments at regular intervals.

We utilise **other opportunities** through group-wide investments in better building insulation, controlled lighting systems, energy-efficient air conditioning, as well as further projects relating to energy efficiency. We thereby permanently reduce our energy consumption. Furthermore, we generate a large part of our energy requirement on our own. Besides photovoltaics, we also use geothermal systems. By virtue of a larger number of electrically driven motor vehicles, we are expanding our electrical mobility in everyday use. For this purpose, we have set up a supply infrastructure at our sites.

Under DMG MORI ENERGY SAVING, we consolidate our activities for greater energy efficiency in our machine tools. Thanks to intelligent technology, energy use on our machines is reduced by 20% on average over the entire life of the machine. In this area, we are setting the benchmarks for the industry.

Risk Management System (RMS)

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

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

Our early risk identification system consists of five elements:

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

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

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

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

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

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

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

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

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

The internal control system (ICS) of the DMG MORI group is an integral part of the group-wide risk management system. Here, the ICS complies with German statutory requirements of the Stock Companies Act ("Aktiengesetz" (AktG)) as well as the necessary Japanese legal requirements of the "Japanese Financial Instruments and Exchange Act" in the form of documentation in accordance with the J-SOX / Naibutousei.

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

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

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

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

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

The accounting-related internal accounting system comprises, in supplementation, the principles, procedures and measures for ensuring the propriety of the group reporting. For this purpose, we analyse new laws, accounting standards and other public notices with respect to their effect on the consolidated financial statements. We standardize relevant regulations throughout the group in accounting-related guidelines, for example, those contained in the accounting manual. These accounting-related guidelines and the financial statements calendar, which apply throughout the group, form the basis for the preparation of the financial statements. The local companies are responsible for compliance with the relevant regulations and in this respect are supported and monitored by the group accounting department. In addition, there are local regulations that each has to be harmonised with the group accounting. This also includes compliance with local accounting regulations. Consolidation is carried out centrally by the group accounting department. The DMG MORI group engages external service providers, for example, for the valuation of pension obligations. Employees, who are entrusted with the financial reporting, receive regular internal and external training.

The appropriateness and effectiveness of the ICS is evaluated based on annual management review at the group affiliates and central departments of DMG MORI AKTIENGESELLSCHAFT. This is done by means of random tests to verify the appropriateness of the control design and the effectiveness of the existing controls. The management testing is conducted by an external audit firm, PricewaterhouseCoopers AG, WPG, and the Internal Audit Department. Furthermore, results of a review are subjected to an audit conducted by the auditor of annual accounts. The results of the management review and its audit are reported to the Management Board and the Supervisory Board.

The appropriateness and effectiveness of the ICS is additionally reviewed and analysed in random tests by the Internal Audit Department. The results of these audits are reported on a regular basis to the Management Board and the Supervisory Board.

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

General economic risks arise for the DMG MORI group, particularly from the cyclical development and the existing insecurity in the markets.

Relevant risks for the global economic development with effects on Germany and Europe result from the persisting growth downturn in emerging countries, particularly in China, Russia and other raw materials exporting countries.

Considerable declines of China's economic growth rates are expected also in the year 2016. This development is caused by reducing private consumption, partly drastic price losses at the Chines stock markets with high volatility and big potential of insecurity, a noticeably more reluctant investment behaviour as a consequence from the current economic stagnation, and the low profits from raw materials exports.

The economic situation in Russia noticeably deteriorated in 2015 because of negative economic growth and increased inflation. An improvement of this development can be expected only to limited extent for 2016. There are significant potentials for future insecurity. The economic sanctions continuing to be in place, isolation from products made in the EU and the USA with further inflationary impulses, and the low oil price weaken the Russian economy and public budgets in Russia which are forced to make spending cuts. Negative effects from this development are also felt negatively in the economy of Germany and Europe.

Individual large Member States in the euro zone with a large industrial segment, like France and Italy, fall further behind as important market regions compared to an improved economic development in other European countries. The further growth perspectives of these countries additionally depend quite essentially on the implementation of necessary structural reforms in order to improve their competitiveness and consolidate the national budgets. There are significant risks here at this time due to absent reform dynamics.

In addition, the insecurity regarding the future development of the monetary policy in the USA and the Euro zone increases the volatility of the global financial markets. Also in Europe, the medium-term risks for financial stability are noticeably exasperated for reason of the present orientation of the monetary policy.

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

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

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

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

It is feasible that there will be indirect negative effects on the machine tool industry as well, which stem from the problem of excessive harmful emissions from diesel vehicles.

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

Risks for the group might arise from matters relating to export control regulations in the DMG MORI Spare Parts segment.

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

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

From the general economic, industry-specific and sales related risks, cumulative expected risks result in the amount of € 28.3 million with a low probability of occurrence.

Corporate strategic risks lie mainly in false estimations of future market development and in possible misjudgements in technological developments. We counteract these risks through intensive monitoring of the market and competition, regular strategy discussions with customers and suppliers, a comprehensive trade fair presence in all of the important markets and through constant enhancement of MIS, our early warning system.

We estimate any possible losses arising out of corporate strategic risks at around € 14.6 million with a low probability of occurrence.

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

Further risks exist in possible supplier shortfalls and quality problems. We counteract these risks through the standardisation of structural parts and components as well as through international sourcing with a minimum of two suppliers for essential materials.

We quantify potential losses from the procurement and purchasing risk at € 10.9 million with a low probability of occurrence.

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

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

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

The potential risks from the production risk field are estimated at a value of € 15.1 million with a low probability of occurrence.

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

We estimate any possible losses arising out of research and development risks at € 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 deputizing 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 at around € 7.6 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 € 1.8 million at the current time and are manageable. We consider the probability of occurrence as slightly increased.

Financial risks result inter alia from our international activities in the form of currency-related risks that we assess and hedge by means of our currency strategy. At the present time, we expect currency related risks in the amount of around € 3.3 million. The essential components of the DMG MORI group financing are a syndicated loan, which comprises a cash and aval tranche and is firmly agreed until February 2021, and a factoring programme. All financing agreements include an agreement on compliance with standard covenants. The liquidity of the DMG MORI group is considered sufficient. In principle, we bear the risk of bad debt, which may result in value adjustments or in individual cases may even result in default.

Possible losses from financial risks, including currency-related risks, amount in total to around € 19.2 million. The probability of occurrence of any loss is low. Please refer to the description of financial risks in accordance with IFRS 7 in the notes to this report.

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

We assume that the tax and social insurance declarations submitted by us are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. Should there be additional charges, or should it not be possible to use loss and interest carryforwards, this could adversely impact the net assets, financial position and results of operations of the DMG MORI group.

Overall, we have calculated any possible losses arising out of tax risks at € 8.8 million with a low probability of occurrence.

Set up of a transparency department

The Company set up a transparency department in 2015 as a response to the changes in the stockholder structure of DMG MORI AKTIENGESELLSCHAFT. The main task of the transparency department is to monitor transactions with the major stockholders of the Company. The transparency department gathers, documents and examines business relationships with the stockholders and agrees these with the Supervisory Board's "Shareholder Business Relationships Committee (AfGA)". The transparency department is supported by a large accounting firm in examining compliance with normal market conditions. Moreover, the transparency unit provides support in preparing the Report on the Relations of the Company with Affiliated Companies (Dependency Report).

Overall Statement of the Executive Board on the Risk Situation

The Executive Board rates the existing risks as being controllable and does not consider the continuation of business at the DMG MORI group to be threatened in today's perspective. Compared to the last reporting for the third quarter 2015, the risks have slightly increased overall. The Executive Board counteracts the risk development by means of a continuously updated business development supervision and holding meetings of the Board as well as status meetings at regular intervals. The total risk of the DMG MORI 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 GILDEMEISTER energy solutions 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 group significantly exceeds the overall risk position determined at a probability level of 97.5%.

Forecast Report

Economic experts forecast a rise in global gross domestic product for 2016 of 3.4%. The VDW expects worldwide consumption of machine tools to grow by 4.1%. Considering the volatile global economic development, we believe this is too optimistic. For Germany growth of 2.3% is forecast.

Future Business Environment

The **overall economic development** in 2016 is expected to moderately accelerate. For the current year, the Institute for World Economy is forecasting growth in global gross domestic product of 3.4%; for 2017, it is assuming a gain of 3.8%. A continued expansive monetary policy and low oil prices presently favour the cyclical development, particularly in the industrialised countries. The current economic crisis in China, altogether low raw materials prices, and geopolitical conflicts in emerging countries, however, continue to be a burden on the global economy.

Asia will be the strongest growth region again in the current year with probable growth of 6.3%. **China**, with forecasted 6.5% growth in 2016 and 6.3% in 2017, will have only weakened growth dynamics to report; the role as Asia's growth engine will be passed on to India (2016: +7.2%; 2017: +7.5%). Growth of the Japanese economy will amount to just 1.0% in 2016 and 0.5% in 2017 according to preliminary calculations. In the **USA**, the economic development will continue to accelerate. According to IfW estimates, gross domestic product will grow by 2.8%; for 2017, growth of 3.0% is expected. **Europe** will continue its course of moderate growth in the current year. Economic researchers anticipate that the gross domestic product of the euro countries will rise by 2.0% in 2016 and by 2.2% in 2017.

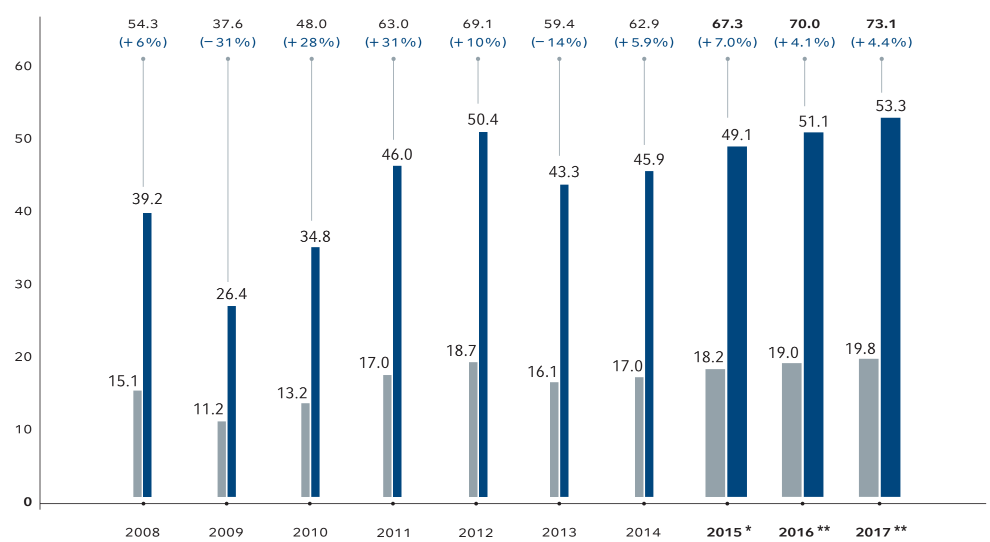
Germany will probably profit in the forecast period from an increase of private consumption and rising exports. For the current year, a growth of 2.2% and of 2.3% in 2017 is forecast.

For the **worldwide machine tool market** growth is expected in 2016. The current forecasts of the VDW and the British economic research institute, Oxford Economics, expect worldwide **market volume** to grow in value terms by 4.1%. Experience shows that these forecasts will be corrected again during the course of the year. Growth in consumption of 4.0% is expected for China, whereas for the USA and Japan at 2.6% and 2.4%, lower rates of growth are forecast. Growth of 4.1% is expected in 2016 for South Korea. For 2017, the VDW is forecasting a rise in world consumption of 4.4% (as at October 2015).

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:

E . 01 **GLOBAL CONSUMPTION OF MACHINE TOOLS (2008 – 2017)**
IN € BILLION

Non-cutting machine tools
Cutting machine tools



* Provisional figures VDW
** Forecast of Oxford Economics
Source: VDW, World Statistics 2015 – Preliminary edition, status: February 2016
Oxford Economics Global Machine Tool Outlook, status: October 2015
Figures calculatory on euro basis.

The **German machine tool industry** started the year 2016 with careful positive expectations of the **sector's economic activity**. The Association is anticipating a rise in production of 1.0% and in consumption of 2.3%. For 2017, forecasts are assuming an increase in consumption of 3.3%; risk factors that might counteract this increase continue to be the economic crisis in China, the geopolitical conflicts in Eastern Europe and in the Middle East, the price development for raw materials and energy, the exchange rate developments, and the general political conditions.

Source: "Global Machine Tool Outlook", Oxford Economics

Future Development of the DMG MORI group

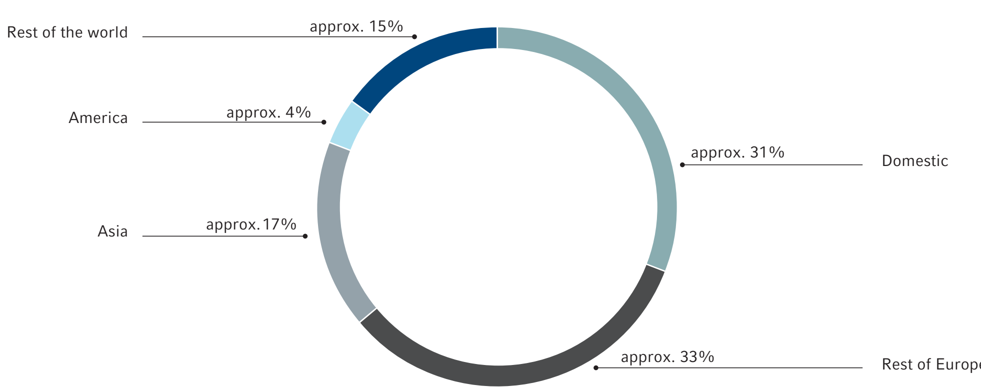
The DMG MORI group intends to strengthen and expand further its market position as a worldwide leading manufacturer of cutting machine tools. With our innovative and diversified product portfolio, our efforts are specifically aimed at the continuous improvement of our products' market penetration. The partnership with the Japanese DMG MORI COMPANY LIMITED is a central component of this strategy. We perceive the major potentials in the joint product development and production, in purchasing through the expansion of our global supplier partnerships, and in the optimisation of our international sales and service structures.

We perceive **additional growth potentials** in our core market in Europe as well as in the USA, Japan, China, Korea, India, Mexico, Taiwan, and the countries in South East Asia. In these markets, we intend to raise the presence of DMG MORI through targeted measures, such as the expansion of new technology centres and increasing the number of sales regions. In addition, we support our Japanese partner in the important market of the USA.

In the beginning of the year 2016, the **order intake** developed slightly better than in the previous year. For the first quarter of 2016, we are expecting order intake of around € 600 million (previous year: € 587.2 million). For the current financial year, we are planning with a slightly better order intake than in the previous year. We are anticipating growth in "Industrial Services".

The **order backlog** will rise to around € 900 million as at 31 March 2016 (31 Dec. 2015: € 884.2 million).

E . 02 **EXPECTED DISTRIBUTION OF SALES REVENUES 2016 OF THE DMG MORI GROUP BY REGIONS**
IN %



In the first quarter 2016 we are expecting **sales revenues** approximately at the previous year's level (1st quarter 2015: € 538.4 million). For financial year 2016, we are planning again sales revenues of around € 2.3 billion. EBT will be significantly below the high level of the previous reporting year.

For the financial year 2016, we expect a slightly improved positive **free cash flow**. The improvement will largely result from the reduced investment volume. Our **financing structure** should essentially remain unchanged and we are aiming once again for a positive net financing surplus by year-end. Our goal is to improve the net working capital moderately.

In the financial year 2016, our financing framework will cover the necessary **liquidity**. We have sufficient financial leeway. In respect of the market interest rates, we expect a slightly increasing level. We estimate the effects on our interest result and capital costs to be rather insignificant from the current perspective.

For financial year 2016, we are planning **investments** in property, plant and equipment and in intangible assets of around € 100 million, which is to be financed largely from own funds. The planned volume of investments will be higher than the level of depreciation. We will focus on the completion of our large-scale projects and the targeted modernisation of our production plants, as well as on the development of innovative products.

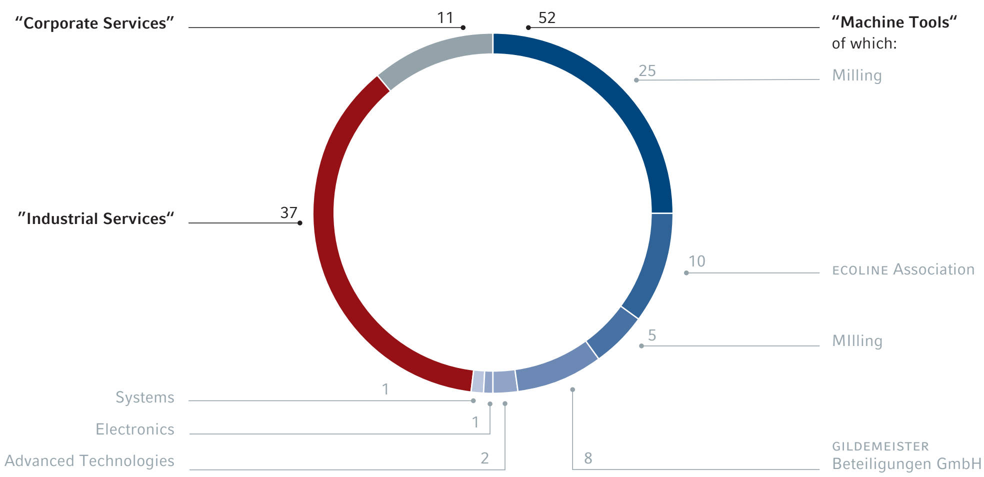
In the **"Machine Tools"** segment, we intend to invest around € 52 million. At our Seebach site, we are planning to continuously modernise mechanical production and thereby further expand the vertical integration. In the aspiring Advanced Technologies segment, we will implement fundamental optimisation measures at our Idar-Oberstein site and also complete the already started expansion of assembly and logistics. Likewise, we are planning to continue the modernisation measures at our FAMOT production plant in Pleszew (Poland) in the area of mechanical production and logistics. The provision of tools, models and supplies required for production as well as the development of innovative products will represent a key part of our investment activity also in the future.

In the **"Industrial Services"** segment, investments of around € 37 million are planned. The opening of our technology centre in Moscow (Russia) is expected on 23 May 2016. In Seoul (South Korea), the opening of our technology centre is planned for 15 July 2016. We will thereby continuously expand our market presence in the world's fifth largest market for machine tools. In addition, we will equip our service technicians with state-of-the-art tools and measuring instruments also in the future.

In the **"Corporate Services"** segment, we want to invest around € 11 million. At our Bielefeld site, we will continue the targeted modernisation and energy efficiency measures, which have already started at GILDEMEISTER Drehmaschinen GmbH. Here, the modernisation of the production halls with more efficient air conditioning and modern LED technology, as well as the expansion of the e-mobility offerings to our employees and visitors are at the focus.

The investment structure remains balanced: all segments are considered in the investment. There are no identifiable risks arising out of planned investments according to current estimates.

E . 03 **SHARE OF THE INDIVIDUAL SEGMENTS / BUSINESS AREAS IN PLANNED INVESTMENTS IN TANGIBLE ASSETS AND IN INTANGIBLE ASSETS**
IN %



We are planning to adjust the number of **employees** in the financial year 2016, as dependent on the order intake and business development. The costs of personnel will increase due to wage and salary increases and respectively, conclusion of labour agreements.

In the area of **research and development**, we will continue to pursue our innovations-based strategy to increase customer benefits together with our Japanese partner in the current financial year. The success of our cooperation will be presented by us, inter alia, in the course of the trade fair **AMB (Stuttgart)** und **JIMTOF (Japan)**. The continuous innovation and integration of our product programme forms the basis for a sustainable company development. Together with our partner DMG MORI COMPANY LIMITED, we will work on the development of innovative core components and strengthen our internal expertise through increasing vertical integration. The volume of expenses for research and development in the current financial year will probably be around € 50 million. In total, around 14% of the workforce at the plants will be working in the area of research and development on further extending our technological lead.

GROUP PLANS 12 WORLD PREMIERES

In the **"Machine Tools" segment**, we are planning 12 world premieres for the current financial year. In the area of turning technology, we will expand the second generation of our Turn & Mill complete machining centres. In milling technology, we are continuing the expansion of the fourth generation of the successful DUOBLOCK® series and are advancing the development of the Portal series. The worldwide successful DMU universal milling machines are to be positioned more strongly by means of a third generation.

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 the development of products for preventive repair at the customer's site. In the Energy Solutions division, we are especially pushing ahead with the technological development of our energy efficiency software.

In **purchasing**, the expansion of the global supplier network within the scope of our new partner programme and the joint activities with our cooperation partner will be in the focus. In this regard, the aim is in particular to strengthen the global innovation leadership and stay internationally competitive. Through a global purchasing strategy coordinated at both companies and by means of consistent quality standards, improvements concerning quality, costs and delivery capacity are to be reached together.

We are pushing ahead further with sustainability in the value added chain. "Green Purchasing" in the sense of reduced energy and water consumption, CO_2-emissions, yet also minimum wages as well as workplace conditions meeting health and safety requirements continue to remain the central pillars in the selection and further development of our suppliers. Moreover, an optimisation of purchasing information systems is planned in the reporting year 2016.

FURTHER ROLLOUT OF THE "TAKT" PROJECT

In the current financial year, we are consistently continuing the group-wide measures of TAKT project in the **production and logistics** area. In order to further raise the effectiveness of our production processes, an additional improvement of productivity and optimisation of group logistics is in the focus.

At our plant in Pfronten, we will even further integrate our suppliers in the production processes and thereby improve the adherence to supply commitments and supply quality, while also further stabilising the production processes. In addition, the Seebach plant will become the primary plant for the group-wide supply of tool changers and magazines this year. The site will thereby continuously expand its core competencies in the mechanical production of cast components and in the preassembly of complex assembly groups, while it will also increase the depth of added value. At our Bielefeld site, we will expand the concept of the tugger train to also cover the large parts range. We will increase efficiency in terms of time and work safety through the quick and safe transport of materials. At our production site in Pleszew (Poland), the focus rests on the modernisation of the logistics department with new warehouse and provision systems. Furthermore, the production of the *ecoMill* 600 / 800 and 1100 V with new Multi-Touch-Panel is starting there.

In the financial year 2016, the **legal corporate structure** of the group is not expected to change materially.

Overall Statement of the Executive Board on Future Business Development 2016

For the **financial year 2016**, we expect a volatile overall economic development: Negative economic effects may arise from a continued weakness in emerging markets. Economic experts are predicting a fall in China's economic growth rate for 2016 and the poor economic climate in Russia will also have an impact on Germany and the EU. Moreover, exchange rate fluctuations between international currencies and the state debt problem in Europe will continue to burden the economy and, in particular, the investments within the companies. Economic experts are expecting world energy prices to remain low.

According to forecasts by the German Machine Tool Builders' Association (VDW) and the British Economic Research Institute, Oxford Economics, global machine tool consumption should see a 4.1% rise this year. In view of the volatile global economic growth mentioned above, we consider this figure too optimistic. We are expecting to see major differences between individual markets and a substantially increase in competitive pressure.

Together with our Japanese partner DMG MORI COMPANY LIMITED, we are in a strong strategic position to successfully tackle the challenges ahead. We see significant potential in our joint product development and production, as well as in purchasing through the expansion of our global supplier partnerships and optimisation of our international sales and service structures.

For financial year 2016, we are expecting a slightly better order intake than in the previous year and are planning again sales revenues of around € 2.3 billion. EBT will be significantly below the high level of the previous reporting year. **Investments** in property, plant and equipment and in intangible assets are to amount to around € 100 million and are to be financed largely from own funds. Furthermore, we expect a slightly improved positive **free cash flow**. The improvement will largely result from the reduced investment volume. In addition, we are planning to pay a dividend.

Other Disclosures

Concluding Statement of the Executive Board on the Dependency Company Report

As evidenced by its consolidated financial statements as at 31 December 2015, published on 10 February 2016, DMG MORI COMPANY LIMITED held a share in the voting rights of 60.67% of the share capital of DMG MORI AKTIENGESELLSCHAFT. Because of this, an absolute majority of votes at future Annual General Meetings is expected. Hence in the financial year 2015, there exists a relationship of dependency between DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED as defined by Section 17(2) of the German Stock Corporation Act (AktG).

In the financial year 2015, neither a control or profit transfer agreement was established between DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT nor was DMG MORI AKTIENGESELLSCHAFT integrated in any other stock company. The obligation to prepare annual financial statements therefore does not apply in accordance with Sec. 312 (1)(1), Sec. 316 or Sec. 323 (1)(3) AktG.

Therfore, the Executive Board of DMG MORI AKTIENGESELLSCHAFT has, in accordance with Section 312 of the AktG, prepared a report on the relations of the company to affiliated companies (Dependency Report) in the financial year 2015: “For all the legal transactions detailed in the report on the relations of the company to affiliated companies in the 2015 financial year, according to the circumstances known to us at the time each legal transaction was made, we received suitable compensation for all legal transactions detailed in the report. There were no other measures within the reporting period.”

CONSOLI-DATED FINANCIAL STATEMENTS

Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT

Consolidated Income Statement of DMG MORI AKTIENGESELLSCHAFT for the period 1 January to 31 December 2015

F . 01

	Notes	2015 € K	2014 € K
Sales revenues	6	2,304,721	2,229,013
Changes in finished goods and work in progress		33,450	17,149
Own work capitalised	7	13,786	16,140
Total work done		**2,351,957**	**2,262,302**
Other operating revenues	8	129,899	75,817
Operating performance		**2,481,856**	**2,338,119**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		1,068,132	1,041,502
Cost of purchased services		143,285	148,524
		1,211,417	1,190,026
Personnel costs	10		
Wages and salaries		463,614	432,540
Social security contributions, pensions and other benefits		81,843	73,605
		545,457	506,145
Depreciation	11	57,181	49,883
Other operating expenses	12	481,943	409,436
Operating result		**185,858**	**182,629**
Financial income	13		
Interest income		918	1,233
Other income		40,479	2,737
		41,397	3,970
Financial expenses	14		
Interest expense		7,987	9,683
Interest expense from pension provisions		775	1,114
Other financial expenses		1,872	1,065
		10,634	11,862
Financial result		30,763	−7,892
Share of profits and losses of at equity-accounted investments	15	640	576
Earnings before taxes		217,261	175,313
Income taxes	16	57,676	54,248
Annual profit		**159,585**	**121,065**
Profit share of shareholders of DMG MORI AKTIENGESELLSCHAFT		149,396	110,575
Profit share attributed to minority interests	17	10,189	10,490
Earnings per share pursuant to IAS 33 in €	18		
Undiluted		1.90	1.41
Diluted		1.90	1.41

Consolidated Statement of Other Comprehensive Income of the DMG MORI AKTIENGESELLSCHAFT for the period 1 January to 31 December 2015

F . 02

	Notes	2015 € K	2014 € K
Annual profit		**159,585**	**121,065**
Other comprehensive income			
Remeasurement of benefit-oriented pension plans		– 190	–7,870
Income taxes		56	2,188
Sum of items never reclassified to income statement		– 134	–5,682
Differences from currency translation		– 10,044	–6,905
Net investments		– 1,054	–2,385
Changes in market value of hedging instruments	38	– 197	– 1,579
Change in the fair value measurement of available-for-sale assets	21	0	–30,270
Available-for-sale assets – reclassification to the income statement		– 17,238	0
Market value of hedging instruments – reclassification to the income statement		1,579	– 1,765
Income taxes	29	22	1,238
Sum of items which are reclassified to the income statement		**–26,932**	**–41,666**
Other comprehensive income for the period after taxes		**–27,066**	**–47,348**
Total comprehensive income for the period		**132,519**	**73,717**
Profit share of shareholders of DMG MORI AKTIENGESELLSCHAFT		122,855	61,956
Profit share attributed to minority interests		9,664	11,761

Consolidated Cash Flow Statement of

DMG MORI AKTIENGESELLSCHAFT

for the period 1 January to 31 December 2015

F . 03

CASH FLOW FROM OPERATING ACTIVITIES	Notes	2015 € K	2014 € K
Earnings before taxes (EBT)		217,261	175,313
Depreciation		57,181	49,883
Financial result	14	7,078	7,892
Change in long-term provisions		−2,485	5,526
Other income and expense not affecting payments		−3,843	2,228
Change in short-term provisions	32	8,198	−9,217
Result from the disposal respectively the sale of fixed assets and available-for-sale assets		−38,987	650
Income tax refunds		1,650	151
Income taxes paid		−49,349	−48,848
Interest received		1,042	968
Interest paid		−9,731	−7,565
Dividends received	13	2,446	2,150
Changes in asset and liabilities items			
Inventories	24	−27,219	−7,031
Trade debtors	23, 25	21,746	−50,496
Other assets not from investments or financing activity		1,123	4,832
Trade creditors		−46,523	72,996
Other liabilities not from investments or financing activity		3,160	−28,826
	41	**142,748**	**170,606**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		3,952	1,789
Amounts paid out for investments in tangible assets		−124,005	−111,548
Amounts paid out for investments in intangible assets		−14,807	−16,376
Cashflow from the takeover of control of subsidiaries		0	2,729
Amounts paid out for the investments of financial assets		0	−21,884
Amounts received from disposal in financial assets		153,744	0
		18,884	**−145,290**
CASH FLOW FROM FINANCING ACTIVITY			
Payments for the cost of the non-cash capital increase	30	0	−174
Payments / deposits for repayment / borrowing	33	−1,702	39,974
Deposit from minority shareholders		739	0
Payments received from the sale of own shares		0	38,555
Dividends paid		−43,350	−39,409
	41	**−44,313**	**38,946**
Changes affecting payments		117,319	64,262
Effects of exchange rate on financial securities		1,812	−2,415
Cash and cash equivalents as at 1 January	27	432,996	371,149
Cash and cash equivalents as at 31 December	27	**552,127**	**432,996**

Consolidated Balance Sheet as at 31 December 2015
of DMG MORI AKTIENGESELLSCHAFT

F . 04

ASSETS	Notes	31 Dec. 2015 € K	31 Dec. 2014 € K
Long-term assets			
Goodwill	19	134,335	135,173
Other intangible assets	19	75,576	78,808
Tangible assets	20	463,733	395,232
Equity accounted investments	22	47,337	46,780
Other equity investments	21	21,792	154,934
Trade debtors	23	517	479
Other long-term financial assets	23	10,808	13,066
Other long-term assets	23	38,948	1,681
Deferred taxes	29	53,400	53,810
		846,446	**879,963**
Short-term assets			
Inventories	24	522,259	495,297
Trade debtors	25	192,368	200,638
Receivables from at equity accounted investments	25	7,054	10,359
Receivables from other related parties	25	41,308	46,128
Receivables from associated companies	25	163	2,685
Other short-term financial assets	26	64,604	72,770
Other short-term assets	26	52,246	51,298
Income tax receivables		5,300	400
Cash and cash equivalents	27	552,127	432,996
Long-term assets held for sale	28	0	37,275
		1,437,429	**1,349,846**
BALANCE SHEET TOTAL		**2,283,875**	**2,229,809**

EQUITY AND LIABILITIES	Notes	31 Dec. 2015 € K	31 Dec. 2014 € K
Equity			
Subscribed capital	30	204,927	204,927
Capital reserve	30	498,485	498,485
Revenue reserves and other reserves	30	507,487	427,982
Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT		**1,210,899**	**1,131,394**
Minority interests' share of equity	30	146,575	134,757
Total equity		**1,357,474**	**1,266,151**
Long-term debts			
Long-term financial debts	33	41,057	42,395
Pension provisions	31	41,652	47,805
Other long-term provisions	32	35,683	31,825
Other long-term financial liabilities	34	4,870	3,190
Other long-term liabilities	34	4,098	3,285
Deferred taxes	29	3,924	3,851
		131,284	**132,351**
Short-term debts			
Short-term financial debts	33	10,736	9,761
Tax provisions	32	47,788	36,289
Other short-term provisions	32	168,707	160,725
Payments received on account		132,910	139,020
Trade creditors	35	269,105	301,298
Liabilities to at equity accounted investments	35	1,813	668
Liabilities to other related parties	35	89,809	82,519
Liabilities to associated companies	35	26	30,724
Other short-term financial liabilities	35	30,335	35,503
Other short-term liabilities	35	43,888	34,000
Liabilities in connection with assets held for sale	36	0	800
		795,117	**831,307**
BALANCE SHEET TOTAL		**2,283,875**	**2,229,809**

Development of Group Equity
of DMG MORI AKTIENGESELLSCHAFT
for the period 1 January 2014 to 31 December 2015

F . 05

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

See accompanying explanations regarding equity and minority interest share of equity in the Consolidated Financial Statements page 195 et seq.

	Subscribed capital	Capital reserve	Revenue reserves and other reserves: Revenue reserves	Difference from currency translation	Changes in the value of available for-sale-assets	Market-valuation of financial derivatives	Shareholders equity of DMG MORI AKTIEN-GESELLSCHAFT	Minority interest share of equity	Total
	€ K	€ K	€ K	€ K	€ K	€ K	€ K	€ K	**€ K**
As at 01 Jan. 2015	204,927	498,485	423,230	− 9,880	15,747	− 1,115	1,131,394	134,757	1,266,151
Reposting				− 1,063	1,063		0		0
Total comprehensive income									
Annual profit			149,396				149,396	10,189	159,585
Other comprehensive income									
Differences from currency translation				− 9,519			−9,519	− 525	− 10,044
Net investments				− 1,054			− 1,054		− 1,054
Change in fair value of derivative financial instruments (after taxes)						976	976		976
Remeasurements of benefit-oriented plans (after taxes)			− 134				− 134		− 134
Change in fair value of available-for-sale assets (after taxes)					− 16,810		− 16,810		− 16,810
Other comprehensive income for the period after taxes			**− 134**	**− 10,573**	**− 16,810**	**976**	**− 26,541**	**− 525**	**− 27,066**
Total comprehensive income for the period			**149,262**	**− 10,573**	**− 16,810**	**976**	**122,855**	**9,664**	**132,519**
Transactions with owners									
Total capital contribution / withdrawals to owners								2,154	2,154
Dividend payment for financial year 2014			− 43,350				− 43,350		− 43,350
Sum of transactions with owners			**− 43,350**				**− 43,350**	**2,154**	**− 41,196**
As at 31 Dec. 2015	**204,927**	**498,485**	**529,142**	**− 21,516**	**0**	**− 139**	**1,210,899**	**146,575**	**1,357,474**

See accompanying explanations regarding equity and minority interest share of equity in the Consolidated Financial Statements page 195 et seq.

Consolidated Fixed Asset Movement Schedule
as at 31 December 2015 of DMG MORI AKTIENGESELLSCHAFT
(Part of the notes)

F.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. 2015 € K	Other changes € K
Intangible assets		
Goodwill	0	0
Assets arising from development	89,008	26
Industrial property and similar rights	65,614	– 83
	154,622	**–57**
Tangible assets		
Land and buildings	118,130	227
Technical equipment and machinery	53,290	21
Other equipment, factory and office equipment	144,515	216
Construction in progress	0	– 4
	315,935	**460**
Financial assets		
Investments in associates accounted for at equity	– 2,432	– 639
Other equity investments	7,384	0
Securities	6	0
	4,958	**–639**
Total fixed assets	**475,515**	**–236**

As at 1 Jan. 2015 € K	Other changes € K	Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2015 € K
135,173	– 838	0	0	0	0	134,335
119,427	62	0	8,228	– 134	265	127,848
114,003	– 86	0	6,579	– 7,377	209	113,328
368,603	**– 862**	**0**	**14,807**	**– 7,511**	**474**	**375,511**
355,747	5,665	0	16,522	– 969	5,792	382,757
94,037	247	0	7,370	– 5,794	4,801	100,661
217,403	942	0	20,270	– 11,133	2,798	230,280
43,980	– 11,949	0	71,608	– 796	– 13,865	88,978
711,167	**– 5,095**	**0**	**115,770**	**– 18,692**	**– 474**	**802,676**
44,348	118	0	0	– 200	0	44,266
162,316	– 17,238	0	0	– 115,904	0	29,174
8	0	0	0	0	0	8
206,672	**– 17,120**	**0**	**0**	**– 116,104**	**0**	**73,448**
1,286,442	**– 23,077**	**0**	**130,577**	**– 142,307**	**0**	**1,251,635**

Change in the group of consolidated companies € K	Additions € K	Disposals € K	Book transfers € K	As at 31 Dec. 2015 € K	NET BOOK VALUE As at 31 Dec. 2015 € K	As at 31 Dec. 2014 € K
0	0	0	0	0	134,335	135,173
0	9,727	– 134	0	98,627	29,221	30,419
0	8,818	– 7,376	0	66,973	46,355	48,389
0	**18,545**	**– 7,510**	**0**	**165,600**	**209,911**	**213,981**
0	12,997	– 369	0	130,985	251,772	237,617
0	6,242	– 5,697	0	53,856	46,805	40,747
0	19,155	– 10,022	0	153,864	76,416	72,888
0	242	0	0	238	88,740	43,980
0	**38,636**	**– 16,088**	**0**	**338,943**	**463,733**	**395,232**
0	0	0	0	– 3,071	47,337	46,780
0	0	0	0	7,384	21,790	154,932
0	0	0	0	6	2	2
0	**0**	**0**	**0**	**4,319**	**69,129**	**201,714**
0	**57,181**	**– 23,598**	**0**	**508,862**	**742,773**	**810,927**

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

F.06 **ACQUISITION AND PRODUCTION COSTS**

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

DEPRECIATION

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

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

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

Segmental Reporting in the Consolidated Financial Statements 2015 of DMG MORI AKTIENGESELLSCHAFT
(Part of the notes)

F . 07 **SEGMENTATION BY BUSINESS SEGMENTS**

	"Machine Tools" 2015 € K	2014 € K	Changes against previous year € K	%	"Industrial Services" 2015 € K	2014 € K	Changes against previous year € K	%
Sales revenues with other segments	904,544	856,655	47,889	5.6	102,087	113,892	– 11,805	– 10.4
Sales revenues with third parties	1,264,446	1,258,412	6,034	0.5	1,040,059	970,391	69,668	7.2
EBIT	102,637	93,635	9,002	9.6	126,596	123,763	2,833	2.3
Financial result	– 10,579	– 11,541	962	8.3	– 5,836	– 4,617	– 1,219	– 26.4
thereof interest income	628	1,449	– 821	– 56.7	4,572	10,170	– 5,598	– 55.0
thereof interest expense	– 11,237	– 12,955	1,718	13.3	– 9,792	– 14,239	4,447	31.2
Share of profit for the period of at equity-accounted investments	0	0	0	0.0	137	120	17	14.2
EBT	92,058	82,094	9,964	12.1	120,897	119,266	1,631	1.4
Carrying amount of at equity-accounted investments	0	0	0	0.0	1,995	1,941	54	2.8
Segment assets	1,073,426	978,224	95,202	9.7	1,658,978	1,508,171	150,807	10.0
Investments	82,463	71,031	11,432	16.1	41,389	60,882	– 19,493	– 32.0
Scheduled depreciation	36,067	32,943	3,124	9.5	17,677	13,874	3,803	27.4
Employees	3,858	3,761	97	2.6	3,480	3,290	190	5.8

See accompanying explanations in notes under segmental reporting page 231 et seq.

F . 07 **INFORMATIONS ON GEOGRAPHICAL AREAS**

	Germany 2015 € K	2014 € K	Changes against previous year € K	%	Rest of Europe 2015 € K	2014 € K	Changes against previous year € K	%	North America 2015 € K	2014 € K	Changes against previous year € K	%
Sales revenues with third parties	883,529	878,069	5,460	0.6	911,587	886,185	25,402	2.9	131,250	113,944	17,306	15.2
Long-term assets	274,332	267,169	7,163	2.7	350,764	301,040	49,724	16.5	15,207	17,792	– 2,585	– 14.5

"Corporate Services" 2015 € K	"Corporate Services" 2014 € K	Changes against previous year € K	Changes against previous year %	Transition 2015 € K	Transition 2014 € K	Group 2015 € K	Group 2014 € K	Changes against previous year € K	Changes against previous year %
20,959	15,559	5,400	34.7	− 1,027,590	− 986,106	0	0	0	0.0
216	210	6	2.9	0	0	2,304,721	2,229,013	75,708	3.4
− 42,699	− 34,882	− 7,817	− 22.4	− 676	113	185,858	182,629	3,229	1.8
47,178	8,266	38,912	470.7	0	0	30,763	− 7,892	38,655	489.8
13,452	17,666	− 4,214	− 23.9	− 17,734	− 28,004	918	1,281	− 363	− 28.3
− 5,568	− 11,342	5,774	50.9	17,640	27,596	− 8,957	− 10,940	1,983	18.1
503	456	47	10.3	0	0	640	576	64	11.1
4,982	− 26,160	31,142	119.0	− 676	113	217,261	175,313	41,948	23.9
45,342	44,839	503	1.1	0	0	47,337	46,780	557	1.2
1,471,079	1,389,407	81,672	5.9	− 1,991,760	− 1,713,198	2,211,723	2,162,604	49,119	2.3
6,725	27,069	− 20,344	− 75.2	0	0	130,577	158,982	− 28,405	− 17.9
3,437	3,066	371	12.1	0	0	57,181	49,883	7,298	14.6
124	115	9	7.8	0	0	7,462	7,166	296	4.1

Asia 2015 € K	Asia 2014 € K	Changes against previous year € K	Changes against previous year %	Other 2015 € K	Other 2014 € K	Changes against previous year € K	Changes against previous year %	Transition 2015 € K	Transition 2014 € K	Group 2015 € K	Group 2014 € K	Changes against previous year € K	Changes against previous year %
342,219	314,096	28,123	9.0	36,136	36,719	− 583	− 1.6	0	0	2,304,721	2,229,013	75,708	3.4
32,824	21,349	11,475	53.7	2,819	3,368	− 549	− 16.3	− 2,302	− 1,505	673,644	609,213	64,431	10.6

Notes to the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT for the Financial Year 2015

Accounting principles of the financial statements

1 APPLICATION OF REGULATIONS

The consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT for the financial year 1 January 2015 to 31 December 2015 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 balance sheet and in the income statement; 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 AKTIENGESELLSCHAFT (until 5 June 2015: DMG MORI SEIKI AKTIENGESELLSCHAFT) with its registered office in Bielefeld, Gildemeisterstraße 60, is the parent company of the DMG MORI group and is a listed company under German law. As a leading manufacturer of cutting machine tools worldwide, DMG MORI group offers innovative machine technologies, expert services, needsbased software products and energy solutions. The Consolidated Financial Statements and the group Management Report of DMG MORI AKTIENGESELLSCHAFT for the reporting period as at 31 December 2015, will be available through the electronic Federal Gazette (Bundesanzeiger) and the Commercial Register, and are also available from our website www.dmgmori.com. DMG MORI COMPANY LIMITED, Nagoya, Japan, is the senior parent company of the DMG MORI group.

DMGMORI.COM

The Executive Board of DMG MORI AKTIENGESELLSCHAFT released the Consolidated Financial Statements and the Group Management Report for publication on 8 March 2016.

2 CONSOLIDATION PRINCIPLES

Accounting for subsidiaries purchased is carried out in accordance with the acquisition method, if the group obtains control. 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. Subsequent adjustments to the fair value of the contingent consideration are recognised in profit or loss. 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.

Subsidiaries are companies controlled by the group. The group controls a company, if it is subject to fluctuating rates of return from its involvement with the company or has a right to these rates of return and is able to influence them using its control over the company.

If the group loses control over a subsidiary, it writes off the subsidiary‘s assets and debts and all related non-controlling interest and other components of equity. Any profit or loss generated is recognised in profit or loss.

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 interest of the group above 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 revaluation.

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

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

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

3 ACCOUNTING AND EVALUATION PRINCIPLES

All annual financial statements of the companies that were included in the Consolidated Financial Statements were prepared at the reporting date 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 AKTIENGESELLSCHAFT. 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 2015, the following new and revised standards, as well as IASB / IFRIC interpretations, were obligated to be applied for the first time:

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

The DMG MORI group has applied the following new and revised IFRS starting 1 January 2015 that were relevant to the consolidated financial statements:

IFRIC 21 – Levies

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

The new interpretation does not affect the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT.

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 affected are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

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

New accounting regulations

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

a) These have already received EU endorsement

Amendments to IFRS 11	Accountig of acquisitions of an Interest in a Joint Operation
Amendments to IAS 1	Notes disclosures
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: bearer plants
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 27	Equity Method in Separate Financial Statements
Improvements to IFRS 2010 – 2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
Improvements to IFRS 2012 – 2014	Amendments to IFRS 5, IFRS 7, IAS 19, IAS 34

Amendments to IFRS 11 – Accounting of Acquisitions of Holdings of Joint Activities

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

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

The amendments first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IAS 1 – Notes Disclosures

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

The amendments first need to be applied to financial years which start on or after 1 January 2016.

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

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

The amendments first need to be applied to financial years which start on or after 1 January 2016.

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

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

The amendments first need to be applied to financial years which start on or after 1 January 2016.

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions

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

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

Amendments to IAS 27 – Equity Method in Separate Financial Statements

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

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

The amendments first need to be applied to financial years which start on or after 1 January 2016.

Improvements to IFRS 2010 – 2012

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

The amendments first need to be applied to financial years which start on or after 1 February 2015. The amendments to IFRS 2 and IFRS 3 need to be applied to transactions which take place on or after 1 July 2014.

Improvements to IFRS 2012 – 2014

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

The amendments first need to be applied to financial years which start on or after 1 January 2016.

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 15	Revenue from Contracts with Customers
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception

IFRS 9 – Financial Instruments

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

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

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether to recognise revenue, when to recognise revenue and how much revenue to recognise. It replaces existing guidelines to recognise revenue, including IAS 18 "Revenue", IAS 11 "Construction contracts" and IFRIC 13 "Customer loyalty programmes". IFRS 15 first needs – subject to adoption into EU law – to be applied to financial years which start on or after 1 January 2018. Premature application is allowed.

The effects on the DMG MORI group consolidated financial statements are currently being reviewed.

As a result of the first-time use of IFRS 15 by DMG MORI group, significantly expanded disclosure requirements will result, so that the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers in the sense of IFRS 15 will be understandable to the users of the financial statements.

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

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

According to IFRS 10, a parent company has to recognise the full amount of the profit or loss from the sale of a subsidiary in the income statement in case of loss of control. In contrast, the IAS 28.28 in current use demands that the disposal profit during sales transactions between an investor and its equity accounted shareholding – whether it be an associated company or joint venture – only be recognised in the amount of the investor‘s stake of this company.

In future, the entire profit or loss arising from a transaction is only to be recognised if the sold or contributed assets constitute a business operations as defined by IFRS 3. This is regardless of whether the transaction is arranged as a share or an asset deal. In contrast, if the assets do not constitute a business operations, then only a partial income recognition is allowed.

The IASB has indefinitely postponed the first application of the amendments.

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

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

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

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

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

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

Use of discretionary decisions and estimates

Preparing the Consolidated Financial Statements in accordance with IFRS requires that discretionary decisions and 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 reporting date and income and expenses during the reporting period.

When using accounting and valuation methods, the Executive Board is required to make the following discretionary decisions and 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 the creation of cash-generating units and 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 2015, the carrying amount of goodwill totalled € 134,335 K (previous year: € 135,173 K). The change from the previous year resulted from currency effects.

P. 182
Intangible assets

Pension provisions

The amount of the provisions and the expenses from benefit-based plans are determined on the basis of actuarial calculations. The actuarial calculations take place on the basis of assumptions with respect to discount interest rates, future wage and salary increases, the mortality rate and future pension increases. Corresponding to the long-term focus of these plans, such assessments are subject to significant uncertainties. As of 31 December 2015, provisions for pension obligations amounted to € 41,652 K (previous year: € 47,805 K).

P. 198 – 203
Pension provisions

Intangible assets arising from development

P. 182
Intangible assets

Intangible assets arising from development are capitalised according to the accounting and valuation method are presented on page 182. 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 2015, arising from development had a carrying amount according to the best possible assessment of € 29,221 K (previous year: € 30,419 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 32); moreover, they are required for determining the fair value of long-lasting fixed assets (see Notes Disclosure 20) and intangible assets (see Notes Disclosure 19), determining the net disposal value of inventories (see Notes Disclosure 24), as well as for the assessment of deferred taxes on tax losses carried forward (see Notes Disclosure 29).

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

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

Accounting and valuation methods

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

Intangible and tangible assets

USEFUL ECONOMIC LIFE OF ASSETS

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

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

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

P. 166 – 167
Borrowing costs

Tangible assets were measured at acquisition or production costs, reduced by scheduled depreciation and cumulative impairments. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled. Depreciation was carried out using the straight-line method in accordance with useful life. A remeasurement 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 equipments include all costs that can be directly attributed to the manufacturing process and the necessary portions of productionrelated overheads. This includes production-related depreciation, prorated administration costs and prorated costs of social contributions. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled. Costs of repair are immediately recognised as expense.

Lease agreements, for which a significant share of the risks and opportunities that are associated with the lease object remain with the lessor, are classified as operating leases. In connection with an operating lease, payments are recognised on a straightline 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 group, with the exception of assets as defined by IAS 36.2, are tested for signs of impairment at the close of every reporting period. If such signs exist, the fair value of the assets will be estimated and, if required, adjusted accordingly. This adjustment will be recognised in the income statement. An impairment test for individual assets is only possible if recoverable amounts can be allocated to the individual asset. If this is not possible, the recoverable amount of the cash-generating unit pertaining to the asset must be determined (asset's cash-generating unit).

Pursuant to IAS 36 "Impairment of Assets", goodwill has to be tested for impairment at least once a year and whenever criteria are met for an impairment test. DMG MORI AKTIENGESELLSCHAFT carried out an impairment test on 31 December 2015. 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 group the recoverable amount equals the value in use and was determined as the present value of future cash flows. The future cash flows were derived from the planning of the DMG MORI group. The assumptions for the underlying essential planning parameters reflect the past experience. The calculation of cash values for estimated future cash flow is based primarily on assumptions as to future sales prices or volume and costs. The assumed development of sales revenue and overall performance is primarily determined on the basis of the expected order intake for machine tools. The expenses are planned according to the expected increase in costs.

S. 123
Forecast Report

Planning is based on a detailed planning period, up to the financial year 2018. For the estimate of value in use, an average sales growth rate of 3% was assumed for the detailed planning period. A lower EBIT margin was expected for 2016 and a slightly higher EBIT margin was expected for the following years. A sustainable growth rate of 1% was assumed for the period following the detailed planning period, which is in line with general expectations of future business development.

For purposes of impairment testing, the cash-generating unit “Machine Tools” was allocated goodwill in an amount of € 44,292 K (previous year: € 44,311 K) and the cash-generating unit “Industrial Services” was allocated goodwill in an amount of € 90,043 K (previous year: € 90,862 K).

The cash flows determined were discounted at a pre-tax weighted average cost of capital rate (WACC) of 10.8% (previous year: 11.3%) for the cash-generating units “Machine Tools” and 10.2% (previous year: 10.7%) for “Industrial Services”. The WACC was derived from the application of the “Capital Asset Pricing Model” (CAPM). If the recoverable amount of a cash-generating unit is lower than its carrying amount, the value of goodwill allocated to the cash-generating unit will, initially, be reduced at an amount equal to the remaining balance. As in the previous year, in financial year 2015 there was no need for impairment.

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 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.

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

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

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

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

Equity investments

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

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

P. 163 – 166
Financial instruments

Inventories

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

P. 166 – 167
Borrowing costs

Lower values at the reporting date, arising from a reduction in prices on the sales market, were recognised. Inventories were measured primarily using the average cost method.

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

Receivables and other assets

Receivables and other assets were recognised in the balance sheet at their amortised acquisition cost less impairment. Long-term non-interest bearing receivables have been discounted. Impairments in the form of individual value adjustments make adequate allowance for the expected risk of deficit. Specific cases of losses lead to de-recognition of the respective receivables. Within the scope of individual impairments, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, impaired. The calculation of impairment for doubtful receivables is based to a large extent on estimates and assessments of individual receivables, which, in addition to credit worthiness and late payment of the respective customer, also take into account the current economic development and previous cases of deficits. Impairments of trade debtors are carried out in some cases using value adjustment accounts. The decision to account for deficit risks using an allowance account or by directly reducing the receivable will depend on the reliability of the risk assessment. Reclassification among the individual categories of financial assets was not carried out either in financial year 2015 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 2015, factoring agreements were concluded with a total volume of € 167.5 million (previous year: € 167.5 million). As of the balance sheet date, receivables with a volume of € 153.3 million (previous year: € 156.8 million) were sold. Trade debtors sold under these arrangements are excluded from accounts 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 to the bank 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 debts 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 debts.

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

Provisions and liabilities

Provision for benefit-oriented 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 reporting date are recognised, but also expected future increases in pension payments and salaries by estimating the relevant factors impacting such payments. Calculation is based on actuarial reports of independent experts taking into account demographic and financial calculation principles. The provisions for benefit-based plans recognized on the balance sheet correspond to the cash value of the defined benefit obligation (DBO) at the reporting date, less the fair value of pension plan assets.

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

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

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

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

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

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

Selected suppliers of the DMG MORI group finance trade debtors against individual subsidiaries in advance on the basis of a reverse factoring agreement concluded with individual subsidiaries and factoring companies. Through this agreement, 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 creditors to another type of liabilities, as due to the contractual arrangement, no novations exist under the law of obligations. As of 31 December 2015, a total of € 18,984 K (previous year: € 18,930 K) trade creditors had been purchased through the respective factoring company.

Financial instruments

A financial instrument is an agreement, which at the same time constitutes a financial asset for one company and a financial liability or equity instrument for another company. Financial assets include in particular cash and cash equivalents, and trade debtors and other originated loans and receivables as well as original and 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 and derivative 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 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 only balanced insofar as a offset claim exists and it is intended to bring about settlement on a net basis.

Financial assets are measured at fair value on initial recognition. At the same time, the directly attributable transaction costs must be taken into account for financial assets, which, as a result of measurement at fair value, do not affect net income. The fair values recognised in the balance sheet generally correspond to the market prices of the financial assets. If these are not directly available through recourse to an active market, they are calculated by applying recognised valuation models and on the basis of standard market parameters. In financial year 2015 and in the previous year, financial asset conditions were not renegotiated.

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

Assigned to the category “held to maturity” non-derivative financial assets with a fixed or defined payment and a fixed term, which the DMG MORI group intends to and may hold until maturity. These assets are measured at amortised cost.

The “available-for-sale” category represents for the DMG MORI group the residual amount of original financial assets, which fall under the application of IAS 39 and have not been assigned to any other category. Measurement takes place in principle at fair value. Any gains or losses from measuring at fair value are recognised in equity in other comprehensive income. This does not apply if it involves a permanent or significant impairment, which is recognised in profit or loss. Only upon the divestiture of the financial assets are the accumulated profits and losses in equity recognised from the measurement at fair value in the income statement. The fair value of non-listed equity instruments and options on share purchase is assessed in principle according to the discounted cash flow method. If the fair value cannot be sufficiently and reliably measured, the shares are measured at purchase price (if necessary, less impairment). The shares in the DMG MORI COMPANY LIMITED (until 19 June 2015 DMG MORI SEIKI COMPANY LIMITED) were assigned to the category “available-for-sale”. Acquisition costs for the shares amounted to a total of € 115,904 K (incl. incidental costs of acquisition). The fair value as of 31 December 2014 amounted to € 133,142 K. The changes in value of financial assets held for sale in an amount of € 17,238 K were recognised in equity not affecting income. Deferred tax assets of € 428 K on the value change were recognised in equity not affecting income. The DMG MORI AKTIENGESELLSCHAFT sold all of its holdings in DMG MORI COMPANY LIMITED in the financial year 2015. The value change recognised in equity not affecting income in the amount of € 17,238 K was reclassified from equity to profits as the asset was derecognised (IAS 39.55(b)). The pre-tax revenue from the sale of shares amounted to a total of € 37,841 K in the financial year, which was itemised in the financial result.

P. 178
Financial Income

The “loans and receivables” category of the DMG MORI 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 receivables are discounted on their cash value.

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

Reclassification of financial instruments to other measurement categories did not occur either in the financial year 2015 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 forward exchange contracts and interest rate swaps. The hedging covers financial risks of scheduled underlying transactions, interest rate swaps risks out of future interest rate changes and, in the case of currency risks, also risks from pending supply and service transactions.

Pursuant to IAS 39 “Financial Instruments: Recognition and Measurement”, all derivative financial instruments are recognised at fair value at their initial measurement. The subsequent measurement is also carried out at fair value. If there is no quoted price on an active market, then the fair value of derivatives corresponds to the cash value of estimated future cash flows.

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 accounted for in the income statement as soon as the hedged underlying transaction affects the income.

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

Forward exchange contracts 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 purposes. However, derivatives are allocated to financial instruments held for trading and measured at fair value through profit or loss, if the pre-conditions for a cash flow hedge are not fulfilled.

Government grants

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

Borrowing costs

According to IAS 23.5, borrowing costs are to be capitalised if exist so-called qualified assets, i.e. those that take a substantial period of time to get ready for their intended use or sale. At the DMG MORI group, a period of more than twelve months is considered a substantial period of time. Borrowing costs in financial year 2015 that arose from the development assets amounted to € 33 K (previous year € 77 K) and from property, plant and equipment amounted to € 352 K (previous year: € 267 K), which can be directly attributed to the acquisition, construction or production of a qualifying asset. The borrowing cost rate amounted to 1% respectively 2% (previous year: 2%). 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 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. 2015	31 Dec. 2014
National	30	30
International	65	66
Total	95	**96**

At the reporting date, the DMG MORI group, including the DMG MORI AKTIENGESELLSCHAFT, comprised 100 companies (previous year: 102). In addition to DMG MORI AKTIENGESELLSCHAFT 94 subsidiaries (previous year: 95) were included in the consolidated financial statements as part of the full consolidation process. Five entities accounted for at equity were included in the consolidated financial statements. The DMG MORI

AKTIENGESELLSCHAFT is directly or indirectly entitled to a majority of voting rights of the fully consolidated companies. The group of consolidated companies has changed compared to the end of financial year 2014 to include the following company:

- DMG MORI BULGARIA EOOD, Sofia, Bulgaria.

The following company were fully consolidated at the time of their founding. The following shows the details of the founding:

On 4 September 2015, DMG MORI EUROPE AG, Winterthur, Switzerland, founded DMG MORI BULGARIA EOOD, Sofia, Bulgaria, as a 100% subsidiary. The share capital is 2 BGN (1 EUR) and was fully paid up. The new company is to establish the sales and services business for our products and those of DMG MORI COMPANY LIMITED (until 19 June 2015 DMG MORI SEIKI COMPANY LIMITED) on the Bulgarian market.

Also, a large part of the “DMG Vertriebs- und Servicegesellschaften” companies were renamed as “DMG MORI”.

As of 31 December 2015, the following companies are no longer part of the consolidation group as compared to the previous year:

As of 25 March 2015, DMG Nippon K.K., Yokohama, Japan, was dissolved. The Japanese market will be handled by DMG MORI COMPANY LIMITED and its subsidiaries.

As of 5 November 2015, Micron S.p.A., Veggiano, Italy, merged with DMG MORI Italia S.r.l., Milan, Italy, retroactively as at 1 January 2015.

The following named companies were classified pursuant to IFRS 11 as joint ventures. Pursuant to IFRS 11.24 the equity interests are accounted for “at equity” in the consolidated financial statements from the date of their acquisition.

The acquisition of equity interests in the following companies took place in financial year 2013. They have been included “at equity” in the group consolidated financial statements since August 2013:

- Magnescale Co. Ltd., Kanagawa, Japan,
- Magnescale Europe GmbH, Wernau,
- Magnescale Americas, Inc., Davis, USA.

The acquisition of equity interests in the following companies took place in financial year 2010.

- DMG MORI Australia Pty. Ltd., Clayton Victoria, Australia,
- SUN CARRIER OMEGA Pvt. Ltd., Bhopal, India.

As of 18 May 2015, the shares of SUN CARRIER OMEGA Pvt. Ltd. (50%), Bhopal, India, were sold at the carrying amount. The company was included "at equity" in the consolidated financial statements from the acquisition of shares until their sale.

DMG MORI Australia Pty. Ltd. was included "at equity" in the consolidated financial statements, unchanged from the consolidated financial statements of 2014.

Moreover, DMG MORI Finance GmbH, Wernau, is classified as an associated company and since the acquisition of its shares in 2010, it has also been included "at equity" in the consolidated financial statements.

Business Combinations 2015

No business combinations took place in the financial year 2015. The group of consolidated companies has changed compared to the previous year as explained above. When compared with the consolidated financial statements of 31 December 2014, the results of operations, net worth and financial position were not significantly affected in this regard.

Business Combinations 2014

P. 30 – 31
Management Report

During financial year 2014, the following business combinations took place as part of the cooperation with the DMG MORI COMPANY LIMITED in the joint markets of Canada, Brazil and Russia.

With the combination in Canada, which is to be made in two steps, the cooperation with DMG MORI COMPANY LIMITED is to be expanded on the Canadian market and the sales and service business for our products and for those of our cooperation partner is to be strengthened.

In the first step of the business combination on the Canadian market, DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED have integrated the business operations of their respective Canadian sales companies, DMG Canada Inc., Toronto and Mori Seiki Canada Ltd., Toronto, into DMG MORI SEIKI CANADA INC., Toronto, Canada as of 31 March 2014 (joint venture 1). After the combination, 51% of the shares and voting rights of this company are held by DMG Holding AG, Dübendorf, Switzerland and 49% of the shares and voting rights are held by DMG MORI SEIKI USA, Inc., a subsidiary of DMG MORI SEIKI LIMITED. The transaction occurred without the payment of a purchase price. The compensation for the acquired by the DMG MORI group corresponds to fair value and amounted to € 5,268 K. It consisted of the award of 49% of shares of DMG MORI SEIKI CANADA INC. The positive difference amounting to € 7,089 K was recognised as goodwill and arose from synergy effects which are expected from the integration of the operating management with the DMG MORI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 18 K were accounted for as an expense for the period. The acquisition of intangible and tangible assets are shown in the fixed asset movement schedule in the "Additions to Consolidation Group" column.

In the second step as part of the cooperation on the Canadian market, DMG MORI AKTIENGESELLSCHAFT has integrated the business operations of the DMG MORI SEIKI CANADA INC., Toronto, and ELLISON MACHINERY COMPANY LTD. has integrated its business operations into a newly founded subsidiary, DMG MORI SEIKI ELLISON CANADA INC., Vancouver, Canada, effective 1 July 2014 (joint venture 2). 67% of the shares of this company are held by DMG MORI SEIKI CANADA INC., Toronto, Canada; 33% of the shares are held by ELLISON MACHINERY COMPANY LTD., Mississauga, Canada. The transaction occurred without the payment of a purchase price. The compensation for the operations acquired by the DMG MORI group corresponds to fair value and amounted to € 4,852 K.

The resulting positive difference amounting to € 4,739 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 16 K were accounted for as an expense for the financial year 2014. The acquisition of intangible and tangible assets are shown in the fixed assets movement schedule in the "Additions to Consolidation Group" column.

The valuation of non-controlling interests in equity were measured at fair value for both transactions. This fair value was estimated using the discounted-cash-flow-method. For this, a discount rate of 12.1% and a long-term prevailing growth rate of 1.0% was assumed.

The following table shows the assets and debts acquired and their recognition at fair value for both transactions:

	Canada Joint Venture 1 € K	Canada Joint Venture 2 € K
Intangible assets	3,861	0
Tangible assets	4	50
Inventories	0	1,019
Trade debtors	1,555	2,150
Other Short-term assets	0	0
Cash assets	204	662
Deferred tax assets	0	0
Pension provisions	0	0
Other provisions	−15	−92
Financial liabilities	0	0
Trade creditors	−1,502	−823
Other short-term liabilities	−73	−427
Deferred taxes	−842	0
Net assets	**3,192**	**2,539**
Amount of difference occuring due to acquisition		
Consideration transferred for the acquisition of shares	5,268	4,852
Non-controlling interests (49% or 33%)	5,013	2,426
Net assets	−3,192	−2,539
Positive difference	**7,089**	**4,739**

Effective 30 May 2014, DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED have integrated the business operations of their respective Brazilian sales companies, DECKEL MAHO GILDEMESTER Brasil Ltda., Sao Paulo and MORI SEIKI BRASIL LTDA., Sao Paulo, into DMG MORI SEIKI BRASIL COMERCIO DE EQUIPAMENTOS INDUSTRIAIS LTDA. (formerly DECKEL MAHO GILDEMEISTER Brasil Ltda). After the combination, 51% of the shares and voting rights are held by DMG Holding AG, Dübendorf, Switzerland; 49% of the shares and voting rights are held by MORI SEIKI U.S.A., Inc. With the combination the sales and services business for our products and for those of our cooperation partner is to be strengthened on the Brazilian market.

The transaction occurred without the payment of a purchase price. The compensation for the business operations acquired by the DMG MORI group corresponded to fair value and amounted to € 1,583 K and consisted of the award of 49% of the shares of DMG MORI SEIKI BRASIL COMERCIO DE EQUIPAMENTOS INDUSTRIAS LTDA.

The resulting difference amounting to € 657 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 32 K were accounted for as an expense in the financial year 2014. The acquisition of intangible and tangible assets are shown in the fixed assets movement schedule in the "Additions to Consolidation Group" column.

DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED have integrated the business operations of their respective Russian sales companies, DMG Russland O.O.O., Moscow and Mori Seiki Moscow, Moscow, into DMG MORI SEIKI RUS LLC., Moscow, Russia (formerly DMG Russland O.O.O.), effective 1 September 2014. After the combination, DMG EUROPE Holding AG, Dübendorf, Switzerland, holds 89.1% of the shares and voting rights of this company, the DMG MORI COMPANY LIMITED, Nagoya, Japan, holds 10.0% of the shares and voting rights and 0.9% of the shares and voting rights are held by DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld. With the combination the sales and services business for our products and for those of our cooperation partner is to be strengthened on the Russian market.

The transaction occurred without the payment of a purchase price. The compensation for the business operations acquired by the DMG MORI group corresponded to fair value and amounted to € 2,400 K. It consisted of the award of 10.0% of the shares of DMG MORI RUS LLC. The resulting difference amounting to € 507 K was recognised as goodwill and occurs from synergy effects expected from the integration of the operating business into the DMG MORI group.

The acquired receivables do not include receivables which are considered uncollectable.

The costs associated with the acquisition of the company amounting to € 191 K were accounted for as an expense for the financial year 2014. The acquisition of intangible and tangible assets are shown in the fixed assets movement schedule in the "Additions to Consolidation Group" column.

In valuating the minority's interest in equity, the option of IFRS 3 was used to valuate the minority stake for both transactions, with the corresponding share of net assets leading to a lower appropriation.

The following table shows the assets and debts acquired and their recognition at fair value for the transactions in Brazil and Russia:

	Brazil € K	Russia € K
Intangible assets	1,096	694
Tangible assets	87	29
Inventories	1,681	1,416
Trade debtors	200	0
Other Short–term assets	220	518
Cash assets	112	1,751
Deferred tax assets	0	0
Pension provisions	0	0
Other provisions	–270	0
Financial liabilities	0	0
Trade creditors	–672	–550
Other short–term liabilities	–266	–1,616
Deferred taxes	–373	–139
Net assets	**1,815**	**2,103**
Amount of difference occuring due to acquisition		
Consideration transferred for the acquisition of shares	1,583	2,400
Non-controlling interests (49% or 10%)	889	210
Net assets	–1,815	–2,103
Positive difference	**657**	**507**

P. 236 – 239
List of group companies

An overview of all companies of the DMG MORI group, divided into fully consolidated companies, joint ventures and associated companies, is presented in the list of group companies.

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 reporting date, and all revenue and expenses at the average annual market price of the euro pursuant to IAS 21.40. The translation differences arising from items being translated at different rates in the balance sheet and income statement were recognised directly in equity. In the individual financial statements monetary items (cash, receivables and liabilities) in a foreign currency were valued at the exchange rate at the reporting date. Non-monetary items in foreign currencies were assessed at historical values. The differences arising from the currency translation of monetary items were shown in the income statement. Goodwill resulting from the acquisition of international companies were recognised as assets of the international operation and was translated at the exchange rate on reporting date.

Foreign exchange differences from receivable or payable monetary items from / to foreign business operations, whose fulfilment is neither planned nor probable and thus are part of the net investment in these foreign business operations, are not recognised as net income for the period. The foreign exchange differences are initially recognised in other comprehensive income and transferred to equity in the income statement upon their sale.

Accounting in accordance with the regulations contained in IAS 29 "Financial Reporting in Hyper-inflationary Economies" was not required, as the DMG MORI group has no significant subsidiaries with registered office in a hyper-inflationary economy.

The exchange rates of the major currencies developed as follws:

CURRENCIES

		Exchange rate on reporting date = 1 €		Average exchange rate = 1 €	
	ISO-CODE	**31 Dec. 2015**	31 Dec. 2014	**2015**	2014
Australian dollars	AUD	1.48970	1.48290	1.48361	1.47769
Brazilian real	BRL	4.31170	3.22070	3.70242	3.12073
Canadian dollars	CAD	1.51160	1.40630	1.42361	1.46385
Swiss franc	CHF	1.08350	1.20240	1.07518	1.21389
Chinese renminbi	CNY	7.06080	7.53580	6.99236	8.16926
Czech crowns	CZK	27.02300	27.73500	27.30531	27.54177
British pound	GBP	0.73395	0.77890	0.72841	0.80546
Indian rupees	INR	72.02150	76.71900	71.44871	81.06537
Japanese yen	JPY	131.07000	145.23000	134.52308	140.82692
Korean won	KRW	1,280.78000	1,324.80000	1,259.67308	1,396.66462
Mexican pesos	MXN	18.91450	17.86790	17.68576	17.67821
Malaysian ringgits	MYR	4.69590	4.24730	4.33787	4.34842
Polish zloty	PLN	4.26390	4.27320	4.19092	4.19089
Russian rubel	RUB	80.67360	72.33700	69.04266	51.42425
Singapore dollars	SGD	1.54170	1.60580	1.52878	1.68227
Taiwan dollars	TWD	35.75405	38.58774	35.35192	40.21732
US dollars	USD	1.08870	1.21410	1.11298	1.32555

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:

	2015 € K	2014 € K
Germany	762,079	779,218
EU (excluding Germany)	777,793	740,394
USA	154,443	128,641
Asia	417,701	362,987
Other countries	192,705	217,773
	2,304,721	**2,229,013**

P. 144 – 145
Segmental reporting

P. 89 – 98
Segment reporting

A breakdown and explanation of the sales revenues from the sale of goods and provision of services are given in segmental reporting and in the "Segment Report" chapter of the group Management Report.

7 OWN WORK CAPITALISED

Capitalised payments primarily arise from the capitalisation of development costs of intangible assets for machine tool projects pursuant to IAS 38 "Intangible Assets". Capitalised production costs include all costs that are directly and indirectly attributable to the development process and necessary parts of development-related overheads as well as borrowing costs.

8 OTHER OPERATING REVENUES

INCOME UNRELATED TO ACCOUNTING PERIOD	2015 € K	2014 € K
Retransfer of provisions	11,195	9,082
Retransfer of value adjustments	3,915	1,202
Profit on asset disposals	1,422	580
Receipt of payment for written off receivables	46	27
Other income unrelated to accounting period	2,494	2,195
	19,072	13,086
OTHER OPERATING INCOME		
Gains on currency and exchange rates	65,928	26,436
Refund of costs and cost allocation	24,286	22,956
Payment for damages	1,099	1,295
Letting and leasing	961	526
Bonuses and allowances	205	320
Others	18,348	11,198
	110,827	62,731
Total	**129,899**	**75,817**

The release of provisions and value adjustments involves a number of provisions and value adjustments which were set up in previous years and have not been fully used. A breakdown of the release of provisions are shown in the analysis of provisions.

P. 204 – 206
Other Provisions

Gains on currency and exchange rates can be seen in connection with exchange rate and currency losses in other operating expenses. On balance, exchange rate and currency gains occurred in the financial year 2015 in the amount of € 4,673 K (previous year: exchange rate and currency gain: € 3,149 K). The increase of currency gains and losses primarily resulted from the volatile exchange rate development in financial year 2015.

Income from the refund of expenses and on-debiting mainly include income from the on-debiting of marketing expenses to our cooperation partner of € 12,496 K (previous year: € 10,743 K) and to external third parties of € 2,556 K (previous year: € 2,587 K). In the previous year these take into account refunds of charges from the German Unemployment Office for part-time retirement agreements of € 146 K.

Other income includes € 380 K (previous year: € 241 K) of earnings from subletting arrangements where DMG MORI group is the lessor.

9 COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10 PERSONNEL COSTS

In financial year 2015, the total remuneration of the Executive Board from direct and indirect remuneration amounted to € 14,588 K (previous year: € 10,491 K). Direct remuneration of Executive Board members accounted for € 13,584 K (previous year: € 9,679 K), of which the fixed remuneration accounted for € 2,851 K (previous year: € 2,252 K), the STI for € 5,740 K (previous year: € 5,804 K) and the LTI for € 1,276 K (previous year € 924 K). Some € 3,590 K was awarded as payment for individual services rendered in 2015 (previous year: € 581 K). Benefits in kind accounted for € 127 K (previous year: € 118 K). In addition to direct remuneration, indirect remuneration in the form of pension commitments amounting to € 1,004 K (previous year: € 812 K) was spent. Former members of the Executive Board and their surviving dependants received € 605 K (previous year: € 610 K). Pension provisions were made for former members of the Executive Board and their surviving dependants in an amount of € 11,584 K (previous year: € 12,000 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained in the group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set in the Remuneration Report.

P. 43 – 52
Remuneration structure for the Executive Board and the Supervisory Board

Advances and loans to officers were not granted, nor were any contingent liabilities assumed in favour of officers. Nor did the companies of the DMG MORI group pay any remuneration to officers for services personally rendered, in particular for consulting and introduction services.

During financial year 2015, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 26,410 K (previous year: € 25,552 K). This includes employers' contributions to statutory pension insurance amounting to € 22,498 K (previous year: € 21,777 K).

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

	Average number		At the close of the reporting period	
	2015	2014	**31 Dec. 2015**	31 Dec. 2014
Wage earners	1,803	1,811	1,798	1,806
Salary earners	5,231	5,004	5,344	5,112
Trainees	282	221	320	248

11 DEPRECIATION

A distribution of amortisation / depreciation of intangible assets and tangible assets is provided in the asset movement schedule on page 138 et seq.

12 OTHER OPERATING EXPENSES

EXPENSE UNRELATED TO ACCOUNTING PERIOD	**2015**	2014
	€ K	€ K
Losses on disposal of fixed assets	276	1,230
Other taxes	173	322
Other expenses unrelated to accounting period	1,474	2,453
	1,923	4,005
OTHER OPERATING EXPENSES		
Exchange rate and currency losses	61,255	23,287
Outward freight, packaging	57,704	52,776
Corporate communication, trade fairs and other advertising expense	55,738	57,601
Travelling and entertainment expenses	48,265	44,308
Other external services	39,140	36,325
Rental and leases	34,205	33,243
Sales commissions	32,608	22,725
Expenses for temporary work and freelancers	29,046	26,777
Cost of preparing annual financial statements, legal and consultancy fees	26,036	23,101
Other personnel costs	15,904	15,061
Stationery, post and telecommunication expenses	11,352	10,832
Impairment on receivables	8,902	5,325
Transfer to provisions	8,444	9,624
Insurance	7,670	6,468
Other taxes	5,436	3,529
Investor and Public Relations	2,813	2,585
Monetary transactions and capital procurement	2,527	2,349
Licences and trademarks	1,757	1,829
Other	31,218	27,686
	480,020	405,431
Total	**481,943**	**409,436**

An increase in outward freight and packaging compared to the previous year is due to a rise in sales volume.

Expenses for corporate communication, trade fairs and other advertising expenses were lower compared to the previous year. This includes expenses for product marketing and our marketing activities. Expenses for trade fairs and other joint marketing activities were passed on pro rata to DMG MORI COMPANY LIMITED.

P. 175
Other operating income

Exchange rate and currency losses in connection with exchange rate and currency gains can be seen in other operating income. On balance, exchange rate and currency gains occurred in an amount of € 4,673 K (previous year: exchange rate and currency gains € 3,149 K).

The additions to provisions resulted primarily from expenses for warranties. Sales commissions increased from the previous year and are related to sales, as well as to the nature, amount and region where these sales are generated.

The administration and sales costs are included proportionately in other operating expenses and personnel costs.

In the financial year 2015, € 1,601 K (previous year: € 1,085 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 Supervisory Board remuneration in the financial year is set out in the Remuneration Report.

P. 43 – 52
Remuneration report

13 FINANCIAL INCOME

Interest income and other income of the DMG MORI group amounted to € 41,397 K (previous year: € 3,970 K). The change from the previous year resulted from the sale of interests held in DMG MORI COMPANY LIMITED during the financial year, from which income in the amount of € 37,841 K resulted. Other income includes income from equity investments of € 2,479 K (previous year: € 2,183 K). Of these, € 2,446 K (previous year: € 2,150 K) is attributable to dividend payments made by DMG MORI COMPANY LIMITED.

14 FINANCIAL EXPENSES

Interest expenses of € 7,987 K (previous year: € 9,683 K) are related primarily to interest expenses for group financial debts, the interest swap and factoring. Interest expenses for syndicated credits decreased from the previous year, above all due to the minimal utilisation of credit facilities.

Finance expenses include an interest component of € 775 K (previous year: € 1,114 K) from allocations to pension provisions. In addition, € 195 K (previous year: € 143 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 for the syndicated credit line of DMG MORI AKTIENGESELLSCHAFT are recognised. In the reporting year, costs of scheduled amortisation of transaction costs arose amounting to € 838 K, analogous to the previous year. In addition, an expenditure from the unscheduled amortisation of transaction costs in the amount of € 559 K resulted from the planned premature settlement of the syndicated credit line in 2016.

15 SHARE OF PROFITS AND LOSSES OF EQUITY ACCOUNTED INVESTMENTS

Profit from companies accounted for at equity amount to € 640 K (previous year: € 576 K). In financial year 2015, this is essentially pro rata income from the equity investment in DMG MORI Finance GmbH in the amount of € 412 K (previous year: € 631 K) was recognised, as well as in DMG MORI Australia Pty. Ltd. in the amount of € 137 K (previous year: € 120 K). Besides that, there were gains of € 92 K (previous year: loss of € 175 K), resulting from the pro rata result in the reporting year of Magnescale Co. Ltd., Kanagawa, Japan.

16 INCOME TAXES

This account represents current and deferred tax expenditure and income broken down as follows:

	2015 € K	2014 € K
Current taxes	**57,115**	**59,812**
Tax expenditure for current financial year	52,792	56,467
Tax income for previous years	−355	−519
Tax expenditure for previous years	4,678	3,864
Deferred taxes	**561**	**−5,564**
Tax loss carry forwards	−2,361	4,079
Temporary differences	2,922	−9,643
	57,676	**54,248**

For domestic companies, current taxes include corporate income and trade tax (including solidarity surcharge), and for foreign companies, comparable earnings-related taxes. The computation was made on the basis of the tax regulations applicable to the individual companies.

Deferred taxes are calculated on the basis of the tax rates that apply or are expected to apply given the current legislation in the individual countries on the valuation date.

In financial year 2015, the corporation tax rate in Germany was 15.0% plus a 5.5% solidarity tax. This resulted in an effective corporation tax rate of 15.8%. Taking into account trade tax of 13.8% (previous year: 13.8%), the total tax rate was 29.6% and thus unchanged from the previous year. This produces a tax rate for valuating deferred taxes for domestic companies. The relevant foreign tax rates are between 8% and 34%.

In financial year 2015, an amount of € 355 K (previous year: € 519 K) resulted from current tax income for prior years. An amount of € 4,678 K (previous year: € 3,864 K) includes current tax expenses for prior years.

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 expense or income arose. No material errors occurred in the past and thus, did not result in any effects.

No deferred taxes arose from business combinations during the financial year (previous year: deferred tax liabilities of € 1,358 K). Net income tax on amounts recognised in other comprehensive income amounts to € 78 K (previous year: € 3,426 K) and as in the previous year, relates to changes in the current value of derivative financial instruments, the change in fair value of assets available-for-sale and the revaluation of defined benefit pension plans recognised in other comprehensive income. The difference between current and expected income tax expenditure is due to the following:

	2015 **€ K**	2014 € K
Earnings before taxes	217,261	175,313
DMG MORI AKTIENGESELLSCHAFT income tax rate in per cent	29.6	29.6
Expected tax income / expenditure	64,309	51,893
Tax consequences of the following effects		
Adjustment due to differing tax rate	−5,394	−6,093
Effects due to tax rate changes	725	−216
Tax reduction due to tax-exempt revenue	−11,674	−1,145
Tax loss carry forwards	−2,704	4,404
Temporary differences	2,997	−3,183
Tax increase due to non-deductible expenses	5,446	5,750
Tax income or expense for prior years	4,323	3,344
Other adjustments	−352	−506
Income taxes	**57,676**	**54,248**

The effect due to tax loss carry forwards in an amount of € −2,704 K (previous year: € 4,404 K) consists on the following:

Current income tax expense was reduced through the use of tax loss carry forwards not yet recognised from previous accounting periods by € 2,758 K (previous year: € 141 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 € 2,081 K (previous year: € 68 K). In the contrast deferred tax assets in an amount of € 2,135 K (previous year: € 1,730 K) were not take into account. No adjustment was made for prior years' deferred tax assets from tax loss carry forwards (previous year: € 2,883 K).

Tax income and tax expense from earnings is attributable solely to the operative business activities in the DMG MORI group. The income tax expense shown for financial year 2015 in an amount of € 57,676 K (previous year: € 54,248 K) is € 6,633 K lower (previous year: € 2,355 K higher) than the expected income tax expense of € 64,309 K (previous year: € 51,893 K), which would theoretically result from application of the valid domestic tax rate of 29.6% (previous year: 29.6%) across the group in financial year 2015. The € 10,641 K tax reduction from tax-free income is attributable to the complete sale of shares in DMG MORI COMPANY LIMITED.

Future dividends of DMG MORI AKTIENGESELLSCHAFT payable in Germany will not influence the group's tax burden.

17 PROFIT SHARE ATTRIBUTED TO MINORITY INTERESTS

A proportionate annual result was allotted to minority interests in equity of € 10,189 K (previous year: € 10,490 K). This results above all from the 40% equity investment of DMG MORI COMPANY LIMITED, Nagoya, Japan, in DMG MORI Europe AG, Winterthur, Switzerland. Moreover, these primarily contain proportionate earnings from minority interests in DMG MORI SEIKI CANADA INC., DMG MORI SEIKI ELLISON CANADA INC. and DMG MORI MEXICO S.A. de C.V.

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 group result – excluding profit shares of other owners – by the average weighted number of shares outstanding, as follows:

		2015	2014
Group result excluding profit share of other shareholders	€ K	149,397	110,575
Average weighted number of shares (pieces)		78,817,994	78,432,258
Earnings per share	€	1.90	1.41

Earnings result exclusively from continued business. Group result after taxes amounting to € 159,585 K was reduced by the earnings of the minority interests by € 10,189 K. The earnings per share (undiluted) was € 1.90 in the reporting year (previous year: € 1.41). As in the previous year, there were no dilutive effects.

Notes to individual Balance Sheet items

19 INTANGIBLE ASSETS

The goodwill amounts to € 134,335 K (previous year: € 135,173 K). The 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, and to specific software solutions. Intangible assets arising from development recognised at the close of the financial year amounted to € 29,221 K (previous year: € 30,419 K). Research and development costs immediately recognised as an expense amounted to € 37,660 K in the financial year 2015 (previous year: € 36,314 K).

The amount stated for industrial property rights and similar rights includes acquired patents, rights from acquired customer relations, utility models and trademarks as well as computer software.

P. 85 – 86
Investments

The development 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.

20 TANGIBLE ASSETS

P. 85 – 86
Investments

The development 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.

The change in currency between the reporting dates is shown in the consolidated fixed asset movement schedule under “Other Changes”.

In the financial year, impairments amounting to € 1,860 K (previous year: € 0 K) were recognised for tangible assets. These resulted from lower expected future income and were considered in the “Industrial Services” segment. There were no write-ups in the financial year.

Land and buildings with a carrying amount of € 44,188 K are mortgaged for the security of financial debt in the amount of € 18,431 K (previous year: € 18,026 K).

Tangible assets include leased assets to the value of € 2,660 K (previous year: € 2,834 K) that, due to the structuring of the underlying leasing agreements must be charged to the respective group company as the beneficial owner ("finance lease"). The carrying amounts of capitalised lease items are broken down as follows:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Land and buildings	0	0
Technical plant and machinery	1,371	2,004
Other plant, factory and office equipment	1,289	830
	2,660	**2,834**

21 OTHER EQUITY INVESTMENTS

The development of group investments is shown in the consolidated fixed asset movement schedule.

The recognition of equity investments involves an interest in an amount of € 270 K in VR Leasing Frontania GmbH & Co. KG and an interest of € 83 K in Pro-Micron GmbH & Co. KG Modular System. The DMG MORI group does not exercise any significant influence over these companies.

The DMG MORI AKTIENGESELLSCHAFT held 9.6% of the voting equity interest in DMG MORI COMPANY LIMITED, Nagoya, until November 2015. Acquisition costs for all shares amounted to € 115,904 K (incl. incidental costs of acquisition). The fair value as of 31 December 2014, derived from the stock exchange value on the reporting date, amounted to € 133,142 K. The change in fair value amounting to € 17,238 K as compared with the previous year was recognised in equity and is shown in the fixed asset movement schedule under "Other changes". The DMG MORI AKTIENGESELLSCHAFT sold its shares in the financial year 2015. The revenue from the sale in the amount of € 37,841 K is itemised in the financial result.

The DMG MORI AKTIENGESELLSCHAFT holds 19% of the shares in Mori Seiki Manufacturing USA, Inc., Davis, USA as part of a capital increase through contribution in kind in financial year 2013. There will be no significant influence exerted. The amortised acquisition costs as of 31 December 2015 amounted to € 21,415 K (previous year: € 21,415 K).

GILDEMEISTER energy solutions GmbH (formerly: a+f GmbH) also has an interest in Sonnenstromalpha GmbH & Co. KG, Hamburg. The equity interest amounted to 40% and as at the reporting date, had a fair value of € 21 K as in the previous year. As in the previous year, no impairment losses on equity investments were recorded in the reporting year.

Disclosures regarding shareholdings of other companies and non-controlling shareholding

There are the following important non-controlling shareholdings of subsidiaries:

	Registered office / country of incorporation	Business segment	Ownership shares which are non-controlling interests 31 Dec. 2015	31 Dec. 2014
DMG MORI Europe AG	Winterthur, Switzerland	Industrial Services	40	40

P. 236 – 239
List of group companies

The list of direct subsidiaries of DMG MORI Europe AG and disclosures of its registered offices, equity and equity interest are shown on the overview of the DMG MORI group companies. The non-controlling interest of 40% is held by DMG MORI COMPANY LIMITED, Nagoya, Japan.

The following table shows a summary of financial information for the "sub-group DMG MORI Europe AG" which was drafted in accordance to IFRS and adjusted for fair value at the time of acquisition. This is information before eliminations which were planned among the other companies of the DMG MORI group:

DMG MORI EUROPE AG	2015 € K	2014 € K
Sales Revenues	782,708	751,346
Profits	26,734	25,220
Profits assigned to non-controlling shareholdings	10,694	10,088
Other comprehensive income	−329	−848
Total income	**26,405**	**24,372**
Total income assigned to non-controlling shareholdings	10,562	9,749
Short-term assets	373,150	367,427
Long-term assets	59,633	59,795
Short-term debts	244,596	262,285
Long-term debts	10,258	16,444
Net assets	**177,929**	**148,493**
Net assets assigned to non-controlling shareholdings	71,172	59,397
Change of cash and cash equivalents	**−3,928**	**26,862**

In financial year 2015 as well as the previous year, DMG MORI Europe AG paid no dividends to non-controlling shareholdings.

P. 236 – 239
List of group companies

An overview of all DMG MORI group companies and information on registered offices, equity and equity interests in financial year 2015 are set out in the list of group companies.

DMG MORI 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 Spare Parts GmbH (formerly: 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 Deutschland GmbH (formerly: DMG MORI SEIKI Deutschland GmbH),
- GILDEMEISTER energy solutions GmbH (formerly: a+f GmbH),
- DMG MORI Services GmbH (formerly: DMG MORI SEIKI Services GmbH).

DMG MORI Services GmbH has entered into a profit and loss transfer and control agreement with the following subsidiaries:

- DMG MORI Global Service Turning GmbH (formerly: DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER),
- DMG MORI Global Service Milling GmbH (formerly: DMG Service Fräsen GmbH),
- DMG MORI Academy GmbH (formerly: DMG MORI SEIKI Academy GmbH),
- DMG MORI Microset GmbH,
- DMG MORI Systems GmbH,
- DMG MORI Used Machines GmbH (formerly: DMG MORI SEIKI Used Machines GmbH) (since 1 January 2015).

DMG MORI Deutschland GmbH has entered into profit and loss transfer and control agreements with the following subsidiaries:

- DMG MORI Stuttgart GmbH
  (formerly: DMG MORI SEIKI Stuttgart Vertriebs und Service GmbH),
- DMG MORI München GmbH
  (formerly: DMG MORI SEIKI München Vertriebs und Service GmbH),
- DMG MORI Hilden GmbH
  (formerly: DMG MORI SEIKI Hilden Vertriebs und Service GmbH),
- DMG MORI Bielefeld GmbH
  (formerly: DMG MORI SEIKI Bielefeld Vertriebs und Service GmbH),
- DMG MORI Berlin GmbH
  (formerly: DMG MORI SEIKI Berlin Vertriebs und Service GmbH),
- DMG MORI Frankfurt GmbH
  (formerly: DMG MORI SEIKI Frankfurt Vertriebs und Service GmbH),
- DMG MORI Hamburg GmbH
  (formerly: DMG MORI SEIKI Hamburg Vertriebs und Service GmbH).

22 EQUITY-ACCOUNTED INVESTMENTS

The following overviews show aggregated key financial figures for companies accounted for at equity included in the consolidated financial statements. The figures refer to equity interests, carrying amounts and notes on the balance sheet as well as to sales revenues, other income and expenses:

	31 Dec. 2015		31 Dec. 2014	
	Equity interest	**Carrying amount**	Equity interest	Carrying amount
	%	**€ K**	%	€ K
DMG MORI Australia Pty. Ltd.	50.0	1,995	50.0	1,741
DMG MORI Finance GmbH	42.55	9,366	42.55	8,954
Magnescale Co. Ltd.	44.1	35,976	44.1	35,885
SUN CARRIER OMEGA Pvt. Ltd.	0.0	0	50.0	200
		47,337		**46,780**

The equity interests of the equity accounted companies have not changed from the previous year with one exception. DMG MORI Australia Pty. Ltd. and SUN CARRIER OMEGA Pvt. Ltd. are classed as joint ventures. Magnescale Co. Ltd. and DMG MORI Finance GmbH are classed as associated entities. In the financial year, the interests in SUN CARRIER OMEGA Pvt. Ltd. were sold at the carrying amount. Details of the results from equity-accounted companies are presented in the discussion of the individual items on the income statement under "Share of Profits and Losses of Equity Accounted Investments".

P. 179
Share of profits and losses of equity accounted investments

We regard the 44.1% interest in Magnescale Co. Ltd., Kanagawa, a DMG MORI COMPANY LIMITED subsidiary and manufacturer of high-precision positioning technologies, as significant.

This includes its 100% subsidiaries Magnescale Europe GmbH, Wernau and Magnescale Americas, Inc. Davis (USA); therefore, the essential items of the balance sheet and the income statement for all three companies are combined and separately listed in the following table.

MAGNESCALE CO. LTD.	31 Dec. 2015 € K	31 Dec. 2014 € K
Short-term assets	32,990	37,489
Long-term assets	43,267	29,217
Short-term liabilities	17,365	25,592
Long-term liabilities	9,491	6,185
Sales revenues	64,725	65,293
Annual result	208	–397

The values of all other associated companies and joint ventures are summarised in the following tables:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Short-term assets	**162,275**	**143,276**
Joint ventures	8,458	5,946
Associated companies	153,817	137,330
Long-term assets	**164,222**	**142,636**
Joint ventures	182	829
Associated companies	164,040	141,807
Short-term liabilities	**274,539**	**48,267**
Joint ventures	4,996	2,969
Associated companies	269,543	45,298
Long-term liabilities	**14,081**	**201,813**
Joint ventures	0	0
Associated companies	14,081	201,813

	2015 € K	2014 € K
Sales revenues	**88,900**	**77,168**
Joint ventures	12,969	10,252
Associated companies	75,931	66,916
Annual result	**1,241**	**1,673**
Joint ventures	274	189
Associated companies	967	1,484

23 LONG-TERM ASSETS AND OTHER ASSETS

	31 Dec. 2015 € K	31 Dec. 2014 € K
Trade debtors	517	479
Other long-term financial assets	10,808	13,066
Other long-term assets	38,948	1,681
	50,273	**15,226**

Trade debtors are assigned to financial assets. As in the previous year, there were no receivables against associated companies included in the long-term trade debtors.

Other long-term financial assets include the following items:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Receivables from factoring	1,745	2,407
Security deposits and other security payments	906	1,093
Creditors with debit balance	37	145
Other assets	8,120	9,421
	10,808	**13,066**

Analogous to the previous year, other assets include the purchase price for acquiring share purchase options amounting to € 6,540 K.

Other long-term assets include the following items:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Tax refund claims	1,012	1,241
Others assets	37,936	440
	38,948	**1,681**

The increase over the previous year of other long-term assets was the result of accounting for the assets of special project entities in the reporting year in the amount of € 36,486 K during the reporting year. The reclassification of the long-term assets held for sale took place, since the shares held in the special purpose entities were not sold in 2015 and their sale to investors is no longer highly probable in the short-term. There were no effects on earnings in 2015.

Receivables for income tax are not included in the tax refund claims.

24 INVENTORIES

Inventories are made up as follows:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Raw materials and consumables	196,365	190,707
Work in progress	125,612	108,103
Finished goods and goods for resale	197,619	193,341
Payments on account	2,663	3,146
	522,259	**495,297**

Finished goods and goods for resale include machines held for trading acquired from our cooperation partner in an amount of € 33,620 K (previous year: € 41,734 K). Of inventories shown in the balance sheet on 31 December 2015, € 121,490 K (previous year: € 123,031 K) were recognised at their net liquidating value. In the financial year impairment of value of inventories in an amount of € 15,399 K (previous year: € 15,513 K) were recognised as cost of materials. In the financial year, revaluations amounting to € 3,845 K arose (previous year: € 3,909 K), primarily resulting from the increase in net liquidating values; they also were recognised as cost of materials.

25 SHORT-TERM TRADE DEBTORS

	31 Dec. 2015 € K	31 Dec. 2014 € K
Trade debtors	192,368	200,638
Receivables from at equity accounted investments	7,054	10,359
Receivables from other related parties	41,308	46,128
Receivables from associated companies	163	2,685
	240,893	**259,810**

Receivables from other related parties include receivables amounting to € 6,688 K from DMG MORI COMPANY LIMITED. In the reporting year, DMG MORI group had agreed factoring programmes. German receivables with a volume of up to € 90,000 K (previous year: € 90,000 K) and foreign receivables with a volume of up to € 77,500 K (previous year: € 77,500 K) can be sold within the framework of this agreement. As of the reporting date, German receivables with a value of € 85,500 K (previous year: € 86,330 K) and foreign receivables with a value of € 67,786 K (previous year: € 70,479 K) were sold without recourse and were thus no longer part of the receivables portfolio at the reporting date.

The terms of long-term and short-term trade debtors, which are not impaired are shown in the following table:

	Carrying amount	Of which neither impaired nor past due on the closing date	Of which not impaired on the closing date but past due in the following time periods			
			up to 3 month	3 to 6 month	6 to 12 month	more than 1 year
	€ K	€ K	€ K	€ K	€ K	€ K
Trade debtors						
31 Dec. 2015	241,410	209,176	21,898	3,412	929	3,795
Trade debtors						
31 Dec. 2014	260,289	202,485	40,926	3,230	1,354	1,815

With respect to the trade debtors that have neither been impaired nor are they past due or in default of payment at the reporting date, there is no indication that the debtors will not fulfil their payment obligations.

Trade debtors and accumulated impairments have developed as follows:

	31 Dec. 2015	31 Dec. 2014
	€ K	€ K
Trade debtors not impaired	239,210	249,810
Trade debtors before impairment	16,836	27,709
Accumulated impairment	14,636	17,230
Trade debtors impaired	2,200	10,479
Total trade debtors	**241,410**	**260,289**

Impairments of trade debtors have developed as follows:

	2015	2014
	€ K	€ K
Impairments as at 1 January	17,230	16,277
Allocations (expenses for impairments)	2,319	4,062
Consumption	−999	−1,907
Dissolution	−3,914	−1,202
Impairments as at 31 December	**14,636**	**17,230**

The following table shows the expenses for the complete de-recognition of trade debtors as well as income from recoveries of trade debtors:

	2015 € K	2014 € K
Expenses for de-recognition of receivables	6,583	1,263
Income from payments received for de-recognised receivables	46	27

Expenses relating to impairments and de-recognition of trade debtors are reported under other operating expenses. These involve a large number of individual cases. The increase of expenses for derecognised receivables compared to the previous year resulted primarily from the complete de-recognition of receivables in the amount of € 5,582 K which had already been impaired in the amount of € 2,174 K.

Income from receipt of payments for derecognised receivables are reported under other operating income.

26 OTHER ASSETS

Other assets include the following items:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Other short-term financial assets	64,604	72,770
Other short-term assets	52,246	51,298
	116,850	**124,068**

Other short-term financial assets include the following items:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Receivables from factoring	16,821	15,082
Discounted customers' bills	12,876	10,203
Security deposits and other security payments	4,404	9,571
Creditors with debit balance	6,024	8,854
Fair market value of derivative financial instruments	1,385	979
Purchase price receivables from asset disposal	496	447
Receivables from employees and former employees	270	420
Loans to third parties	428	333
Other short-term financial assets	21,900	26,881
	64,604	**72,770**

No impairments or de-recognition of other financial assets were made either in the financial year or in the previous year.

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	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. 2015	**75,412**	64,691	862	29	6	322
Other financial assets						
31 Dec. 2014	**85,836**	77,344	4,810	232	0	251

With respect to the other financial assets that have neither been impaired nor are they past due or in default of payment at the reporting date, there is no indication that the debtors will not fulfil their payment obligations.

Other short-term assets include the following items:

	31 Dec. 2015	31 Dec. 2014
	€ K	€ K
Tax refund claims	35,387	38,599
Prepayments	3,318	1,582
Other assets	13,541	11,117
	52,246	**51,298**

Tax refund claims primarily include receivables from value added tax.

In the previous year, the remaining other assets include refund claims of € 146 K with respect to additional compensation paid from part-time retirement agreements to the German Employment Office (Bundesanstalt für Arbeit). As in the previous year, claims for the refund of partial unemployment benefits did not occur.

27 CASH AND CASH EQUIVALENTS

At the reporting date, bank credit balances amounted to € 552,127 K (previous year: € 432,996 K). Of these, credit balances of subsidiaries in Germany were recognised in an amount of € 371,801 K (previous year: € 261,040 K), in Europe in an amount of € 133,044 K (previous year: € 114,949 K), in Asia in an amount of € 32,897 K (previous year: € 45,996 K) and in America in an amount of € 14,385 K (previous year: € 11,011 K).

P. 135
Consolidated cash flow statement

The development of cash and cash equivalents constituting the financial fund pursuant to IAS 7 “Cash Flow Statements” is illustrated in the statement of cash flows.

28 LONG-TERM ASSETS HELD FOR SALE

As of 31 December 2014, long-term assets (tangible assets) provided for short-time sale amounted to € 37,275 K. Turnkey solar parks in the Energy Solutions division are accounted for here. The DMG MORI group expected that the interest in the special purpose entities would actually be sold to investors in 2015. Since the interests in the special purpose entities were not sold to investors in 2015 and their sale is no longer highly probable over the short term, the assets and debts of the special purpose entities were reclassified to long-term assets and long-term liabilities respectively. There were no effects on the income statement.

29 DEFERRED TAXES

Deferred tax assets and liabilities and deferred tax expense are allocated to the following accounts:

	31 Dec. 2015		31 Dec. 2014		**2015 Deferred tax expense / income**	2014 Deferred tax expense / income
	assets € K	**liabilities € K**	assets € K	liabilities € K	**€ K**	€ K
Intangible assets	373	10,351	75	10,110	57	−882
Tangible assets	17,456	3,860	16,623	1,766	−1,261	3,167
Financial assets	3	73	0	317	−181	0
Inventories	15,336	1,262	13,094	1,289	2,269	2,173
Receivables and other assets	8,957	6,391	8,285	5,497	−222	720
Provisions	10,914	3,267	11,325	3,644	−90	562
Liabilities	12,456	1,544	15,355	543	−3,494	3,903
Tax loss carry forward	10,729	–	8,368	–	2,361	−4,079
	76,224	26,748	73,125	23,166		
Balancing	−22,824	−22,824	−19,315	−19,315		
Total	**53,400**	**3,924**	**53,810**	**3,851**	**−561**	**5,564**

A determining factor for the valuation of the recoverability of deferred tax assets is the assessment of the probability of sufficient future taxable profits. Based on past experience and the expected taxable income situation, it is assumed that the corresponding advantages from the deferred tax assets can be realised. As at 31 December 2015, tax loss asset carry forwards amounted to € 10,729 K (previous year: 8,368 K) and were allocated as follows: as in the previous year, there were no German corporate tax and trade tax loss carry forwards as well as interest carry forwards due to the German interest barrier. Deferred tax assets for tax loss carry forwards are attributable to foreign subsidiaries in an amount of € 10,658 K (previous year: € 8,301 K). In the reporting year, deferred tax assets amounting € 3,853 K (previous year: € 677 K) were re-capitalised on loss carry forwards, and € 1,203 K (previous year: € 1,872 K) have been offset with current taxable income. The tax losses carried forward amount to a total of € 74,207 K (previous year: € 59,975 K), of which € 31,147 K (previous year: € 29,112 K) have not been recognised. From the tax loss carry forwards not recognised, € 17,000 K are usable for an indefinite period, while € 6,927 K must be used within the next five years. Moreover, the rest of the tax loss carry forwards not recognised in an amount of € 7,220 K expire within 6 to 10 years. With regard to subsidiaries which had tax losses in the current year or in the previous year, deferred tax asset claims amounting to € 11,832 K (previous year: € 9,308 K) were capitalised. The realisation of these assets depends on future taxable income which is higher than the earnings effects of the dissolution of existing taxable differences. Due to substantial indicators, the DMG MORI group assumes that on the basis of future business activities and tax planning there will be sufficient positive taxable income available to realise the tax asset claims.

No deferred taxes were balanced for taxable temporary differences in connection of shares in subsidiaries in the amount of € 16,756 K (previous year: € 14,591 K), since the conditions of IAS 12.39 are fulfilled.

Deferred taxes are 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 deferred tax rate of 29.6% (previous year: 29.6%) for domestic companies.

The deferred tax assets recognised directly in equity rose by € 78 K to € 8,732 K as of the reporting date (previous year: deferred tax assets amounting to € 8,654 K). These break down into deferred tax assets amounting to € 8,674 K (previous year: € 8,618 K) on actuarial gains and losses recognised in equity, as well as € 58 K relating to the measurement of financial instruments in equity (previous year: deferred tax assets of € 464 K). In the previous year, deferred tax liabilities arose from the change in the fair value of assets available-for-sale in an amount of € 428 K.

30 EQUITY

P. 138 – 139
Development of group equity

The movement of individual components in group equity for the financial years 2015 and 2014 is illustrated in the Consolidated Statement of Changes in group Equity. Business transactions are presented under "Transactions with owners" in which the owners have acted in their capacity as owners.

Subscribed capital

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

It is divided into 78,817,994 (previous year: 78,817,994) no-par value shares with a theoretical par value of € 2.60 per share. Each share carries the right to one vote.

The following statements have essentially been taken from the articles of association of DMG MORI AKTIENGESELLSCHAFT (version June 2015).

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

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

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

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

the authorised capital with the exclusion of shareholders‘ pre-emptive rights, in direct or analogous application of Section 186(3)(4) of the German Stock Corporation Act, are to be included in the maximum limit of 10% of the share capital,

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

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

The Executive Board is authorised, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation. The supervisory board is authorised to adjust the articles of association according to each individual utilisation of the authorised capital and, if the authorised capital is not utilised or not fully utilised before 15 May 2019, to cancel this after this date.

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

The capital increase is to be effected only insofar as the holders of conversion or options rights or those obliged to exercise conversion or options rights exercise their options or conversion rights, insofar as they are obliged to exercise their conversion or option rights, they fulfil their obligation to exercise the conversion or option right and neither shares already in existence nor the payment of a cash amount is used to fulfil the option or conversion rights.

The new shares will participate in the profit as of the beginning of the financial year in which they are issued following the exercising of option or conversion rights, or the fulfilment of conversion or option obligations.

Capital reserve

As of 31 December 2015, the capital reserves were unchanged at € 498,485,269.

The group’s capital reserve include the premiums for the issue of shares of DMG MORI AKTIENGESELLSCHAFT from previous years. Transaction costs that are allocated directly to capital procurement reduced by related tax benefits on income were deducted from the capital reserve.

Retained earnings and other reserves

Statutory reserve

The disclosure does not affect the statutory reserve of DMG MORI AKTIENGESELLSCHAFT in an amount of € 680,530.

Reserves for shares in a controlling company

A reserve for shares in a controlling company is to be create pursuant to Section 272(4)(1) of the German Commercial Code (HGB). The amount of this reserve is to correspond to the amount on the assets side of the balance sheet (drawn up pursuant to HGB) stated for the shares in the controlling company. As of 31 December 2014, this value amounted to € 115,903,929. Since all shares in the DMG MORI COMPANY LIMITED were sold in financial year 2015, the reserve was dissolved and reclassified as other retained earnings.

Revenue reserves

Revenue reserves include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Revenue reserves 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. In addition they show the changes in remeasurement of benefit-oriented plans.

Other reserves

Other reserves include the differences arising from foreign currency translation recognised directly in equity of international subsidiaries and the post-tax effects from the valuation of financial instruments recognised directly in equity. Deferred taxes recognised directly in equity in connection with the valuation of financial instruments amounted to € 58 K (previous year: € 464 K).

A detailed overview on the composition of, or changes in, other retained earnings in the financial year 2015 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 AKTIENGESELLSCHAFT form the basis for the appropriation of profits of the financial year. The dividend to be distributed to owners is therefore subject to the net retained profits shown in the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

The financial year 2015 of DMG MORI AKTIENGESELLSCHAFT closed with profits for the year of € 47,059,426.56 (previous year: € 55,018,050.98).

At the General Meeting on 6 May 2016, it will be proposed, taking into account the allocation to the profit carry forward from the previous year in the amount of € 1,709,264.83, to use the net retained profit of € 48,768,691.39 as follows:

- Distribution of € 47,290,796.40 to the shareholders via dividends of € 0.60 per share,
- Carry forward of the remaining net retained profit of € 1,477,894.99 to new account.

A dividend of € 0.55 per share was paid for the financial year 2014 and a dividend of € 0.50 per share was paid for financial year 2013.

Non-controlling interests

Non-controlling interests include non-controlling interests in the consolidated equity of the companies included and, as at 31 December 2015, amounts to € 146,575 K (previous year: € 134,757 K).

Capital Management Disclosure

A strong equity capital base is an important pre-condition for the DMG MORI group in order to ensure the ongoing existence of the company. The Executive Board's goal is to maintain its strong capital base and improve its equity ratio in order to preserve the trust of investors, creditors and markets and to ensure the sustainable development of the company. The capital is regularly monitored on the basis of various key figures. The ratio of net indebtedness to balanced equity (gearing) and the equity ratio are key figures for this. Surplus funds are determined as the sum of financial debts less cash and cash equivalents.

		31 Dec. 2015	31 Dec. 2014
Cash and cash equivalents	€ K	552,127	432,996
Financial debts	€ K	51,793	52,156
Surplus funds	€ K	500,334	380,840
Total equity	€ K	1,357,474	1,266,151
Equity ratio	%	59.4	56.8
Gearing	%	–	–

Total equity has risen in absolute terms by € 91,323 K. This is essentially due to the annual surplus of the financial year. The equity ratio as of 31 December 2015 increased to 59.4% (previous year: 56.8%).

31 PROVISIONS FOR PENSIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the DMG MORI group entitled to such, and to their surviving dependants. According to the respective legal, economic and tax conditions prevailing in each country, there are different forms of old age protection that are usually based among other things on the duration of employment and the employees' remuneration. In Germany the commitments are dependent upon wages or salary and are paid as a pension; there is no minimum guarantee.

Employee pension schemes are based as a rule either on contribution-oriented or benefit-oriented systems.

In the case of contribution-oriented pension plans ("defined contribution plans") the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. In financial year 2015, related expenses amounted to € 3,912 K (previous year: € 3,775 K).

In the case of benefit-oriented pension plans, it is the company's obligation to pay the promised benefits to active and former employees ("defined benefit plans"), whereby a distinction is made between pension plans that are financed through provisions and those that are financed through a fund. In general the pensions paid correspond to the promised benefits.

For domestic subsidiaries, besides current pension plans, there are no defined benefit plans for new employees. The employees of Swiss subsidiaries participate in defined benefit pension plans. In Switzerland, employers are obligated to give a minimum contribution to their employees' pension plans.

Individual defined contribution pension plans are agreed upon for Executive board members of DMG MORI AKTIENGESELLSCHAFT. The corresponding contributions amounted to € 385 K (previous year: € 390 K) in the financial year. 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 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. In Germany, plan assets comprise insurance contracts or contracts and are held by a legally separate and independent entity whose sole purpose is to hedge and finance employee benefit liabilities. In Switzerland, external plan assets are invested in a customary pension fund. Plan assets in Switzerland are subject to customary minimum funding requirements. The amount of the pension obligation (present value of future pension commitments or "defined benefit obligation") was calculated on the basis of actuarial methods by estimating the relevant factors impacting the pension commitment. The calculations as of the end of the financial year are based on the following actuarial assumptions. In Germany, the assumptions are based on the mortality table "Heubeck 2005G". In Switzerland, the mortality table is based on "BVG, Generationentafeln". Along with the assumptions on life expectancy, the following premises for the parameters to be applied to the actuarial calculations in the reports were defined:

	Weighted average 2015 %	Range 2015 %	Weighted average 2014 %	Range 2014 %
Discount interest rate	2.00	0.8 – 2.83	1.95	1.2 – 3.32
Salary trend	0.1	–	0.1	–
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. For the Swiss companies a future increase in salary development of 1% is recognised. 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 cash value of benefit-oriented obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the following:

		31 Dec. 2015 € K	31 Dec. 2014 € K
	Cash value of unfunded pension commitments	36,706	37,355
+	Cash value of funded pension commitments	38,706	32,337
–	Current value of the pension plan assets	– 34,626	– 21,887
=	Net value of amounts shown in the balance sheet on the reporting date	40,786	47,805
	of which pensions	41,652	47,805
	of which assets (–)	– 866	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 € 2.241 K or 6.47% (previous year: € 2,073 K or 9.47%), obligations in an amount of € 3,899 K or 11.26% (previous year: of € 3,298 K or 15.07%), real estate in an amount of € 1,366 K or 3.95% (previous year: € 1,285 K or 5.87%) and from qualifying insurance agreements. Other assets not listed on stock exchanges amount to € 27,120 K or 78.32% (previous year: € 15,231 K or 69.59%). 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 € 194 K (previous year: € 1,305 K). The surplus (amount recognised as an asset) of € 866 K (previous year: € 0 K) is recognised in other long-term assets.

The current value of the pension plan assets can be derived from the following:

		2015 € K	2014 € K
	Fair value of the assets at the start of the year	21,887	19,479
+	Paid contributions	10,444	1,437
+/–	Benefit paid / received	551	–576
+	Interest income from plan assets	518	485
+/–	Acturial profit / loss recognised in other comprehensive income	– 324	820
+/–	Exchange rate changes	1,550	242
=	**Fair value of the assets at the end of the year**	**34,626**	**21,887**

Payments from insurance companies are accounted for as benefits received and the benefits actually granted are disclosed as benefits paid.

The increase over the previous year of contributions paid resulted from the deposit to reinsurance policy in the financial year.

Of the company pension provisions in the amount of € 41,652 K (previous year: € 47,805 K), € 35,024 K (previous year: € 43,228 K) are attributable to domestic group companies; this corresponds to about 84% (previous year: about 90%) of the total amount. The changes in the cash value compared to the previous year are due to an adjustment of the fair value of the pension plan assets and the change in the number of pensioners.

Pension provisions for former members of the Executive Board and their surviving dependants amounted to € 11,584 K (previous year: € 12,000 K).

In financial year 2015, total expense amounted to € 4,357 K (previous year: € 4,849 K), which breaks down into the following components:

		2015 € K	2014 € K
	Current service cost	3,109	1,210
+	Retroactive service cost	503	2,575
+/–	Net interest components	745	1,064
=	**Total expenses for defined contributions pension plans**	**4,357**	**4,849**

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	
	2015	2014	2015	2014	2015	2014
	€ K	€ K	€ K	€ K	€ K	€ K
As at 1 January	**69,692**	**57,900**	**−21,887**	−19,479	**47,805**	**38,421**
Included in profit and loss						
Current service cost	3,109	1,210	0	0	3,109	1,210
Retroactive service cost	503	2,575	0	0	503	2,575
Interest expense (income)	1,263	1,549	−518	−485	745	1,064
Exchange rate changes	1,954	279	−1,550	−241	404	38
	6,829	**5,613**	−2,068	**−726**	**4,761**	**4,887**
Included in other comprehensive income						
Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
financial assumptions	795	7,536	0	0	795	7,536
experience adjustments	−929	1,154	0	0	−929	1,154
Effect on plan assets (excluding interest income)	0	0	324	−820	324	−820
	−134	**8,690**	**324**	**−820**	**190**	**7,870**
Other						
Contributions paid by employees	0	0	−9,348	−732	−9,348	−732
Payments achieved	−975	−2,511	−1,647	**−130**	−2,622	−2,641
	−975	−2,511	−10,995	−862	−11,970	−3,373
Total as at 31 December	**75,412**	**69,692**	**−34,626**	**−21,887**	**40,786**	**47,805**

The cash value of the provisions had changed as follows:

		2015	2014
		€ K	€ K
	Benefit obligation at the beginning of the year	69,692	57,900
–	Pension payments made	−2,071	−3,216
+	Current service cost and interest expenses	4,875	5,334
+	Plan participants contribution	1,096	705
+/–	Actuarial profits (–) and losses (+) recognised in other comprehensive income	−134	8,690
+/–	Exchange rate changes	1,954	279
	Benefit obligations at the end of the year	**75,412**	**69,692**

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:

	2015 € K	2014 € K	2013 € K	2012 € K	2011 € K
Cash value of all pension commitments	75,412	69,692	57,900	55,561	48,953
Current value of the pension plan assets of all funds	−34,626	−21,887	−19,479	−17,957	−16,456
Funding status	40,786	47,805	38,421	37,604	32,497

Payments to beneficiaries from unfunded pension plans in 2016 are expected in an amount of € 2,487 K (previous year for 2015: € 2,503 K), while payments to funded pension plans in the financial year 2016 estimated to amount to about € 1,101 K (previous year for 2015: € 829 K).

The average weighted duration of pension obligations in Germany is around thirteen years and in Switzerland between seventeen and nineteen years.

If other assumptions are constant, then a reasonable interpretation at the close would influence possible changes in the benefit-oriented obligations, with significant actuarial assumptions, in the following amounts.

The effects on the entitlement present value is as follows:

	Effects on entitlements as of 31 Dec. 2015 € K	in %
Entitlement present value of obligations	**75,412**	
in the case of		
Reduction of 0.25% in the discount interest rate	78,011	3.45
Increase of 0.25% in the discount interest rate	72,975	− 3.23
Reduction of pension progression by 0.25%	73,973	− 1.91
Increase of pension progression by 0.25%	76,920	2.00

In the presented sensitivities, it should be taken into account that due to mathematical effects, the change as a percentage is not and / or does not have to be linear. Thus, increases and decreases in terms of per cent do not react with the same absolute amount. There are no demographic effects.

32 OTHER PROVISIONS

The following lists the major contents of provision:

	31 Dec. 2015 Total € K	31 Dec. 2015 Of which short-term € K	31 Dec. 2014 Total € K	31 Dec. 2014 Of which short-term € K
Tax provisions	**47,788**	**47,788**	**36,289**	**36,289**
Obligations arising from personnel	97,274	71,817	92,148	68,082
Risks arising from warranties and retrofitting	35,134	28,098	35,909	30,210
Obligations arising from sales	40,119	37,582	41,702	40,164
Legal and consultancy fees and costs of preparation of accounts	6,889	6,889	5,267	5,267
Other	24,974	24,321	17,524	17,002
Other provisions	**204,390**	**168,707**	**192,550**	**160,725**
Total	**252,178**	**216,495**	**228,839**	**197,014**

Tax provisions include current taxes on income and returns of € 39,154 K (previous year: € 26,870 K), for risks from current external tax audits and other operating taxes, which have been accumulated for the reporting period and for previous years. It can be assumed that a significant part of the obligations will be fulfilled during the financial year.

Provisions for personnel expenses in the group include obligations for profit-sharing and staff bonuses of € 45,017 K (previous year: € 39,409 K), part-time retirement payments of € 3,105 K (previous year: € 2,907 K), holiday pay of € 14,165 K (previous year: € 14,364 K) and anniversary payments of € 9,380 K (previous year: € 8,504 K). Most of the provision should be paid in the coming year. The provisions for anniversary bonuses and part-time retirement are discounted and carried as liability at their present value. Obligations arising from part-time retirement are secured against potential insolvency through a mutual trust relationship. To secure the pension plan, cash assets are transferred into a trust property. The members of this trust property are domestic group companies.

The assets are defined as “plan assets” in accordance with IAS 19.7 and balanced against the related provisions. Any proceeds arising from the pension plan assets are balanced against the related expenses. As of 31 December 2015, liquid assets of € 1,060 K (previous year: € 893 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 reporting date and taking into account possible price increases on the closing date. The obligations from the sales area are included in the liabilities for commissions, contractual penalties and other liabilities. Most of the provision should be paid in the coming year.

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 2016.

The movement in the other provisions is illustrated in the analysis of provisions:

	01 Jan. 2015 € K	Transfers € K	Used € K	Retransfers € K	Other changes € K	31 Dec. 2015 € K
Tax provisions	**36,289**	**29,164**	**18,431**	**578**	**1,344**	**47,788**
Obligations arising from personnel	92,148	65,976	56,873	4,355	378	97,274
Risks arising from warranties and retrofitting	35,909	16,457	16,117	1,192	77	35,134
Obligations arising from sales	41,702	29,185	29,166	2,055	453	40,119
Legal and consultancy fees and costs of preparation of accounts	5,267	6,325	4,416	335	48	6,889
Other	17,524	21,194	10,889	3,258	403	24,974
Other provisions	**192,550**	**139,137**	**117,461**	**11,195**	**1,359**	**204,390**
Total	**228,839**	**168,301**	**135,892**	**11,773**	**2,703**	**252,178**

The other changes include currency adjustments and transfers. Obligations arising from personnel include provisions for the long-term incentive, a remuneration component with a long-term incentive effect, totalling € 5,843 K (previous year: € 6,930 K). A detailed description of the long-term incentive can be found in the “Remuneration report” chapter of the Group Management Report.

P. 43 – 52
Remuneration report

The following table shows the number of performance units awarded in 2012, 2013, 2014 and 2015, and the amount of the allocations and / or the provisions:

	Tranche 2012 4-year term		Tranche 2013 4-year term			Tranche 2014 4-year term			Tranche 2015 4-year term		
	Number of performance units	Amount of the allocation for 2015	Number of performance units	**Fair Value 31 Dec. 2015**	**Provision 31 Dec. 2015**	Number of performance units	**Fair Value 31 Dec. 2015**	**Provision 31 Dec. 2015**	Number of performance units	**Fair Value 31 Dec. 2015**	**Provision 31 Dec. 2015**
	Shares	€ K	Shares	€ K	€ K	Shares	€ K	€ K	Shares	€ K	€ K
Dr. Rüdiger Kapitza	22,422	1,468	22,848	1,374	1,031	16,000	1,093	547	13,095	922	231
Dr. Thorsten Schmidt	14,948	978	15,232	916	687	10,667	729	364	8,730	615	154
Christian Thönes	7,474	489	15,232	636	477	10,667	636	318	8,730	615	154
Dr. Maurice Eschweiler	–	–	7,616	429	322	10,667	636	318	8,730	615	154
André Danks	–	–	–	–	–	8,650	515	257	8,730	615	154
Günter Bachmann	14,948	900	15,232	900	675	–	–	–	–	–	–
Total	**59,792**	**3,835**	**76,160**	**4,255**	**3,192**	**56,651**	**3,609**	**1,804**	**48,015**	**3,382**	**847**

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 2015 provisions expenses arose during the reporting period amounting to € 847 K. From the tranche issued in 2014, provisions expenses arose amounting to € 1,804 K; from the tranche issued in 2013 provisions expenses arose in an amount of € 3,192 K, from the tranche issued in 2012 with a term of four years, an allocation amounting to € 3,835 K occurred.

33 FINANCIAL DEBTS

Details of short-term and long-term financial debts are listed in the following tables:

	31 Dec. 2015	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]	46,828	5,772	40,193	863
Discounted customer bills	4,964	4,964	0	0
	51,792	**10,736**	**40,193**	**863**

1) of which secured by mortgages: € 18,431 K

	31 Dec. 2014	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
	€ K	€ K	€ K	€ K
Bank loans and overdrafts [1)]	44,923	2,528	37,954	4,441
Discounted customer bills	7,233	7,233	0	0
	52,156	**9,761**	**37,954**	**4,441**

1) of which secured by mortgages: € 18,026 K

Financial debts fell in comparison with the previous year by € 364 K. The use of overdraft loans rose € 1,572 K compared to the previous year to € 3,057 K (previous year: € 1,485 K) as a result of securing bilateral credit lines for two foreign subsidiaries.

The short- and medium-term working capital requirements for DMG MORI AKTIENGESELLSCHAFT and, as part of the intra-group cash management system, for the majority of domestic subsidiaries are covered by operating cash flow as well as short-term and long-term financing. Approved credit lines amount to € 726.4 million (previous year: € 767.8 million). This mainly comprises a syndicated credit line amounting to € 450.0 million, guarantee credit lines amounting to € 53.3 million (previous year: € 78.6 million) and factoring agreements, another part of the financing portfolio, amounting to € 167.5 million as in the previous year.

In addition to the syndicated credit there are still some long-term loans and short-term bilateral financing commitments to individual subsidiaries of a total volume of € 55.6 million (previous year: € 71.7 million). In the previous year, two long-term loans amounting to € 41.6 million were taken out to finance investments in the construction of the new Global European Headquarters in Winterthur, Switzerland, as well as the new production facility in Ulyanovsk, Russia. The loans had a five to eight-year term. In the financial year, the long-term loan for the investment in Ulyanovsk was repaid in full. An early repayment fee was not charged. The loan for the new Global Headquarters building in Switzerland was increased by € 23.1 million to € 41.5 million in total.

The utilisation amount for long-term loans as of 31 December 2015 was € 43.8 million (previous year: € 43.4 million). As at the reporting date, € 3.1 million (previous year: € 1.5 million) in short-term financing approvals had been utilised.

As of 31 December 2015, the international share in liabilities to banks was about 97% (previous year: about 96%) in total. The average cost of borrowing amounted to 1.7% (previous year: 2.0%).

Set out below are the major liabilities to credit institutions:

	31 Dec. 2015				31 Dec. 2014			
	Currency	**Carrying amount**	Remaining period in years	Effective interest rate	Currency	Carrying amount	Remaining period in years	Effective interest rate
		€ K		%		€ K		%
Loan	EUR	3,157	up to 11	3.54 – 6.25	EUR	26,805	up to 12	2.28 – 6.25
Loan	CHF	40,614	up to 4	1.25 – 1.9	CHF	16,633	up to 5	1.9
Overdrafts	various	3,057	up to 1	4.1 – 20.4	various	1,485	up to 1	6.5 – 15.6
		46,828				**44,923**		

As of 31 December 2015 the DMG MORI group has a syndicated credit line with a volume totalling € 450.0 million. It comprises a cash tranche of € 200.0 million and a bank guarantee tranche of € 250.0 million. The credit line has a five-year term (until 2016). The syndicated loan has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus an interest markup. The interest markup may change depending on the company's key figures (0.90% to a maximum of 2.3%). As of 31 December 2015, it was 0.90% (previous year: 0.90%). The syndicated credit line is classed as a short-term loan as it can be drawn upon for a maximum of six months. As in the previous year, it had not been used as of 31 December 2015.

The financing agreements for the syndicated loan obligate the DMG MORI group to comply with customary covenants. All covenants were complied with as of 31 December 2015.

For the financing of the syndicated credit line, the lending banks have completely waived the right to collateralize. The companies, DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, GILDEMEISTER Beteiligungen GmbH, GILDEMEISTER energy solutions GmbH, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z o.o. and GILDEMEISTER Italiana S.p.A. are guarantors for the loan agreements.

In February 2016, a new syndicated credit line amounting to € 500.0 million in total and with a five-year term (until February 2021) was finalised. It comprises a usable revolving cash tranche of € 200.0 million and an aval tranche of € 300.0 million. Thus, the syndicated credit line due to expire in August 2016 was repaid in full early. The new syndicated loan agreement was concluded with an international bank syndicate at better terms and has an interest rate based on the current money market rate (1- to 6-month EURIBOR) plus a markup. This interest markup may change depending on the company's key figures. The new syndicated credit line also requires the DMG MORI group to comply with a customary covenant. The lending banks have completely waived the right to collateralize. Various group companies are guarantors for the loan agreements.

As at the reporting date, open credit lines amount to € 376.5 million (previous year: € 379.9 million). These comprise free cash lines of € 208.8 million (previous year: € 226.8 million) and additional open lines of credit (bank guarantees, bills of exchange, factoring) of € 167.7 million (previous year: € 153.1 million).

In addition to the guaranteed land charges, SAUER GmbH has assigned as security fixed assets and current assets in an amount of € 890 K (previous year: € 929 K) to the lending banks.

34 TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term financial liabilities are shown as follows:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Trade creditors	0	0
Other financial long-term liabilities	4,870	3,190
Other long-term liabilities	4,098	3,285
	8,968	**6,475**

Trade creditors are classified as financial liabilities.
Other long-term financial liabilities include the following items:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Liabilities from finance lease agreements	1,464	1,644
Fair market value of derivative financial instruments	0	18
Other long-term financial liabilities	3,406	1,528
	4,870	**3,190**

Liabilities arising from finance lease agreements amounted to € 1,464 K (previous year: € 1,644 K) and show the discounted value of future payments from finance leases. These are liabilities arising from finance lease agreements for buildings.

In the previous year, the fair values of derivative financial instruments comprise fair values for forward exchange rate contracts totalling € 18 K.

In other long-term financial liabilities, the fair value of long-term liabilities corresponds to the values shown on the balance sheet.

	31 Dec. 2015 € K	31 Dec. 2014 € K
Accruals	2,924	3,109
Liabilities relating to social insurance	141	126
Other long-term liabilities	1,033	50
	4,098	**3,285**

The deferred income accounted for in other long-term liabilities include the guaranteed investment grants from the funds of the joint aid programme, “Improvement of the Regional Economic Structure” and investment subsidies and grants pursuant to the German Investment Subsidy Act in an amount of € 2,924 K (previous year: € 3,109 K) as applied under IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

As in the previous year, no investment subsidies were paid in financial year 2015. Deferred income will be amortised in accordance with the depreciation procedure for subsidised capital assets and recognised in the income statement.

In the reporting year, liabilities for project companies are included in other long-term liabilities in an amount of € 665 K. These were reclassified from long-term liabilities held for sale, as the shares in the affiliated project companies were not sold in 2015 and their sale is no longer considered highly probable in the short term.

35 TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Short-term financial liabilities are shown as follows:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Trade creditors	269,105	301,298
Liabilities to at equity accounted companies	1,813	668
Liabilities to other related parties	89,809	82,519
Liabilities to associated companies	26	30,724
Other short-term financial liabilities	30,335	35,503
	391,088	**450,712**

Liabilities to other related parties arise from goods and services supplied as part of the business relationship with our cooperation partner and its affiliated companies. Liabilities to other related parties are shown as liabilities to DMG MORI COMPANY LIMITED in an amount of € 20,437 K.

Other short-term financial liabilities are shown as follows:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Fair market value of derivative financial instruments	2,360	7,732
Debtors with credit balance	3,366	2,506
Liabilities from finance lease agreements	676	1,998
Other short-term financial liabilities	23,933	23,267
	30,335	**35,503**

The fair value of derivative financial instruments comprises the fair value of forward exchange contracts amounting to € 2,360 K mainly in USD, CAD, GBP and JPY. In the previous year, this also included the fair value for interest rate swaps amounting to € 1,397 K.

Liabilities arising from finance lease agreements amount to € 676 K (previous year: € 1,998 K) and show the discounted value of future payments from finance leases. These are primarily liabilities arising from finance lease agreements for buildings.

Long-term liabilities arising from finance lease agreements are recognised without future interest payable. All future payments arising from finance leases amount to € 2,399 K (previous year: € 4,023 K).

Other financial liabilities include liabilities from bills of exchange amounting to € 8,613 K (previous year: € 11,894 K).

The minimum lease payments for the respective lease agreements are as follows:

TOTAL FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2015 € K	31 Dec. 2014 € K
Due within one year	798	2,174
Due within between one and five years	1,528	1,775
Due in more than five years	73	74
	2,399	**4,023**
INTEREST COMPONENT INCLUDED IN FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	121	176
Due within between one and five years	138	204
Due in more than five years	0	1
	259	**381**
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	677	1,998
Due within between one and five years	1,390	1,571
Due in more than five years	73	73
	2,140	**3,642**

In the previous year, the DMG MORI group was the lessor for finance lease agreements. The minimum lease payments for 2015 from these subleases amounted to € 1,519 K. There were no payments for 2016. In the previous year, the agreements primarily covered the leasing of machine tools.

As at 31 December 2015, the DMG MORI group was also the lessor for operating lease agreements. The minimum lease payments in 2016 from these subleases amount to € 651 K (previous year for 2015: € 380 K). Over the next one to five years, the minimum leasing payments will amount to € 307 K (previous year: € 519 K). These agreements mainly cover the leasing of machine tools.

Other short-term liabilities include the following items:

	31 Dec. 2015 € K	31 Dec. 2014 € K
Tax liabilities	27,404	19,145
Liabilities relating to social insurance	6,061	5,095
Payroll account liabilities	2,274	2,460
Deferred income	7,041	6,172
Other liabilities	1,108	1,128
	43,888	34,000

Tax liabilities refer to liabilities arising from value added tax amounting to € 15,435 K (previous year: € 8,559 K) as well as liabilities arising from wage and church tax in the amount of € 8,795 K (previous year: € 8,019 K).

36 LIABILITIES IN CONNECTION WITH ASSETS HELD FOR SALE

As of 31 December 2014, liabilities of € 800 K were related to long-term assets held for sale. This included the turnkey solar parks recognised for the "Energy Solutions" business segment. The DMG MORI group expected the shares in affiliated project companies to actually be sold to investors in 2015. Since the shares in the affiliated project companies were not sold in 2015 and their sale is no longer considered highly probable in the short term, the project companies' assets and liabilities were reclassified into long-term assets or long-term liabilities.

The long-term liabilities are disclosed in the segment reporting of the "Industrial Services" business segment.

37 CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

No provisions were set up for the following contingent liabilities, as the risk of utilisation is considered relatively improbable:

CONTINGENCIES	31 Dec. 2015 € K	31 Dec. 2014 € K
Guarantees	2,015	2,054
Warranties	41	135
Other contingencies	4,742	4,502
	6,798	**6,691**

The guarantees primarily include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, a guarantee related to 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 agreements and operating lease agreements) are broken down below by due dates. The agreements have terms from two to forty-three years and some include options to extend or purchase options.

NOMINAL AMOUNT OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2015 € K	31 Dec. 2014 € K
Due within one year	27,614	27,342
Due within between one and five years	34,987	32,517
Due in more than five years	4,804	5,045
	67,405	**64,904**

Of which operating lease agreements account for:

NOMINAL AMOUNT OF FUTURE MINIMUM LEASE PAYMENTS	31 Dec. 2015 € K	31 Dec. 2014 € K
Due within one year	26,816	25,168
Due within between one and five years	33,459	30,742
Due in more than five years	4,731	4,971
	65,006	**60,881**

Operating lease agreements relating to the financing of buildings exist for DECKEL MAHO Pfronten GmbH in an amount of € 2.3 million and for FAMOT Pleszew Sp. z o.o., Pleszew, Poland, in an amount of € 2.3 million. The operating lease agreements for the buildings include a purchase option upon expiry of the basic rental period.

Other operating lease agreements also exist for machines at FAMOT Pleszew Sp. z o.o., Pleszew, Poland, in an amount of € 2.2 million and at DECKEL MAHO Pfronten GmbH in an amount of € 1.8 million. Lease agreements relating to the financing of crane equipment also exist for DECKEL MAHO Pfronten GmbH in an amount of € 0.4 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 € 23.3 million. Moreover, leasing agreements have been concluded 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 term of between two and thirty-nine years.

There are no permanent sub-tenancy agreements to be included in the sum of future minimum lease payments. There are no contingent rental payments to be recognised in the income statement.

38 DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, forward exchange rate contracts were held by the DMG MORI group primarily in USD, GBP, CAD, JPY and CHF. The nominal and fair values of derivative financial instruments existing at the reporting date are set out below:

	31 Dec. 2015				31 Dec. 2014	
	Nominal value			**Fair market values**	Nominal value	Fair market values
		Asset	**Debt**	**Total**		Total
	€ K	€ K	€ K	€ K	€ K	€ K
Forward exchange contracts as cash flow hedges	23,300	146	344	−198	54,900	−1,677
of which USD	12,734	0	185	−185	36,721	−1,404
of which CAD	5,995	136	6	130	8,509	−200
of which SGD	2,829	2	117	−115	755	0
of which AUD	1,077	0	34	−34	0	0
of which GBP	665	8	2	6	4,051	−58
of which PLN	0	0	0	0	3,239	−37
of which JPY	0	0	0	0	1,625	22
Interest rate swap without hedge relations	0	0	0	0	60,000	−1,397
Forward foreign exchange contracts held for trading purposes	152,424	1,239	2,016	−777	151,288	−3,696
of which USD	68,897	338	1,428	−1,090	59,789	−2,722
of which GBP	35,066	188	417	−229	25,539	−59
of which JPY	14,380	128	55	73	21,109	−540
of which CHF	12,721	45	0	45	28,859	−31
of which CAD	9,043	339	7	332	3,077	−196
of which SGD	3,820	26	27	−1	8,821	−111
of which AUD	3,327	43	47	−4	475	−2
of which BRL	2,965	65	30	35	0	0
of which other	2,205	67	5	62	3,619	−35
	175,724	**1,385**	**2,360**	**−975**	**266,188**	**−6,770**

The nominal values correspond to the sum of all unbalanced purchase and sales amounts from derivative financial transactions. The fair market values recognised constitute the price at which, as a rule, third parties would assume the rights or obligations arising from the financial instruments as of the reporting date. It cannot generally be assumed that this assessed value may actually be achieved upon liquidation. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions.

In the previous year, the fair values of the interest rate swap were recognised in the balance sheet as other long-term or short-term financial liabilities.

The fair values of forward exchange contracts are recognised in the balance sheet as other long-term or short-term financial assets or other long-term and short-term financial liabilities.

At the close of the reporting period, the DMG MORI group also held forward exchange contracts for trading purposes, which, although they do not meet the strict requirements of hedge accounting pursuant to IAS 39, make an effective contribution to the securing of financial risks in accordance with the principles of risk management. For the hedging of currency risks recognised as monetary assets and liabilities, the DMG MORI group does not use hedge accounting pursuant to IAS 39 in these cases, as the gains and losses on the underlying transaction from currency translation that are recognised in profit or loss in accordance with IAS 21 are shown in the income statement together with the gains and losses on the derivatives used as hedging instruments. In the event that third parties do not fulfil their obligations arising from forward exchange rate contracts, as at the reporting date, the DMG MORI group had a deficit risk amounting to € 1,385 K (previous year: € 979 K).

As of 31 December 2014, the group held an interest rate swap which had a total nominal volume of € 60,000 K and a maturity of up to one year. The interest rate swap expired on 29 May 2015. As of the reporting date, all existing forward exchange contracts with a nominal volume of € 175,724 K have a maturity of up to one year (previous year: € 204,965 K). No forward exchange contracts with a maturity of more than one year existed as of the reporting date (previous year: € 1,223 K).

In financial year 2015, expenses arising from the fair value recognition of financial instruments attributable to cash flow hedges in an amount of € 198 K (previous year: € 1,677 K) were allocated to equity and not recognised in the income statement and an amount of € 1,579 K (previous year: € 1,766 K) was removed from equity and recognised in net profit or loss as an expense (previous year: income) for the reporting period. Forward exchange contracts were recognised in the income statement as exchange rate and currency profits or exchange rate and currency losses. The hedge ineffectiveness identified for these forward exchange contracts in the financial year was immaterial (previous year: no hedge ineffectiveness).

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. In these netting agreements, the right to settle net is contingent upon future events, such as default or bankruptcy of the group or its counterparties. The netting agreements thus do not fulfil the offsetting criteria of IAS 32.

The following table provides 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	Potential offsetting assets subject to global netting agreements	Net amount
	31 Dec. 2015	**31 Dec. 2015**	**31 Dec. 2015**
	€ K	**€ K**	**€ K**
Financial assets			
Forward exchange contracts	1,385	1,267	118
Financial liabilities			
Forward exchange contracts	2,360	1,267	1,093

	Gross amount of financial instruments in the balance sheet	Potential offsetting assets subject to global netting agreements	Net amount
	31 Dec. 2014	31 Dec. 2014	31 Dec. 2014
	€ K	€ K	€ K
Financial assets			
Forward exchange contracts	979	979	0
Financial liabilities			
Interest rate swap	1,397	0	1,397
Forward exchange contracts	6,352	979	5,373

39 RISKS FROM FINANCIAL INSTRUMENTS

Risks from financial instruments

Currency and interest rate fluctuations can lead to considerable profit and cash flow risks. For this reason, the DMG MORI group centralises these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. Risk management is based on guidelines that apply throughout the group and in which objectives, principles, responsibilities and competencies are defined. Further information on the risk management system is presented in detail in the Management Report in the risk and opportunity report.

P. 111 – 122
Opportunities and risk report

Currency risks

In its global business activities, the DMG MORI group is exposed to two types of currency risks. Transaction risks arise through changes in the value of future foreign currency payments due to exchange rate fluctuations in the individual financial statement. In the DMG MORI group, both purchases and sales are made in foreign currencies. To hedge currency risks arising from activities within the DMG MORI group, forward exchange contracts are used. Derivative financial instruments are concluded and handled, based on binding internal guidelines defining scope, responsibilities, reporting and controls.

The translation risk describes the risk of a change in the balance sheet and income statement items of a subsidiary due to exchange rate differences during the translation of local individual financial statements to the group currency. Any changes in the balance sheet items of these companies caused by currency fluctuations in translation will be recorded in equity. Risks arising from the translation of sales revenues and earnings in foreign currency from subsidiaries are not hedged.

The DMG MORI 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 values of the basic items and hedges included are measured once at the actual exchange rates and once using sensitivity rates. The difference between the two values represents the effects on equity and earnings.

The following table shows the potential effects on the reserves for derivatives in equity and on the result as at 31 December 2015 and 31 December 2014, if the euro would have gained or lost 10% of its value against the major currencies USD, JPY and CAD.

Overall, the reserves for derivatives in equity and the fair value of forward exchange contracts with a hedging relationship would have been € 1,563 K lower (higher) (previous year: € 547 K higher (lower)). The results and fair value of forward exchange contracts without a hedging relationship would have been € 2,619 K lower (higher) (previous year: € 4,670 K higher (lower)).

	Profit or loss		Net equity	
	Increase	Decline	Increase	Decline
31. Dec. 2015				
USD (10% change)	1,904	– 1,904	1,111	– 1,111
JPY (10% change)	661	– 661	0	0
CAD (10% change)	54	– 54	452	– 452
	2,619	**– 2,619**	**1,563**	**– 1,563**
31. Dec. 2014				
USD (10% change)	– 4,760	4,760	– 5	5
JPY (10% change)	968	– 968	– 170	170
CAD (10% change)	– 878	878	– 372	372
	– 4,670	**4,670**	**– 547**	**547**

The following table shows the net currency risk from transactions in € K for major currencies as at 31 December 2015 and 2014:

Currency	31 Dec. 2015 USD € K	31 Dec. 2015 JPY € K	31 Dec. 2015 CAD € K	31 Dec. 2014 USD € K	31 Dec. 2014 JPY € K	31 Dec. 2014 CAD € K
Currency risk from balance sheet items	37,532	−5,977	9,043	25,986	−7,754	3,077
Currency risk from pending transactions	14,781	2,764	3,452	38,811	4,734	8,701
Transaction-related currency items	52,313	−3,213	12,495	64,797	−3,020	11,778
Financially hedged item through derivatives	−52,081	2,666	−11,812	−65,046	3,857	−11,585
Open foreign currency item	232	−547	683	−249	837	192
Change in foreign currency item through a 10% revaluation of the euro	−23	55	−68	25	−84	−19

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on earnings, equity or cash flow during the current or any future reporting periods. At the DMG MORI group, interest rate risks are essentially related to financial assets and debts. The entire Executive Board will decide in each individual case on whether interest rate risks will be hedged using interest rate hedging instruments on the basis of a proposal drafted by the board's Chief Financial Officer. In the previous year, the DMG MORI group held an interest rate swap. The changes in value amounting to € 1,145 K (previous year: € 2,385 K) until expiry of the interest rate swap in May 2015 were recognised in the income statement as financial income.

The interest sensitivities are shown below:

	Profit or loss	
	Increase by 100 basis points € K	Decrease by 5 basis points € K
31 December 2015		
Variable-rate instruments	3,963	−275
Profit sensitivity (net)	**3,963**	**−275**
	Increase by 100 basis points € K	Decrease by 100 basis points € K
31 December 2014		
Variable-rate instruments	3,095	−3,095
Interest rate swap	6	−6
Profit sensitivity (net)	**3,101**	**−3,101**

As of 31 December 2015, the DMG MORI group has no net deficit, so that interest rate increases would present an opportunity for higher interest yield. A 1% increase in interest rates pertaining to the portfolio at the reporting date would result in an increase in interest income of € 4.0 million (previous year: interest income of € 3.1 million). In the event of a further decrease in interest rates pertaining to the portfolio at the reporting date we only expect an impact of five basis points on the portfolio; the interest income would decrease by € 275 K. As in the previous year, there would be no impact on equity. The following table shows the nominal volumes of fixed and variable rate instruments:

	Nominal volume	
	31 Dec. 2015 € K	31 Dec. 2014 € K
Fixed-rate instruments		
Financial assets	0	0
Financial liabilities	−43,762	−18,437
	−43,762	**−18,437**
Effect of interest rate swap	0	−60,000
	−43,762	**−78,437**
Variable-rate instruments		
Financial assets	552,127	433,000
Financial liabilities	−155,837	−183,532
Effect of interest rate swap	0	60,000
	396,290	**309,468**

Fixed interest rates have been mainly agreed for financial assets and liabilities bearing interest. Changes in the interest rate would only have an effect if these financial instruments were recognised at their fair value. Since this is not the case, financial instruments with a fixed interest rate are not subject to any risks arising out of interest rate changes as defined in IFRS 7. The fair value of forward exchange contracts is not altered significantly by changes in the interest rate.

Liquidity risks

Liquidity risk is the risk that the DMG MORI 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 regularly informed about cash inflows and outflows as well as about financing sources. The liquidity risk is mitigated by creating the necessary financial flexibility within the scope of existing financing operations and through effective cash management. Liquidity risk at the DMG MORI group is governed by financial planning over twelve months. This makes it possible to finance predictable deficits under normal market conditions at standard market terms. On the basis of current liquidity planning, no liquidity risks are identifiable at present. As a liquidity precaution, the group has a syndicated loan facility of € 450.0 million with various banks as well as bilateral stand-by credits of € 55.6 million (previous year: € 71.7 million). In February 2016, a new syndicated loan amounting to € 500.0 million in total and with a five-year term was finalised. Thus, the syndicated loan due to expire in August 2016 was repaid in full. Loan facilities have not been cancelled either in financial year 2015 or in the previous year. The financing agreements for the syndicated loan obligate the DMG MORI group to comply with customary covenants. All covenants were complied with as of 31 December 2015.

P. 206 – 209
Financial Debts

As at 31 December 2015, the DMG MORI group had cash and cash equivalents totalling € 552.1 million (previous year: € 433.0 million), open cash lines in an amount of € 208.8 million (previous year: € 226.8 million) and further open lines (guarantees, bills of exchange and factoring) totalling € 271.9 million (previous year: € 232.1 million).

The following table shows contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with negative fair values:

		Cash flows 2016		Cash flows 2017 – 2020		Cash flows 2021 ff.	
	Book value 31 Dec. 2015	Interest	Repay-ment	Interest	Repay-ment	Interest	Repay-ment
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Liabilities to banks	46,828	806	5,772	2,003	40,193	242	863
Liabilities arising from leases	2,140	121	677	138	1,390	0	73
Discounted customers' bills	4,964	0	4,964	0	0	0	0
Trade creditors	360,753	0	360,753	0	0	0	0
Other financial liabilities	30,705	0	27,298	0	3,358	0	49
Subtotal	**445,390**	**927**	**399,464**	**2,141**	**44,941**	**242**	**985**
Liabilities from derivatives	2,360	0	2,360	0	0	0	0
	447,750	**927**	**401,824**	**2,141**	**44,941**	**242**	**985**

This includes all instruments that were held as at 31 December 2015 and 31 December 2014 respectively, and for which payments have been contractually agreed. Forecast figures for future new liabilities have not been included. Amounts in foreign currencies were translated at the exchange rate on the reporting date. The variable interest payments for financial instruments were determined on the basis of the last fixed interest rate before 31 December 2015 and 31 December 2014 respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date. It is expected that a significant part of the assets resulting from derivatives in the amount of € 146 K (previous year: € 22 K) as well as part of the liabilities resulting from derivatives in the amount of € 344 K (previous year: € 1,699 K) classified as cash flow hedges, will be recognised in the income statement over the next twelve months.

		Cash flows 2015		Cash flows 2016 – 2019		Cash flows 2020 ff.	
	Book value 31 Dec. 2014 € K	Interest € K	Repayment € K	Interest € K	Repayment € K	Interest € K	Repayment € K
Liabilities to banks	44,923	968	2,528	2,908	37,954	339	4,441
Liabilities arising from leases	3,642	176	1,998	204	1,571	1	73
Discounted customers' bills	7,233	0	7,233	0	0	0	0
Trade creditors	415,209	0	415,209	0	0	0	0
Other financial liabilities	28,102	0	26,573	0	1,469	0	60
Subtotal	**499,109**	**1,144**	**453,541**	**3,112**	**40,994**	**340**	**4,574**
Liabilities from derivatives	7,749	1,449	6,352	0	0	0	0
	506,858	**2,593**	**459,893**	**3,112**	**40,994**	**340**	**4,574**

Credit risks

A credit risk is the unexpected loss of payment funds or income. Such a credit risk occurs if the customer is not able to meet his obligations within the due date. The objective of the company is to mitigate or avoid these credit risks. Receivables management with global guidelines and regular analysis of the age structure of trade receivables ensures the continuous monitoring and mitigation of risks and, in this way, minimises losses from receivables. Due to the broad business structure within the DMG MORI group, there is no particular concentration of credit risks, either for customers or individual countries. The DMG MORI group is generally exposed to default risks which may cause impairments or in individual cases even bad debt. Bad debts within the group have historically been around 1% of receivables. In the financial year, expenses for the complete write down of receivables totalled € 6,583 K (previous year: € 1,263 K). The rise in expenses for bad debts from the previous year is attributable to the complete write-off of bad debts in an amount of € 5,582 K, already written down by € 2,174 K. Further details on financial risk assessment can be found in the section, Risk and Opportunity report in the management report.

Within the DMG MORI group, cash deposits are managed and coordinated centrally by DMG MORI AKTIENGESELLSCHAFT. Financial contracts are only concluded with banks carefully selected by us. We monitor credit rating (external rating) on a regular basis. Cash deposits are distributed at different banks, mainly our syndicated banks. With respect to derivative financial instruments, the DMG MORI group is exposed to a credit risk arising from the non-performance of contractual agreements by the other party to the agreement. This credit risk is only mitigated by entering into transactions with parties with good credit ratings. 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 of € 890,364 K arises as at the reporting date (previous year: € 933,678 K):

	31 Dec. 2015 € K	31 Dec. 2014 € K
Financial assets held for sale	21,415	154,557
Loans and receivables	308,897	338,606
Financial assets held to maturity	6,540	6,540
Cash and cash equivalents	552,127	432,996
Derivative financial assets		
Derivatives without hedge relation	1,239	957
Derivatives with hedge relation	146	22
	890,364	**933,678**

No securities received or other credit enhancements existed in the financial year or previous year.

40 OTHER INFORMATION FINANCIAL INSTRUMENTS

The carrying amounts of the financial instruments are shown in the following table by measurement category. Included in the financial investments are shareholdings which are classified as “available-for-sale”. Trade receivables include receivables from third parties, related companies, equity-accounted companies and associated companies. The same disclosure applies to trade payables. Details of other financial assets and liabilities are shown on the respective tables.

	Carrying amount 31 Dec. 2015	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. 2015
		Valuation in accordance to IAS 39					
	€ K	€ K	€ K	€ K	€ K	€ K	€ K
Assets							
Financial assets	21,415	21,415				–	0
Cash and cash equivalents	552,127	552,127				–	552,127
Trade receivables	241,410	241,410				–	241,410
Other financial assets	67,487	67,487				–	67,487
Other original financial assets in the category							
Held to maturity	6,540	6,540				–	6,540
Derivative financial assets							
Derivatives without hedge relation	1,239				1,239	–	1,239
Derivatives with hedge relation	146			146		–	146
Equity and liabilities							
Liabilities to banks	46,828	46,828				–	48,566
Discounted customer bills of exchange	4,964	4,964				–	4,964
Trade payables	360,753	360,753				–	360,753
Liabilities from finance lease arrangements	2,140					2,140	2,140
Other financial liabilities	30,705	30,705				–	30,705
Derivative financial liabilities							
Derivatives without hedge relation	2,016				2,016	–	2,016
Derivatives with hedge relation	344			344		–	344
Of which aggregated in measurement categories acc. to IAS 39							
Loans and receivables	861,024	861,024					861,024
Assets in the category							
held-to-maturity	6,540	6,540					6,540
available for sale	21,415	21,415					21,415
held for trading purposes	1,239				1,239		1,239
Liabilities in the category							
measured at amortised cost	445,391	445,391					447,128
held for trading purposes	2,016				2,016		2,016

		Valuation in accordance to IAS 39					
				Fair value			
	Carrying amount 31 Dec. 2014	Amortised cost	Acquisition cost	recognised in equity	through profit or loss	Valuation in accordance to IAS 17	**Fair value at 31 Dec. 2014**
	€ K	€ K	€ K	€ K	€ K	€ K	**€ K**
	154,557	21,415		133,142		–	133,142
	432,996	432,996				–	432,996
	260,289	260,289				–	260,289
	78,317	78,317				–	78,317
	6,540	6,540				–	6,540
	957				957	–	957
	22			22		–	22
	44,923	44,923				–	44,937
	7,233	7,233				–	7,233
	415,209	415,209				–	415,209
	3,642					3,642	3,642
	27,302	27,302				–	27,302
	6,050				6,050	–	6,050
	1,699			1,699		–	1,699
	771,602	771,602					771,602
	6,540	6,540					6,540
	154,557	21,415		133,142			133,142
	957				957		957
	498,309	498,309					498,309
	6,050				6,050		6,050

For financial instruments accounted at fair value, the fair value is always determined from stock market prices. If stock market prices are not available, this is measured by applying standard economic methods (measurement methods), taking instrument-specific market parameters as a basis.

Fair value is determined using the discounted cash flow method, where individual credit ratings and other market circumstances in the form of standard market credit or solvency spreads are taken into account in the cash value assessment.

Financial assets are measured at fair value or acquisition cost (if applicable, taking impairments into account).

No liquid markets exist for loans and receivables, which are measured at amortised acquisition costs. 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. Thus, the interest rates applied to loans are the same as those used for new loans with a similar risk structure, original currency and term.

Trade payables and other current financial liabilities generally have a maturity 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 determined as present values of the liability payments based on market interest rates and risk premiums.

Fair-Value-Hierarchie

As of 31 December 2015, the group held the financial assets and liabilities presented in the following table and measured at fair value.

The determination and classification of the 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 is broken down as follows:

Level 1: Quoted prices (adopted unadjusted) in active markets for identical financial assets and liabilities;
Level 2: Inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3: Input data used for measuring the asset or liability data not based on observable market data (unobservable input data).

	31 Dec. 2015			31 Dec. 2014		
	€ K	€ K	€ K	€ K	€ K	€ K
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets						
Measured at fair value						
Financial investments (not affecting net income)	0			133,142		
Derivative financial instruments with hedge relation (not affecting net income)		146			22	
Derivative financial instruments without hedge relation (affecting net income)		1,239			957	
Financial liabilities						
Measured at fair value						
Amounts owed to banks		42,352			41,647	
Derivative financial instruments with hedge relation (not affecting net income)		344			1,699	
Derivative financial instruments without hedge relation (affecting net income)		2,016			6,050	

In the financial year, no reclassification was made between Levels 1 and 2 in the measurement of fair value and no reclassification was made on or from Level 3 with respect to the measurement of fair value. There is no active market for financial assets amounting to € 21,415 K (previous year: € 21,415 K); a fair value could not be reliably determined. There are currently no plans to sell these financial assets.

As in the previous year, other financial assets include the purchase price for acquiring an option to buy shares amounted to € 6,540 K. A fair value could not be reliable determined, because no active market exists.

The net results of the financial instruments are shown below by valuation categories:

	From interest € K	Subsequent measuring			Disposal € K	2015 € K
		At fair value € K	Foreign currency translation € K	Value adjustment € K		
Loans and receivables	412	0	8,196	−4,942	251	3,917
Assets in the category						
Held to maturity	0	0	0	0	0	0
Available for sale	0	0	0	0	37,841	37,841
Held for trading purposes	0	282	0	0	0	282
Liabilities in the category						
Measured at amortised cost	−5,067	0	−6,539	0	0	−11,606
Held for trading purposes	−1,149	4,034	0	0	0	2,885
Total	**−5,804**	**4,316**	**1,657**	**−4,942**	**38,092**	**33,319**

	From interest	Subsequent measuring			Disposal	2014
	€ K				€ K	€ K
		At fair value	Foreign currency translation	Value adjustment		
		€ K	€ K	€ K		
Loans and receivables	424	−3,084	8,108	−4,096	2	1,354
Assets in the category						
Held to maturity	0	0	0	0	0	0
Available for sale	0	0	0	0	0	0
Held for trading purposes	0	−462	0	0	0	−462
Liabilities in the category						
Measured at amortised cost	−5,144	−34	−1,517	0	0	−6,695
Held for trading purposes	−2,399	−662	0	0	0	−3,061
Total	**−7,119**	**−4,242**	**6,591**	**−4,096**	**2**	**−8,864**

Interests from financial instruments are recognised in interest results. Allowance on trade receivables is recognised in other operating expenses. Interest results from financial liabilities in the valuation category "liabilities at amortised acquisition cost" are essentially attributable to interest expenses for amounts owed to banks. "Assets for sale" includes the shares in DMG MORI COMPANY LIMITED. In financial year 2015, there was a sale of shares in DMG MORI COMPANY LIMTED. As a result of the derecognition of assets, the change in value recognised directly in equity in an amount of € 17,238 K was reclassified from equity to profit and loss. The sale of shares in the financial year generated earnings before taxes of € 37,841 K. This is shown in net financial results.

Notes on the Cash Flow Statement

41 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 provides information on the inflow and outflow of the company's liquid funds. The payment flows are broken down into cash flow from current operations and cash flow from investment and financing activities.

Thus, in addition to liquid funds, cash and cash equivalents specifically include 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 using the indirect method through adjusting earnings before tax for changes in inventories, trade receivables 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 were adjusted accordingly. Investment transactions for finance lease agreements that did not lead to a change in payment method did not occur in financial year 2015, nor in the previous year. In financial year 2015, there was a cash inflow amounting to € 153,744 K from the sale of shares in DMG MORI COMPANY LIMITED. In the previous year, as part of the takeover of our cooperation partner's sales and service companies in Canada, Brazil and Russia by the DMG MORI group, cash or cash equivalents amounting to € 2,729 K were transferred and recognised in cash flow from investment activities. Detailed notes on the assets and liabilities transferred and consideration-in-kind are shown in the section "Business Combinations".

P. 169 – 173
Business combinations

In the financial year, deposits from minority shareholders amounting to € 739 K were recorded, which were attributable to the pro-rated increase of equity of DMG MORI Brasil LTDA by DMG MORI COMPANY LIMITED.

Joint ventures were accounted for at equity in the group consolidated financial statements and thus only have an impact on cash flows, if dividends are paid.

Notes on Segment Reporting

42 EXPLANATORY NOTES ON THE SEGMENTS

Within the scope of segment reporting, pursuant to the IFRS 8 regulations, the business activities of the DMG MORI 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.

P. 144 – 145
Segmental reporting

A tabular presentation as part of the notes can be found in the Segmental Reporting. The **"Machine Tools"** segment includes the group's new machine business with the Turning, Milling, Advanced Technologies (ULTRASONIC / LASERTEC), ECOLINE, Electronics and DMG MORI Systems divisions.

The "Machine Tools" segment includes the lathes and turning centres of

- GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
- GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy,
- GRAZIANO Tortona S.r.l., Tortona, Italy,
- FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
- DMG MORI ECOLINE AG, Winterthur, Switzerland,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK Machine Tools OOO, Ulyanovsk, Russia,

the milling machines and machining centres of

- DECKEL MAHO Pfronten GmbH, Pfronten,
- DECKEL MAHO Seebach GmbH, Seebach,
- FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
- DMG MORI ECOLINE AG, Winterthur, Switzerland,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK Machine Tools OOO, Ulyanovsk, Russia,

the ULTRASONIC and laser machines of Advanced Technologies

- SAUER GmbH, Idar-Oberstein / Kempten,

the products of

- DMG ELECTRONICS GmbH, Pfronten,

and the products of

- DMG MORI Systems GmbH, Wernau / Hüfingen.

All machines produced are classified as cutting machine tools, resulting in high alignment levels between business segments. GILDEMEISTER Beteiligungen GmbH is the parent company of all production plants and along with GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy, is also part of this segment. The group's corporate IT activities are also pooled here.

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

The Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business activities of DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld, and its subsidiaries.

In the Services division we combine marketing activities and LifeCycle Services for both our machines and those of our cooperation partner. DMG MORI LifeCycle Services help our customers to maximize the productivity of their machine tools over their entire life cycle – from commissioning through to part exchange as used machines.

The wide range of service agreements, maintenance and training services offered, guarantees our customers maximum cost-effectiveness for their machine tools. This includes placement and consulting activities. DMG MORI Microset tool management enables the user to set up processes for machining work pieces safely and quickly, and thus cost-effectively.

Another area is key accounting, where we support major international customers and which we have centralised to cover all products and areas.

The Energy Solutions division includes the business activities of GILDEMEISTER energy solutions GmbH (formerly: a+f GmbH) and the companies responsible for sales, service and production in Italy, Spain and Austria. In this area, we focus on the following business sectors: Energy Efficiency, Service, Components and Storage Technology. The company GILDEMEISTER energy storage GmbH (formerly: DMG Energie Speichertechnologie GmbH) offers products for storing energy. In the "Components" division, the DMG MORI 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 AKTIENGESELLSCHAFT with its group wide holding functions. DMG MORI AKTIENGESELLSCHAFT is assigned with corporate functions, 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 generate expenses and sales revenues.

43 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 group. Segment data is generally based on the same accounting and valuation methods that form the basis for the Consolidated Financial Statements.

Segmental assets include all operating assets including goodwill and deferred income or 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 in an amount of € 44,292 K (previous year: € 44,311 K), to the “Industrial Services” segment in an amount of € 90,043 K (previous year: € 90,862 K), and to the “Corporate Services” segment in an amount of € 0 K (previous year: € 0 K). As in the previous year, no impairment of goodwill was recorded for the financial year.

Investments include additions to intangible assets, property, plant and equipment and additions to financial assets.

Intersegment sales revenues show sales revenues made between the segments. The transfer prices for intra-group sales revenues are determined in line with the market (arm’s length principle).

Scheduled depreciation relates to segmental fixed assets.

EBT for the “Machine Tools” segment includes income from the release of provisions in the financial year of € 3,813 K (previous year: € 5,454 K). EBT for the “Industrial Services” segment includes income from the release of provisions in the financial year of € 5,385 K (previous year: € 3,570 K). Electricity yields from solar parks were recognised in the amount of € 774 K (previous year: € 2,966 K) as sales revenues and € 4,341 K (previous year: € 3,948 K) as other operating income.

In the “Corporate Services” segment, as in the previous year, € 838 K from the scheduled amortisation of transaction costs for financial instruments are included and an amount of € 559 K from the unscheduled elimination of transaction costs. The sale of shares in DMG MORI COMPANY LIMITED in financial year 2015 generated income of € 37,841 K, which is reported in the financial results.

No material non-cash expenses occurred in the other two segments.

In financial year 2015 and in the previous year, no transactions carried out with any one customer were more than 10% of the sales revenues of the DMG MORI group.

The “Transition” column shows the elimination of intra-group receivables and liabilities, income and expenses, as well as the elimination of intercompany profits between 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 are mainly attributable to fixed assets; they do not include financial instruments or deferred tax claims. As of 31 December 2015, the “Rest of Europe” region includes long-term assets in Italy in an amount of € 139,930 K (previous year: € 140,114 K) and in Russia in an amount of € 75,991 K (previous year: € 30,365 K). In the region of Asia, sales revenues with third parties were generated in an amount of € 231,433 K (previous year: € 220,371 K).

Other explanatory notes

44 AUDITOR'S FEES AND SERVICES

The fees and charges recognised as expenses in financial year 2015 for the auditor of the consolidated financial statements, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, relate to auditing services amounting to € 1,323 K (previous year: € 1,132 K) and other certification services amounting to € 836 K (previous year: € 348 K). These also include tax advisory services amounting to € 448 K (previous year: € 405 K) and other services amounting to € 1,030 K (previous year: € 530 K).

45 EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

In February 2016, an agreement was signed for a new syndicated credit line (see note 33). No other significant events occurred after the reporting date. No other events occurred before the financial statements were authorised for issue by the Executive Board on 8 March 2016.

46 INFORMATION OF RELATIONS WITH RELATED COMPANIES AND PERSONS

Related parties as defined by IAS 24 "Related Party Disclosures" are, in principle, members of the Executive and Supervisory Boards, close members of their families and subsidiaries that are not fully consolidated. Excluding compensation, these related parties were not involved in any significant or unusual transactions with companies of the DMG MORI group. All transactions with related companies and external third parties have been carried out under normal market conditions.

DMG MORI Australia Pty. Ltd. (financial year 31 March) is classified as a joint venture. DMG MORI Finance GmbH (financial year 31 March) and Magnescale Co. Ltd. are considered associates. As for the other material group companies within the group of consolidated companies belonging to DMG MORI COMPANY LIMITED, the financial year of Magnescale Co. Ltd. and its subsidiaries is equal to the reporting period of the DMG MORI group. Other related companies of the DMG MORI group are all companies which, with the exception of Magnescale Co. Ltd, belong to the group of consolidated companies of our cooperation partner, DMG MORI COMPANY LIMITED, Nagoya, the ultimate parent company within the DMG MORI group.

The sale of shares in DMG MORI COMPANY LIMITED in financial year 2015 generated deposits amounting to € 153,744 K. The shares were acquired by DMG MORI COMPANY LIMTED. The transaction is listed in goods and services provided.

P. 169 – 173
Business combinations

In the financial year, deposits by DMG MORI COMPANY LIMITED in an amount of € 739 K were attributable to a pro-rated equity increase for DMG MORI BRASIL LTDA. In the previous year, business operations were acquired from DMG MORI COMPANY LIMITED or other related companies as part of company mergers in the cooperation markets Canada, Brazil and Russia.

In the reporting year, provisions for doubtful debts in connection with outstanding balances for other related companies amounted to € 254 K (previous year: € 109 K) and for associated companies € 12 K (previous year: € 0 K). In financial year 2015, expenses for uncollectible or doubtful debts from other related companies were recognised in the amount of € 369 K (previous year: € 141 K) and from associated companies in the amount of € 12 K (previous year: € 0 K). In the previous year, expenses recorded for uncollectible or doubtful debts from joint ventures amounted to € 71 K. As in the previous year, no licences were acquired from other related companies during the reporting year. The licences acquired from previous years are capitalised as industrial property rights and similar rights and are amortised over a five-year period from the time of their utilisation using the straight-line method.

The following transactions were carried out with related companies:

SALE OF GOODS	2015 € K	2014 € K
Associates	97,719	93,290
Joint ventures	4,217	1,703
DMG MORI COMPANY LIMITED	192,872	–
Other related companies	152,981	137,581

PURCHASE OF GOODS	2015 € K	2014 € K
Associates	8,222	4,288
Joint ventures	15	36
DMG MORI COMPANY LIMITED	98,410	–
Other related companies	207,544	291,768

The goods and services rendered and received with related companies are primarily attributable to the purchase and sale of machine tools and other services. The disclosure of receivables and liabilities from other related companies is shown under the correspon-ding notes on the balance sheet items. The balances are normally settled within a two month period. No guarantees and securities were granted to or received by related companies.

P. 43 – 52
Remuneration Report

P. 176 – 177
Personnel costs

Detailed disclosures on the remuneration structure for members of the Executive and Supervisory Boards can be found in the remuneration report of the Management Report. The management in key positions comprises the members of the Executive and Supervisory Board. Remuneration is explained in the section on employee expenses; note that indirect remuneration includes benefits after the end of the employment relationship, LTI other long-term benefits. For management members in key positions, benefits amounting to

€ 1,393 K were set aside as of 31 December 2015 due to the termination of an employment contract. During the financial year, the Institute for Manufacturing Excellence GmbH, where Prof. Dr.-Ing. Klinkner is a managing partner, was paid consultancy fees of € 1,529 K (previous year: € 1,483 K). As of 31 December 2015, outstanding debts amounted to € 109 K (previous year: € 112 K).

47 DUTY OF NOTIFICATION PURSUANT TO SECTION 26 WPHG

The statutory notifications pursuant to Section 26 WPHG are stated in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

48 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 November 2015 and has been made permanently accessible on our website at www.dmgmori.com.

49 TENDER OFFER AND SHAREHOLDERS STRUCTURE

On 21 January 2015, DMG MORI COMPANY LIMITED announced its plans to submit a public tender offer for the outstanding shares of DMG MORI AKTIENGESELLSCHAFT. The regular acceptance period commenced on 11 February 2015 and ended on 13 April 2015. The tender offer was accepted for 9,377,464 DMG MORI AG shares. This was an 11.90% share of the share capital and voting rights of DMG MORI AKTIENGESELLSCHAFT. The total number of shares held by the bidder and companies acting jointly with the bidder on the reporting date – plus the tendered shares – amounted to 41,408,563. This was a 52.54% share of the share capital and voting rights of DMG MORI AKTIENGESELLSCHAFT. In the course of the voluntary public tender offer by DMG MORI COMPANY LIMITED, the amount of DMG MORI AG free float shares was reduced accordingly in 2015. According to the voting rights announcements communicated as of 31 December 2015, three companies held more than 3% of voting rights. Thus, DMG MORI COMPANY LIMITED, Nagoya (Japan), held a 52.54% voting share in the company's share capital. According to the most recent voting rights announcement, Paul Singer / Elliott Asset Management and affiliates held 15.16% of the share capital. The UBS Group AG, Zürich and affiliates held a total voting share of 4.87%, which is broken down as follows: Voting shares from (financial / other) instruments pursuant to Section 25a WPHG (German Securities Trading Act): 1.37%, voting shares pursuant to Section 25 para. 1 WPHG: 1.49% and voting shares pursuant to Sections 21, 22 WPHG: 2.01%.

A further increase in the shareholding of DMG MORI COMPANY LIMITED to 60.67% was also recognised as of 31 December 2015, as shown in the annual financial results of DMG MORI COMPANY LIMITED issued on 10 February 2016.

DMG MORI Group Companies

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS SUBSIDIARIES (FULLY CONSOLIDATED COMPANIES)	National currency	Equity [1]	€ K	Participation quota in %
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,866	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			78,427	100.0
SAUER GmbH, Stipshausen / Idar-Oberstein [3/7/8]			7,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			2,559	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	125,315	17,748	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/5/6]			24,000	100.0
GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy [5]			99,370	100.0
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			35,190	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			27,029	100.0
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9] (previously: DMG Service Drehen Italia S.r.l.)			1,216	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [9]			1,501	100.0
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [9]			16,710	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			43,000	100.0
DMG Electronics GmbH, Pfronten [3/5/6]			1,100	100.0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6/30]			25,000	100.0
Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5]	RUB K	5,989,476	74,243	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			54	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			129	100.0
DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER, Bielefeld [2/3/4]			244,059	100.0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11/30]			63,968	100.0
DMG MORI München GmbH, Munich [3/4/12/13/30]			5,000	100.0
DMG MORI Hilden GmbH, Hilden [3/4/12/13/30]			4,200	100.0
DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13/30]			2,800	100.0
DMG MORI Berlin GmbH, Berlin [3/4/12/13/30]			3,400	100.0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13/30]			2,700	100.0
DMG MORI Hamburg GmbH, Hamburg [3/4/12/13/30]			2,100	100.0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13/30]			7,000	100.0
DMG MORI Services GmbH, Bielefeld [3/4/10/11/30]			29,635	100.0
DMG MORI Microset GmbH, Bielefeld [3/4/14/15]			1,405	100.0
DMG MORI Global Service Turning GmbH, Bielefeld [3/4/14/15] (previously: DMG Service Drehen GmbH DECKEL MAHO GILDEMEISTER)			1,700	100.0
DMG MORI Global Service Milling GmbH, Pfronten [3/4/14/15] (previously: DMG Service Fräsen GmbH)			3,500	100.0
DMG MORI Academy GmbH, Bielefeld [3/4/14/15/30]			4,000	100.0
DMG MORI Systems GmbH, Wernau [3/4/14/15]			2,600	100.0
DMG MORI Used Machines GmbH, Geretsried [3/4/14/15/30]			17,517	100.0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10] (previously: DMG Netherlands B.V.)			348,885	100.0
antiquitas Verwaltungsgesellschaft mbH, Klaus, Austria [16] (previously: Cellstrom GmbH)			11,191	100.0
DMG ECOLINE GmbH, Klaus, Austria [22]			2,849	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
GILDEMEISTER energy storage GmbH, Vienna, Austria [16] (previously: DMG Energie Speichertechnologie GmbH)			11,068	100.0
DMG MORI ECOLINE Holding AG, Winterthur, Switzerland [16/30]			103,890	100.0
DMG MORI ECOLINE AG, Winterthur, Switzerland [27/30]			1,227	100.0
FAMOT Pleszew Sp.z o.o., Pleszew, Poland [27]	PLN K	302,359	70,911	100.0
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [16] (previously: DMG Holding AG)	CHF K	273,964	252,851	100.0
DMG MORI Europe AG, Winterthur, Switzerland [17/30]			246,227	60.0
DMG MORI Austria International GmbH, Klaus, Austria [18/30]			1,318	100.0
DMG MORI Austria GmbH, Klaus, Austria [19/30]			10,337	100.0
DMG MORI BENELUX B.V., Veenendaal, Netherlands [18/30]			5,349	100.0
DMG MORI Benelux BVBA – SPRL., Zaventem, Belgium [18/30]			2,788	100.0
DMG MORI Czech s.r.o., Brno, Czech Republic [18/30]	CZK K	179,621	6,647	100.0
DMG MORI DENMARK ApS, Copenhagen, Denmark [18/30]	DKK K	20,003	2,680	100.0
DMG MORI FRANCE SAS, Paris, France [18/30]			14,032	100.0
DMG MORI Hungary Kft., Budapest, Hungary [18] (previously: DMG / MORI SEIKI Hungary Kereskedelmi és Szerviz Kft.)			4,900	100.0
DMG MORI IBERICA S.L.U., Ripollet, Spain [18/30]			10,513	100.0
DMG MORI Italia S.r.l., Milan, Italy [18/30]			39,063	100.0
DMG MORI SEIKI MIDDLE EAST FZE, Dubai, United Arab Emirates [18]	AED K	6,875	1,719	100.0
DMG MORI Israel Ltd., Tel Aviv, Israel [18]	ILS K	0	0	100.0
DMG MORI POLSKA Sp.z o.o., Pleszew, Poland [18/30]	PLN K	34,018	7,978	100.0
DMG MORI Schweiz AG, Winterthur, Switzerland [18/30]	CHF K	11,531	10,642	100.0
DMG / MORI GREECE M.E.P.E., Thessaloniki, Greece [18] (previously: DMG / MORI SEIKI South East Europe M.E.P.E.)			402	100.0
DMG MORI Sweden AB, Gothenburg, Sweden [18/30]	SEK K	71,813	7,815	100.0
DMG MORI NORWAY AS, Langhus, Norway [18] (previously: DMG Scandinavia Norge AS)	NOK K	9,198	958	100.0
DMG MORI Finland Oy Ab, Tampere, Finland [18]			2,122	100.0
DMG MORI UK Limited, Luton, Great Britain [18/30]	GBP K	20,066	27,340	100.0
MORI SEIKI (UK) Limited, Coventry, Great Britain [20]	GBP K	0	0	100.0
DMG MORI ROMANIA S.R.L., Bukarest, Romania [18/30]	RON K	12,949	2,862	100.0
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [18]	BGN K	0	0	100.0
DMG MORI Management AG, Winterthur, Switzerland [17/30]	CHF K	2,708	2,499	100.0
DMG MORI Europe Holding AG, Winterthur, Switzerland [17/30]			59,533	100.0
DMG MORI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey [21/30]	TRY K	14,946	4,705	100.0
DMG MORI Rus OOO, Moscow, Russia [21/30]	RUB K	1,410,876	17,489	90.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [21]	EGP K	200	23	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [21]	EGP K	200	23	100.0
DMG Mori Seiki Egypt for Machines Trading & Services, Cairo, Egypt [28]	EGP K	– 583	– 68	100.0

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES, PROCUREMENT / COMPONENTS	National currency	Equity [1]	€ K	Participation quota in %
DMG MORI SEIKI CANADA INC., Toronto, Canada [17]	CAD K	17,239	11,404	51.0
DMG MORI SEIKI ELLISON CANADA INC., Vancouver, Canada [26]	CAD K	17,786	11,766	67.0
DMG MORI BRASIL COMÉRCIO DE EQUIPAMENTOS INDUSTRIAIS LTDA., São Paulo, Brasil [17/30]	BRL K	236	55	51.0
DMG MORI Singapore Pte. Ltd., Singapore [17] (previously: DMG Mori Seiki South East Asia Pte. Ltd.)	SGD K	25,493	16,535	51.0
DMG MORI MALAYSIA SDN. BHD., Shan Alam / Selangor, Malaysia [23/30]	MYR K	10,831	2,306	100.0
DMG MORI Vietnam Co. Ltd., Hanoi, Vietnam [23/30]	VND K	17,089,885	701	100.0
DMG America Inc., Itasca, USA [17]	USD K	39,925	36,672	100.0
DMG MORI MEXICO S.A. de C.V., Queretaro, Mexico [24/30]	MXN K	148,629	7,858	51.0
DMG Asia Pte. Ltd., Singapore [17]			24,580	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [17]	CNY K	5,983	847	100.0
DMG MORI Taiwan Co. Ltd., Taichung, Taiwan [17/30]	TWD K	112,258	3,140	100.0
DMG MORI KOREA CO., LTD., Siheung-si / Gyeonggi-do, Korea [17/30]	KRW K	9,881,682	7,715	100.0
DMG MORI India Private Limited, Bangalore, India [17] (previously: DMG MORI SEIKI INDIA MACHINES AND SERVICES PRIVATE LIMITED)	INR K	475,574	6,603	51.0
DMG MORI SEIKI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	106,008	15,014	100.0
GILDEMEISTER energy solutions GmbH, Würzburg [3/4/10/11] (previously: a+f GmbH)			52,100	100.0
GILDEMEISTER energy efficiency GmbH, Stuttgart [25]			104	60.0
GILDEMEISTER ENERGY SERVICES IBERICA, SOCIEDAD LIMITADA, Madrid, Spain [25]			239	100.0
Simon Solar S.r.l., Milan, Italy [25]			1,776	100.0
Rena Energy S.r.l., Milan, Italy [25]			991	100.0
Winch Puglia Foggia S.r.l., Milan, Italy [25]			1,607	100.0
Cucinella S.r.l., Milan, Italy [25]			367	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 Australia Pty. Ltd., Clayton Victoria, Australia [30]	AUD K	5,429	3,644	50.0
Associates				
DMG MORI Finance GmbH, Wernau			22,105	42.6
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	6,496,000	49,561	44.1
Magnescale Europe GmbH, Wernau [29]			2,330	44.1
Magnescale Americas, Inc., Davis, USA [29]	USD K	1,033	949	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 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 Deutschland GmbH
13) Management and profit and loss transfer agreement with DMG MORI Deutschland GmbH
14) Equity investment of DMG MORI Services GmbH
15) Management and profit and loss transfer agreement with DMG MORI Services GmbH
16) Equity investment of DMG MORI Netherlands Holding B.V.
17) Equity investment of DMG MORI Sales and Service Holding AG
18) Equity investment of DMG MORI Europe AG
19) Equity investment of DMG MORI Austria International GmbH
20) Equity investment of DMG MORI UK Limited
21) Equity investment of DMG MORI Europe Holding AG
22) Equity investment of antiquitas Verwaltungsgesellschaft mbH
23) Equity investment of DMG MORI Singapore Pte. Ltd.
24) Equity investment of DMG America Inc.
25) Equity investment of GILDEMEISTER energy solutions GmbH
26) Equity investment of DMG MORI SEIKI CANADA INC.
27) Equity investment of DMG MORI ECOLINE Holding AG
28) Equity investment of DMG Egypt for Trading in Machines Manufactured LLC (50%) and Mori Seiki Egypt for Trading in Machines & Equipments LLC (50%)
29) Subsidiary of Magnescale Co. Ltd.
30) Renaming in the financial year 2015

Corporate directory

Supervisory Board

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

Prof. Dr.-Ing. Raimund Klinkner,
Munich, born in 1965,
Chairman,
Managing partner, INSTITUTE FOR MANUFACTURING EXCELLENCE GmbH
* Terex Corporation, Westport Conneticut, USA,
Member of Board of Directors

Hermann Lochbihler,
Vils, born in 1956,
1st Deputy Chairman,
Director of purchasing for DECKEL MAHO Pfronten GmbH,
Senior Executives' representative

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

Dr. Helmut Rothenberger,
Frankfurt, born in 1949,
Member and Deputy Chairman,
Chairman of the management of Dr. Helmut Rothenberger Holding GmbH,
• AUTANIA AG, Chairman of Supervisory Board,
• Rothenberger AG,
Chairman of Supervisory Board,
• PEIKER ACUSTIC GmbH & Co. KG,
Chairman of Supervisory Board

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,
• Vonovia SE,
Member of the Supervisory Board,
• TUI AG, Hanover,
Member of the Supervisory Board,
• Wincor Nixdorf AG, Paderborn,
Member of the Supervisory Board

Ulrich Hocker,
Düsseldorf, born in 1950,
General Manager of Deutsche Schutzvereinigung für Wertpapierbesitz e.V.,
• FERI AG, Bad Homburg,
Deputy Chairman of the Supervisory Board,
* Phoenix Mecano AG, Stein am Rhein, Switzerland, President of the Administrative Board

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

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

Dietmar Jansen,
Memmingen, born in 1965,
1st Director and Treasurer of IG Metall office Allgäu,
* AGCO GmbH, Marktoberdorf,
Deputy Chairman of Supervisory Board

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

Matthias Pfuhl,
Schmerbach, born in 1960,
Supply Technician,
Member of the Works Council at DECKEL MAHO Seebach GmbH

Peter Reinoss,
Bergisch Gladbach, born in 1958,
Electronic service technician,
Works Council Chairman at DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER,
Member of the Group Workers Council at DMG MORI AKTIENGESELLSCHAFT

Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza,
Vaduz, Liechtenstein,
Chairman,
* Zumtobel AG, Dornbirn, Austria,
Member of the Supervisory Board
since 24 July 2015

Dipl.-Kfm. Dr. Thorsten Schmidt,
Bielefeld,
Deputy Chairman,
until 31 December 2015

Dipl.-Kfm. Björn Biermann,
Bielefeld,
since 27 November 2015

Dipl.-Kfm. André Danks,
Herne,
until 26 November 2015

Dipl.-Kfm. Dr. Maurice Eschweiler,
Bielefeld

Dipl.-Kfm. Christian Thönes,
Bielefeld

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, 8 March 2016
DMG MORI AKTIENGESELLSCHAFT
Executive Board

Dipl.-Kfm. Dr. Rüdiger Kapitza

Dipl.-Kfm. Björn Biermann

Dipl.-Kfm. Dr. Maurice Eschweiler

Dipl.-Kfm. Christian Thönes

Auditor's report

We have audited the consolidated financial statements prepared by the DMG MORI AKTIENGESELLSCHAFT, Bielefeld (until 5 June 2015: DMG MORI SEIKI AKTIENGESELLSCHAFT), comprising the consolidated income statement, consolidated statement of other comprehensive income, the consolidated balance sheet, consolidated cash flow statement, the development to group equity and the notes to the consolidated financial statements, together with the group management report for the business year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and 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 financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Berlin, 8 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Tonne	Bröker
Auditor	Auditor

Group Overview
Multiple Year Overview

DMG MORI GROUP		IFRS							Changes against previous year in %
		2009	2010	2011	2012*	2013	2014	2015	
Sales revenues	**€ K**	**1,181,222**	**1,376,825**	**1,687,657**	**2,037,362**	**2,054,219**	**2,229,013**	**2,304,721**	**3**
Domestic	€ K	496,475	499,124	632,578	722,126	676,483	779,218	762,079	–2
International	€ K	684,747	877,701	1,055,079	1,315,236	1,377,736	1,449,795	1,542,642	6
% International	%	58	64	63	65	67	65	67	
Total work done	**€ K**	**1,143,645**	**1,373,542**	**1,743,556**	**2,055,065**	**2,060,978**	**2,262,302**	**2,351,957**	**4**
Cost of materials	€ K	559,783	768,148	952,693	1,129,323	1,086,677	1,190,026	1,211,417	2
Personnel costs	€ K	346,025	333,150	384,704	440,408	465,232	506,145	545,457	8
Depreciation	€ K	29,119	29,456	33,605	40,913	46,345	49,883	57,181	15
Financial result	€ K	–24,733	–38,045	–46,076	–13,740	–13,449	–7,892	30,763	490
Earnings before taxes	**€ K**	**7,109**	**6,532**	**66,893**	**120,097**	**135,014**	**175,313**	**217,261**	**24**
Annual profit / loss	**€ K**	**4,706**	**4,300**	**45,539**	**82,359**	**93,205**	**121,065**	**159,585**	**32**
Adjusted results									
EBITDA	**€ K**	**60,961**	**74,436**	**146,102**	**173,828**	**193,944**	**232,512**	**243,039**	**5**
EBIT	**€ K**	**31,842**	**44,980**	**112,497**	**132,915**	**147,599**	**182,629**	**185,858**	**2**
EBT	**€ K**	**7,109**	**6,532**	**66,893**	**120,097**	**135,014**	**175,313**	**217,261**	**24**
Profit share of shareholders in DMG MORI AG	**€ K**	**4,658**	**4,205**	**46,846**	**77,294**	**85,077**	**110,575**	**149,396**	**35**
Fixed assets	**€ K**	**326,024**	**365,339**	**403,925**	**500,697**	**718,447**	**810,927**	**742,773**	**–8**
Intangible assets	€ K	100,149	112,757	132,354	184,598	192,817	213,981	209,911	
Tangible assets	€ K	197,354	201,807	218,025	263,174	317,341	395,232	463,733	
Financial assets	€ K	28,521	50,775	53,546	52,925	208,289	201,714	69,129	
Current assets incl. deferred tax and deferred income	**€ K**	**826,630**	**992,188**	**967,883**	**1,117,800**	**1,291,598**	**1,418,882**	**1,541,102**	**9**
Inventories	€ K	391,235	410,289	451,986	486,259	483,840	495,297	522,259	
Receivables incl. deferred tax assets + prepaid expenses	€ K	350,955	470,130	410,746	458,213	436,609	490,589	466,716	
Cash and cash equivalents	€ K	84,440	111,769	105,151	173,328	371,149	432,996	552,127	
Equity	**€ K**	**380,815**	**412,893**	**655,158**	**775,355**	**1,164,441**	**1,266,151**	**1,357,474**	**7**
Subscribed capital	€ K	118,513	118,513	151,744	151,744	200,234	204,927	204,927	
Capital provisions	€ K	80,113	80,113	257,177	257,177	480,383	498,485	498,485	
Revenue provisions	€ K	182,427	207,704	234,137	281,825	389,442	427,982	507,487	
Minority interests' share of equity	€ K	–238	6,563	12,100	84,609	94,382	134,757	146,575	9
Outside capital	**€ K**	**771,839**	**944,634**	**716,650**	**843,142**	**845,604**	**963,658**	**926,401**	**–4**
Provisions	€ K	188,051	179,289	196,703	254,371	258,984	276,644	293,830	
Liabilities incl. deferred tax liabilities + deferred income	€ K	583,788	765,345	519,947	588,771	586,620	687,014	632,571	
Balance Sheet total	**€ K**	**1,152,654**	**1,357,527**	**1,371,808**	**1,618,497**	**2,010,045**	**2,229,809**	**2,283,875**	**2**
Employees (annual average)		5,763	5,187	5,576	6,149	6,410	6,815	7,034	3
Employees (31 Dec.)		5,197	5,232	5,810	6,267	6,497	6,918	7,142	3
Trainees		253	213	222	229	225	248	320	29
Total employees		**5,450**	**5,445**	**6,032**	**6,496**	**6,722**	**7,166**	**7,462**	**4**

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

DMG MORI GROUP		2009	2010	2011	2012 *	2013	2014	2015	Changes against previous year in %
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	2.7	3.3	6.7	6.5	7.2	8.2	8.1	−2
Profit on sales (EBT) = EBT / Sales revenues	%	0.6	0.5	4.0	5.9	6.6	7.9	9.4	20
Profit on sales (Annual result) = Annual result / Sales revenues	%	0.4	0.3	2.7	4.0	4.5	5.4	6.9	27
Equity return = Annual result / Equity (as of 01 Jan.)	%	1.2	1.1	11.0	12.6	12.0	10.4	12.6	21
Return on total assets = EBT + interest on borrowed capital / average total assets	%	2.8	3.7	8.5	9.2	8.1	8.8	10.1	14
ROI – Return on Investment = EBT / average total capital	%	0.6	0.5	4.9	8.0	7.4	8.3	9.6	16
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	205.0	265.4	302.7	331.3	320.5	327.1	327.7	0
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	5.5	8.7	20.2	21.6	23.0	26.8	26.4	−1
ROCE – Return on capital employed = EBIT / Capital Employed	%	3.9	5.6	14.4	15.3	13.8	15.7	16.1	3
Value added	€ million	378.8	378.9	497.9	574.2	613.8	689.8	770.8	12
Value added per employee	€ K	65.7	73.0	89.3	93.4	95.8	101.2	109.6	8
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	28.3	26.9	29.4	30.9	35.7	36.4	32.5	−11
Working intensity of current assets = current assets / total assets	%	68.2	69.5	67.1	65.7	61.3	60.8	64.6	6
Equity ratio = equity / total capital	%	33.0	30.4	47.8	47.9	57.9	56.8	59.4	5
Borrowed capital ratio = borrowed capital / total assets	%	67.0	69.6	52.2	52.1	42.1	43.2	40.6	−6
Assets and liabilities structure = fixed assets / current assets	%	41.5	38.7	43.9	47.1	58.4	59.8	50.3	−16
Capital structure = equity / outside capital	%	49.3	43.7	91.4	92.0	137.7	131.4	146.5	12

>> to be continued

DMG MORI GROUP		2009	2010	2011	2012 *	2013	2014	**2015**	Changes against previous year in %
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	19.3	19.6	20.0	28.5	60.2	62.5	83.4	33
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	90.3	93.4	89.1	94.8	121.2	124.4	144.1	16
3rd class liquidity = liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	169.8	148.3	150.8	149.2	175.7	175.9	202.9	15
Net financial liabilities = bank liabilities + bond / borrower's note − liquid funds	€ million	244.9	208.4	−71.2	−161.0	−356.4	−380.8	−500.3	31
Gearing = net financial liabilities / equity	%	64.3	50.5	–	–	–	–	–	–
Working Capital = current assets − short-term borrowed capital	€ million	339.0	295.7	283.6	299.0	466.6	525.5	681.1	30
Net Working Capital 1) = inventories + payments on account − customer prepayments + trade debtors − trade creditors − notes payable	€ million	445.7	354.4	271.3	221.3	196.8	189.5	261.6	38
Capital Employed = equity + provisions + net financial liabilities	€ million	813.7	800.6	780.7	868.7	1,067.0	1,161.9	1,151.0	−1
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		3.0	3.9	4.3	5.0	4.8	5.5	5.5	0
Turnover rate of inventories = sales revenues / inventories		3.0	3.4	3.7	4.2	4.2	4.5	4.4	−2
Turnover rate of receivables = sales revenues (incl. 19% VAT on domestic revenues) / average trade debtors		4.9	5.4	6.9	9.8	10.1	10.3	9.8	−5
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)		1.0	1.0	1.2	1.3	1.0	1.0	1.0	0
DSO (Days sales outstanding) = average trade debtors / (sales revenues (incl. 19% VAT on domestic revenues)) x 365		75.2	67.7	52.6	37.2	36.1	35.6	37.4	5

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

DMG MORI GROUP		2009	2010	2011	2012*	2013	2014	2015	Changes against previous year in %
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	48.9	55.9	54.6	55.0	52.7	52.6	51.5	−2
Intensity of staff = Personnel costs / Total work done	%	30.3	24.3	22.1	21.4	22.6	22.4	23.2	4
Cash flow & Investments									
Cash flow from current operations	€ million	−75.2	74.6	161.0	168.7	171.1	170.6	142.7	−16
Cash flow from investment activity	€ million	−56.5	−40.3	−80.6	−63.0	−160.1	−145.3	18.9	113
Cash flow from financing activity	€ million	−42.3	−8.3	−86.7	−39.2	189.5	39.0	−44.3	−214
Free Cashflow = cash flow from current operation + cash flow from investment activity (exc. Cash flow from financial investments and payments to plant, property and equipment which are financed with loans)	€ million	−100.5	45.3	95.2	99.1	67.3	86.1	32.0	−63
Investments	€ million	57.8	50.0	89.7	74.5	213.5	159.0	130.6	−18
Share & valuation									
Market capitalisation	€ million	516.4	761.2	586.6	917.6	1,824.6	1,852.2	3,001.4	62
Company value = Market capitalisation + bank liabilities + bond liabilities / borrowers' note + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	846.3	1,066.0	600.5	867.8	1,585.0	1,597.5	2,624.0	64
Earnings per share = result after minority interests / number of shares	€	0.10	0.09	0.85	1.32	1.33	1.41	1.90	34
Price-to-earnings ratio (P / E) = market capitalisation / EBT		72.6	116.5	8.8	7.6	13.5	10.6	13.8	31
Company value-EBITDA-ratio = company value / EBITDA		13.9	14.3	4.1	5.0	8.2	6.9	10.8	57
Company value-EBIT-ratio = company value / EBIT		26.6	23.7	5.3	6.5	10.7	8.7	14.1	61
Company value sales ratio = company value / sales revenues		0.7	0.8	0.4	0.4	0.8	0.7	1.1	59

1) Since 01 January 2012 including notes payable

Commercial Glossary

Acquisition
The acquisition of companies or operations either through the transfer of shares or the transfer of all or certain assets and liabilities of a company or through a combination of both. The legal independence of the partners may be preserved.

At Equity
The equity method is a way of presenting the accounts to account for shares in and business relationships with associated companies and joint ventures in single entity and consolidated financial statements.

Aval lines / Aval tranches
An "aval" line (from the Italian "avallo" – endorsement) in banking terms is the making available of a surety, guarantee or other warranty by a bank on behalf of bank customers as part of a credit transaction. "Aval tranche" refers to a partial amount.

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.

Corporate Governance
The responsible management and control of companies geared towards the creation of long-term value.

COSO Framework
The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a voluntary private sector organisation in the USA, which is intended to assist in improving the quality of financial reporting through ethical business practice, effective controls and good corporate management.

Covenants
Additional or supplementary stipulations in credit agreements. The borrower agrees to observe specific indices. If these are breached the agreement may be terminated.

Deferred Taxes
Inter-period differences between calculated taxes on profit or loss from a commercial and tax balance sheet, with the object of showing tax expenditure in accordance with the correct commercial result.

Directors' Dealing
Dealings in securities in their own company by members of the management of listed companies or by persons or companies closely associated with them.

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.

Exchange Rates

EXCHANGE RATES OF THE VDW		1 EURO = …	
		2014	2015
China (adjusted)	RMB.¥	8.1857	6.9733
India	IR	81.0406	71.1956
Japan	¥	140.31	134.31
Mexico	MEX$	17.655	17.6157
Russia	RBL	50.9518	68.072
South Korea	WON	1398.14	1256.54
Switzerland	SFR	1.2146	1.0679
Taiwan	NT$	40.227	35.26
USA	US-$	1.3285	1.1095
Thailand	B	43.147	38.028

Source: VDW, German Machine Tool Builders' Association; status: 22 February 2016

Fair Value
"Fair value" is the amount at which an asset can be transferred or a liability settled between experts, willing parties and independent business partners (arm's length transaction).

Free Cash flow
The free cash flow is defined as the balance of the cash flow from operating activities and the cash flow from investing activities, while payments entered to financial assets and payments to plant, property an equipment, which are financed with loans, remain outside of consideration.

Free Float
Part of the share capital in portfolio investments.

Gearing
Gearing expresses the debt to equity ratio.

IFRS / IAS
The **I**nternational **F**inancial **R**eporting **S**tandards are internationally applicable accounting standards for companies. They ensure international comparability of group accounts. The individual sections of the IFRS are called IAS (International Accounting Standards) or IFRS (International Financial Reporting Standards).

LTI
Long-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board (**L**ong **T**erm **I**ncentive)

Market Capitalisation
This is the current price of a listed company. It is determined by the share's market value multiplied by the total number of shares.

Net Working Capital
The term net working capital is a customary key performance indicator in accounting.

Option
An option bond or loan is an instrument of indebtedness that grants the holder additional rights, more specifically it is a security bearing interest that besides the right to payment (interest and repayment of the principle) also has a right to be converted into shares (subscription right).

Performance Units Model
This model is a customary arrangement for the LTI (long-term incentive) for members of the Executive Board. The model determines a number of performance units for each member of the Executive Board on the basis of an assumed amount of money and the company's share price. These performance units, or rather virtual shares, are not entitled to any dividends or voting rights. The units may not be traded or sold to any third party. Following expiry of the relevant period, the LTI payment amount is calculated from the number of units. This takes account of the company's share performance and whether set targets regarding the EAT of the company have been achieved.

Personnel ratio
Expense for personnel in the financial year relative to the overall performance in the financial year.

Plenum
The full assembly or meeting as far as possible of all members / committees of an institution.

Rating
A periodic standardised assessment of risk and credit standing of issuers and the securities issued by them. Ratings are performed by specialised, generally approved agencies.

ROCE
Return on capital employed: ebit to equity, provisions and net indebtedness.

Sourcing
Is a general term for all types of resource procurement at the company.

Statement of cash flows
A snapshot of the liquidity development / cash flows taking the sources and uses of the funds into consideration.

STI
Short-term, variable remuneration component for members of the Execution Board and Supervisory Board. It is performance-related and based on different parameters for the Execution Board and the Supervisory Board (**S**hort **T**erm **I**ncentive).

Surplus funds
Surplus of liquid funds at the end of the financial year compared to the total of long-term and short-term financial debts as at the end of the financial year.

Syndicated loan
A credit facility that is granted jointly by several banks.

Tranche
A term to describe the partial amount of a whole.

Value at Risk measure
The term "value at risk"(VaR) is the risk measure of the risk of loss on a specific portfolio of financial assets over a given time. The VaR states the given probability level that the loss on the portfolio will exceed a given value over a given time horizon.

Value Added Statement
The value added statement presents the difference between the company's output and the consumption of products and services in terms of value. The distribution statement shows the stake of those participating in the value-added process – employees, companies, lenders, shareholders / minority interests and government.

Technical Glossary

Additive
Auxiliary materials (admixtures) which are added to products in small quantities in order to achieve or improve specific properties are known as additives.

App
An “app” (English abbreviation for application) is a user programme for smart phones.

CAD
Computer Aided Design (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 (**c**omputer-**a**ided **m**anufacturing) by means of special software.

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 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 group, characterized by the three functions: “communication”, “cooperation” and “competence” and striving for enhanced competitiveness.

CTX
The modular CTX product line provides a differentiated programme of CNC universal lathes with a variety of innovative options for numerous machining tasks.

DMC FD
Production milling machine in the successful monoBLOCK® and duoBLOCK® series with facilities for milling and turning in a clamping process with a directly-driven DirectDrive table.

DMC H
The DMC H product line provides horizontal machining centres with high dynamics and precision for a wide range of uses, from fast serial production to heavy cutting with highest precision.

DMG MORI 15/30
Energy-saving programme with the goal of saving a total of 30% of energy used by 2015.

DMU
This product line with its well-developed programme of CNC universal milling machines for 5-sided machining offers a good starting point into modern milling.

DMU eVolution
DMU eVo series from DECKEL MAHO Seebach; universal milling machines for 5-sided / 5-axis processing

duoBLOCK®
The patented duoBLOCK® construction combines the advantages of a travelling column construction with those of a gantry construction and through its construction that is stable against thermal deformation, guarantees maximum precision, stiffness and dynamics.

ECOLINE-Machines
The DMG ECOLINE machines offer reasonably priced yet technologically high-quality entry to CNC turning or milling. The universal lathes and milling machines are characterised by their low acquisition cost, as well as their cost-effectiveness and flexibility.

Electronics
The Electronics business division is responsible for the development of electronics, software and control system solutions.

Energy Efficiency
The Energy Efficiency business division develops concepts and solutions for increasing energy efficiency in industrial companies.

Energy Monitor
This new product enables structured and systematic data acquisition of energy consumers in industrial operations.

Entry-level machines
Precise, robust machine tools which allow a high-quality technological entry into the milling and turning sector. Their main features are economic efficiency, flexibility and low initial cost.

ERP
Enterprise **R**esource **P**lanning software (ERP software) supports all the business processes within a company. It contains modules for the sectors of procurement, production, sales, HR, finance and accounting, which are connected with each other via a common database.

HSC
The HSC (**h**igh **s**peed **c**utting) product line includes machining centres for 5-axis precision machining. HCS technology is primarily used where high demands are made of cutting performance and surface quality.

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.

Machining
Mechanical cutting process by which material layers are detached in the form of swarf in order to change the workpiece shape.

Milling
Milling is deemed to be a cutting machining process in which the cutting tool rotates instead of the workpiece itself. Any workpiece surface required can be created using tool feed movements and, if required, workpiece movements in several axes.

Multi-spindle machine
The GM and GMC series from DMG MORI are highly-specialised cam and CNC-controlled multi-spindle automatic lathes produced by GILDEMEISTER Italiana S.p.A., Brembate di Sopra, for production lathing.

MINT-relation
A project of the German Federal Ministry for Labour and Social Affairs for the acquisition and retention of female specialist personnel. The aim of the initiative is to get young women interested in jobs in the mathematics, informatics, natural sciences and technological sectors.

Motor spindle
A motor spindle is a directly-driven, precision-mounted shaft with integrated tool interface for higher productivity and precision in a machine tool.

NLX
Series of universal lathes produced by DMG MORI. It offers high precision, stiffness and machining capacity with a simultaneous increase in cost efficiency.

PowerMASTER
A high-performance spindle for milling tools which is designed for particularly high performances and torques.

PPS
PPS stands for a computer-aided **P**roduction, **P**lanning and Control **S**ystem which is deployed for operative planning and control in industrial sectors.

Presetter
Presetter refers to clamping and measuring devices that set up tools for use in machining.

SCOPE
SCOPE is the acronym for the collective DMG MORI programme entitled "**S**tandardization and **C**omplexity **O**ptimized for **P**rofit **E**xcellence", 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 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.

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 **T**ransparency, clarifying orders (German = **A**ufträge), controlling complexity (German = **K**omplexität), observing deadlines (German = **T**ermine).

Travelling column machine
The DMF product line offers travelling column machines with large machining spaces, more effective pendulum machining in two separated workspaces, higher cutting capacity, dynamics and precision at a very high travelling column traversing speed.

Turning
Turning is a metal-cutting machining process, which is used to produce mostly rotationally symmetrical machine tools. During this, the workpiece to be machined is clamped by a rapidly-rotating clamping fixture while a cutting tool carries out feed motions longitudinally and transversely to the rotation axis.

Turn-Mill
Production lathes in the successful CTX TC series with facilities for highly productive complete machining in both turning and milling in one clamping process.

ULTRASONIC
The ULTRASONIC product line consists of machines for ultrasound-supported, economic machining of 'advanced materials', such as ceramics, glass, silicon, composites, metal carbide, hardened steel, sapphire or motherofpearl. 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.

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.

List of Tables and Graphs

C. Report on Economic Position

D. Supplementary report

E. Forecast Report

F. Consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT

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 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 AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may likewise render a forward-looking statement, estimate or forecast inaccurate.

DMG MORI 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 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 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 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 AKTIENGESELLSCHAFT neither intends to nor does DMG MORI 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": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nagoya, Japan. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to the "DMG MORI group", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its group companies.

Index

Contact

DMG MORI AKTIENGESELLSCHAFT
Gildemeisterstraße 60
D-33689 Bielefeld
Phone: +49 (0) 52 05 / 74-0
Fax: +49 (0) 52 05 / 74-3273
Internet: www.dmgmori.com
E-Mail: info@dmgmori.com

carbon neutral
natureOffice.com | DE-141-305059
print production

FSC www.fsc.org
MIX
Paper from responsible sources
FSC® C002727

Image licensing: Page 6 © Kai Bublitz
Languages: This report is available in German and English language.
Download: www.dmgmori.com
Order: We will gladly send additional copies and further information on DMG MORI free-of-charge upon request.
Latest information: Twitter-Account @DMG MORI AG

DMG MORI AKTIENGESELLSCHAFT
Gildemeisterstraße 60
D-33689 Bielefeld
Local Court HRB 7144
Phone: +49 (0) 52 05 / 74-0
Fax: +49 (0) 52 05 / 74-3273
Internet: www.dmgmori.com
E-Mail: info@dmgmori.com

If your mobile phone is equipped with a QR code reader, just take a photo of this code and you will be taken straight to the online version of the annual report.