DMG MORI

AKTIENGESELLSCHAFT

ADDITIVE MANUFACTURING

DIGITIZATION

AUTOMATION

dynamic

EXCELLENCE

TECHNOLOGY EXCELLENCE

DMG MORI QUALIFIED PRODUCTS

ANNUAL REPORT 2018

Key Figures

The Consolidated Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2018 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 subsidiaries (in the following DMG MORI).

01 | KEY FIGURES

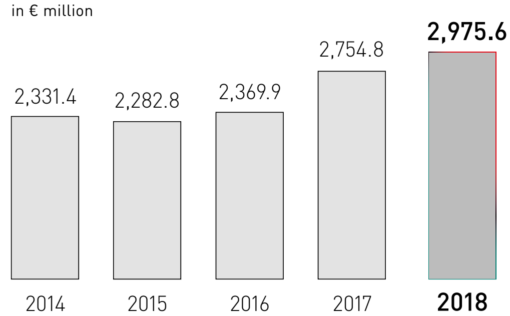
in € million	2018	2017	Changes 2018 against 2017	
Order Intake	2,975.6	2,754.8	220.8	8 %
Domestic	882.6	825.7	56.9	7 %
International	2,093.0	1,929.1	163.9	8 %
% International	70	70		
Sales Revenues	2,655.1	2,348.5	306.6	13 %
Domestic	821.5	712.1	109.4	15 %
International	1,833.6	1,636.4	197.2	12 %
% International	69	70		
Order Backlog *	1,609.9	1,309.1	300.8	23 %
Domestic	515.7	454.6	61.1	13 %
International	1,094.2	854.5	239.7	28 %
% International	68	65		
EBITDA	280.8	252.9	27.9	11 %
EBIT	217.1	180.1	37.0	21 %
EBT	214.8	176.4	38.4	22 %
EAT	149.5	118.4	31.1	26 %
Free cash flow	154.2	142.4	11.8	8 %

	2018	2017	Changes 2018 against 2017	
Employees *	7,503	7,101	402	6 %
incl. trainees	396	359	37	10 %

* Reporting Date 31 December

02 | ORDER INTAKE

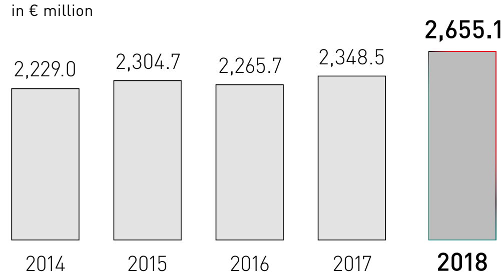
in € million



+8%
(in comparison to 2017)

03 | SALES REVENUES

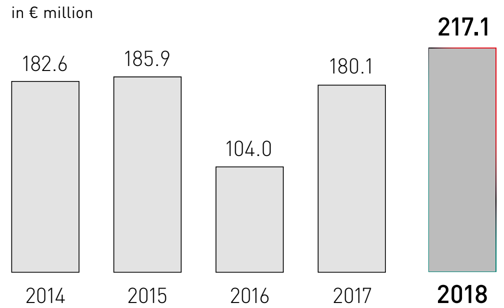
in € million



+13%
(in comparison to 2017)

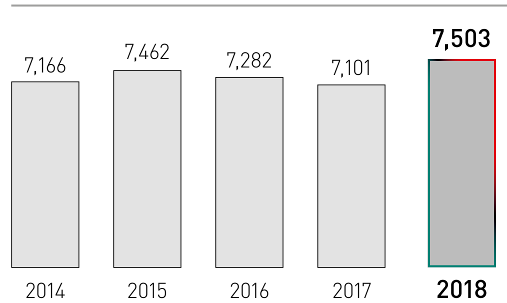
04 | EBIT

in € million



+21%
(in comparison to 2017)

05 | EMPLOYEES incl. trainees



+6%
(in comparison to 2017)

GROUP STRUCTURE →
SUSTAINABILITY REPORT →

DYNAMIC . EXCELLENCE

GROUP STRUCTURE // DMG MORI AKTIENGESELLSCHAFT

(as part of the "Global One Company")

CORPORATE SERVICES

DMG MORI AKTIENGESELLSCHAFT, Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Development and Production

TURNING

GILDEMEISTER Drehmaschinen GmbH (Bielefeld)

GILDEMEISTER Italiana S.p.A. (Bergamo / Italy)

MILLING

DECKEL MAHO Pfronten GmbH (Pfronten)

DECKEL MAHO Seebach GmbH (Seebach)

FAMOT Pleszew Sp. z o.o. (Pleszew / Poland)

GRAZIANO Tortona S.r.l. (Tortona / Italy)

Ulyanovsk Machine Tools ooo (Ulyanovsk / Russia)

ADVANCED TECHNOLOGIES

SAUER GmbH (Pfronten, Idar-Oberstein)

REALIZER GmbH (Bielefeld, Borchen)

DIGITAL SOLUTIONS

DMG MORI Software Solutions GmbH (Pfronten)

ISTOS GmbH (Düsseldorf)

WERKBLiQ GmbH (Bielefeld)

INDUSTRIAL SERVICES

DMG MORI Management GmbH, Bielefeld; Sales and Services

SALES AND SERVICES

DMG MORI Germany *	DMG MORI EMEA	DMG MORI China	DMG MORI India	DMG MORI Services

ENERGY SOLUTIONS

GILDEMEISTER energy solutions GmbH (Würzburg)

Markets of DMG MORI COMPANY LIMITED

DMG MORI Japan **	DMG MORI Asia **	DMG MORI USA **	DMG MORI Americas **

* incl. Austria

** These markets are consolidated by DMG MORI COMPANY LIMITED.

Simplified organisational structure according to management criteria. The legal structure is presented in the notes of the Financial Statements 2018. As at 11 March 2019.

PRODUCTION PLANTS →
SALES AND SERVICE LOCATIONS

Headquarters Bielefeld

DMG MORI AKTIENGESELLSCHAFT

Headquarters Tokyo

DMG MORI COMPANY LIMITED

● Sales and Service Locations

□ Production Plants

14

PRODUCTION PLANTS

157

SALES AND SERVICE LOCATIONS

DMG MORI in brief

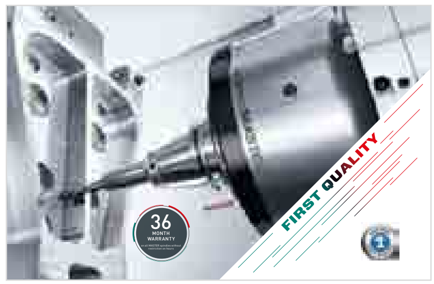
DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of more than € 2.6 billion and more than 7,500 employees. As "Global One Company" – together with DMG MORI COMPANY LIMITED – we reach sales revenues of more than € 3.8 billion.

Our integrated technology and automation solutions cover turning and milling machines, as well as Advanced Technologies, ULTRASONIC, LASERTEC and ADDITIVE MANUFACTURING. With our CELOS apps, exclusive Technology Cycles and Powertools, we offer an easy, fast and scalable entry into digital production. The modular ISTOS and WERKBLiQ products further facilitate consistent digitization of the entire process chain: from the planning and preparatory work to production and monitoring to service. The open, manufacturer-independent ADAMOS IoT platform rounds off the product range for a digital factory.

Our technology excellence is bundled within the main sectors of "Aerospace", "Automotive", "Die & Mold", and "Medical". Our partner program "DMG MORI Qualified Products" (DMQP) allows us to offer perfectly matched peripheral products from a single source. Our customer-focused services covering the entire life cycle of a machine tool include training, repair, maintenance and spare parts service.

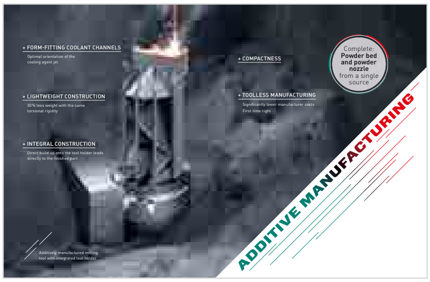
More than 12,000 employees work for the "Global One Company". With 157 sales and service locations – thereof 14 production plants – we are present worldwide and deliver to more than 100,000 customers from 42 industries in 79 countries.

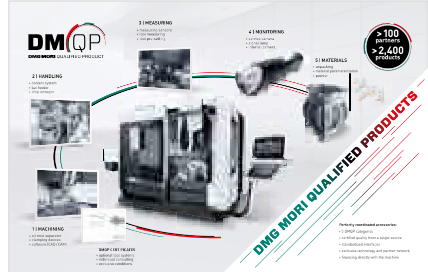
STRATEGIC FUTURE TOPICS

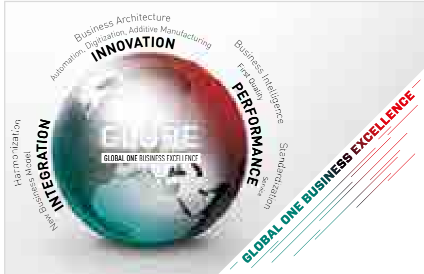


TO OUR SHAREHOLDERS

BUSINESS REPORT OF DMG MORI AKTIENGESELLSCHAFT







CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

Annual Review 2018

January

At the traditional Open House in Pfronten, DMG MORI presents 70 high-tech machines on more than 8,500 m² as well as innovations from the five strategic future topics. Since January 2018, the warranty period for all motor spindles of the MASTER series is 36 months, without any restriction on hours.

February

DMG MORI strengthens its ADDITIVE MANUFACTURING portfolio with an increased majority holding of 75.1 % in REALIZER GmbH. With the "Selective Laser Melting" *(SLM)* technology, DMG MORI offers its customers entirely new areas of application.

March

At the balance sheet press conference for the financial year 2017, DMG MORI presents record results and for the first time introduces an extensive sustainability report containing information on employees, suppliers, the environment and social commitment.

The economics magazine Focus Money awards DMG MORI the seal of "Germany's best training businesses".

April

Record figures for the first quarter: DMG MORI starts successfully into financial year 2018.

September

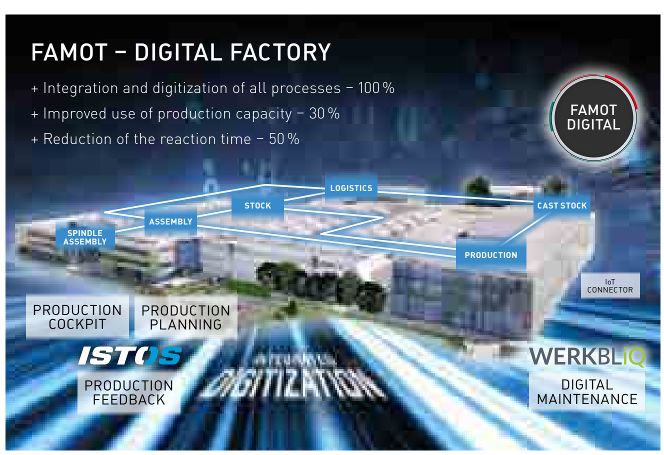
The most important industry trade fair for 2018, the AMB in Stuttgart, is a great success: DMG MORI impresses with innovative solutions for Automation, Digitization and ADDITIVE MANUFACTURING.

The crowning glory: Double victory for DMG MORI at WorldSkills Germany. Michael Zelmer, trainee at GILDEMEISTER Drehmaschinen GmbH, becomes the German Champion for CNC turning. Simon Pankratz ranks 2nd.

October

Bundled innovation: At the "Global Development Summit", more than 200 international experts from the "Global One Company" meet at FAMOT in Pleszew to develop and promote new ideas.

DMG MORI also receives the "Germany's Best Training Company" award from the trade magazine Capital.



Digital factory of the future: At the Grand Opening at FAMOT on 8 October 2018, for the first time the entire value chain is digitized consistently with modular ISTOS products, DMG MORI Software Solutions and WERKBLiQ and presented to the expert audience.

May

After the 116th Annual General Meeting, Dr. Eng. Masahiko Mori is appointed as the new Chairman of the Supervisory Board. With Michael Horn as an additional member of the Executive Board, being responsible for production, logistics and quality, DMG MORI sustainably strengthens its structures.

DMG MORI Used Machines GmbH celebrates its 25th anniversary in May.

June

DMG MORI Software Solutions receives the award TOP Innovator 2018.

July

Strong first half year: DMG MORI continues its successful course and achieves record results for sales revenues, earnings and free cash flow.

DMG MORI Spare Parts GmbH has much to celebrate at its 10-year anniversary.

August

Training starts at DMG MORI: A total of 79 new trainees start their professional careers at a global group in 2018. At their ultra-modern workstations, the young employees will receive optimal preparation for the modern employment market and strengthen their digital competences.

November

DMG MORI and INTECH seal a cooperation in ADDITIVE MANUFACTURING at "formnext". With a 30 % share in INTECH, DMG MORI expands its software and technology know-how for additive manufacturing.

A very special premiere: DMG MORI invites to the first German-Japanese classical concert. The young piano talents Miki Kawashima and Kyohei Sorita enthuse an audience of around 1,000 special guests together with the Bielefeld Philharmonic Orchestra and the exceptional accordionist Mario Batkovic at the Bielefeld Rudolf-Oetker Hall.

For the first time, DMG MORI holds a Sustainability Day and offers extensive information about healthy diets, exercises and climate protection at numerous activity stations. The North-Rhine Westphalia Consumer Advice Center and the Bielefeld Environment Agency award DMG MORI with the "Environmentally Healthy Company Kitchen" accolade for its company restaurant.

The economics magazine Focus Money awards DMG MORI for the 2nd time this year: this time with the seal "TOP Career Opportunities".

December

The financial year ends with record figures: Order intake rose by 8 % to € 2,975.6 million. Sales revenues went up by 13 % to € 2,655.1 million. EBIT amounted to € 217.1 million – an increase of 21 %. Free cash flow improved to € 154.2 million.

Report of the Supervisory Board

Dr. Eng. Masahiko Mori (57)

Chairman of the Supervisory Board
President of DMG MORI COMPANY LIMITED

Dr. Eng. Masahiko Mori (57) has been Chairman of the Supervisory Board since 4 May 2018 and a member since 2009. After studying engineering at Kyoto University in Japan, Mori received a doctorate from Tokyo University. He initially worked for a Japanese trade company before joining the family company, MORI SEIKI, in 1993. Dr. Eng. Mori has been president of DMG MORI COMPANY LIMITED since 1999.

In financial year 2018, the Supervisory Board focused on strategic issues such as automation and digitization. It also delved into business and earnings development and Executive Board matters and discussed among others, issues such as business policy, risk management, compliance, and group development until financial year 2021, including investments.

For the Supervisory Board, the reporting year was also a year of changes. Following the 116th Ordinary Annual General Meeting on 4 May 2018, the Supervisory Board reconstituted itself. The Supervisory Board of DMG MORI AKTIENGESELLSCHAFT continues to comprise six members to be elected by the Annual General Meeting and six members to be elected by the employees. The new Supervisory Board chairman, Dr. Eng. Masahiko Mori, has been a member of the Supervisory Board since November 2009. The re-elected shareholders' representatives further included Ulrich Hocker, Irene Bader, Prof. Dr.-Ing. Berend Denkena, and Prof. Dr. Annette Köhler. James Victor Nudo was elected as a new member. The US native is president of DMG MORI USA INC., a subsidiary of the Japanese DMG MORI COMPANY LIMITED as well as Executive Officer of DMG MORI COMPANY LIMITED, Tokyo. The employees' representatives were elected to the Supervisory Board on 6 March 2018: Mario Krainhöfner, Dietmar Jansen and Tanja Fondel, who became the successor of Dr. Constanze Kurz on 19 January 2018, were re-elected. New members are Larissa Schikowski, Michaela Schroll, and Stefan Stetter.

In its constituent session, the Supervisory Board elected Mario Krainhöfner its 1st deputy chairman. Ulrich Hocker and Stefan Stetter were elected additional deputy chairmen.

All Supervisory Board members (shareholders' representatives and employees' representatives) were elected until the end of the Annual General Meeting that will pass a resolution on the approval of the actions of the Supervisory Board for financial year 2022.

With the end of the 116th Ordinary Annual General Meeting on 4 May 2018 the Supervisory Board memberships of Prof. Dr. Raimund Klinkner, Hermann Lochbihler, Matthias Pfuhl and Peter Reinoss ended. DMG MORI wishes to thank all leaving Supervisory Board members for their dedicated and trusting cooperation.

All members of the Supervisory Board attended half or more of all the Supervisory Board or committee meetings held.

In addition to changes in the Supervisory Board, there was also a personnel change in the Executive Board: Michael Horn, who had already been appointed to the Executive Board in the previous year, assumed his position on 15 May 2018. He is responsible for the departments of production, logistics and quality, and additionally for information technology as of 1 October 2018.

During the reporting year, the Supervisory Board also received prompt, regular and comprehensive 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 the most important key company performance indicators.

The Supervisory Board performed its duties with great care and high diligence in accordance with the Articles of Association and statutory requirements. It met a total of five times in financial year 2018. The chairpersons 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 the committee meetings. In the past financial year, there were also no conflicts of interest to report among members of the Supervisory Board or they were resolved through non-participation in the decision-making process.

The annual auditors also attended the **balance sheet meeting on 12 March 2018.** The Supervisory Board approved the Group Business Report and Consolidated Financial Statements as well as the Business Report and Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as of 31 December 2017 and also the Sustainability Report 2017.

The plenary meeting discussed the business development and also the agenda for the 116th Ordinary Annual General Meeting planned for 4 May 2018, including the recommendation for the appointment of the annual auditor as proposed by the Finance and Audit Committee. In addition, the chairpersons reported on the previous meetings of the Personnel, Nomination and Remuneration Committee, the Finance and Audit Committee and the Technology and Development Committee.

The Supervisory Board meeting on **3 May 2018** focused on preparations for the Annual General Meeting on the following day. The Supervisory Board also discussed current business performance.

The constituent session of the newly assembled Supervisory Board took place on **4 May 2018** subsequent to the 116th Ordinary Annual General Meeting. In addition to the elections of the chairman and deputy chairmen, the members of the Supervisory Board committees were newly elected. Dr. Eng. Mori was elected chairman of the Personnel, Nominations and Remuneration Committee. Additional committee members are Mario Krainhöfner, Ulrich Hocker, Tanja Fondel, James Victor Nudo and Larissa Schikowski. Prof. Dr. Annette Köhler was re-elected as chairwoman of the Finance and Audit Committee. Additional committee members are Dr. Eng. Masahiko Mori, Stefan Stetter, Dietmar Jansen, James Victor Nudo and Michaela Schroll. The Nomination Committee comprises Dr. Eng. Masahiko Mori, Ulrich Hocker und James Victor Nudo. The Mediation Committee comprises Dr. Eng. Masahiko Mori, Mario Krainhöfner, Ulrich Hocker und Tanja Fondel.

The Supervisory Board Meeting on **20 September 2018** was held at the AMB industry trade fair in Stuttgart. In addition to business performance, the focus during the meeting was on automation and digitization strategy questions and the trade fair success. In addition, the Supervisory Board dealt with personnel matters concerning the Executive Board and matters regarding the rules of procedure.

The focus of the meeting held on **30 November 2018** was the current business trend, the discussion and resolutions corporate and investment planning 2019 as well as on midterm planning 2020/2021. In addition, the Supervisory Board discussed and passed a resolution on Executive Board remuneration matters, namely the structuring of the variable Executive Board remuneration for financial year 2019. Furthermore, Christian Thönes was also appointed as Labor Director, since Dr. Maurice Eschweiler leaves the Executive Board with effect from 1 April 2019 and takes up his activity as Chief Representative. As recommended by the Finance and Audit Committee, the Supervisory Board also defined the following main focus areas for the statutory audit as of 31 December 2018:

› Details in the notes to the Consolidated Financial Statements pursuant to IAS 8.30 concerning the expected impact of the initial application of IFRS 16 "Leases"

› The impact of the scheduled introduction of a new ERP system on accounting

› A presentation and analysis of business performance and results of operations in the Group Business Report in accordance with the scope and complexity of business activities

The declaration of conformity in accordance with Section 161 AktG (German Stock Corporation Act) was also agreed as recommended by the Finance and Audit Committee.

A large proportion of the Supervisory Board's work is carried out by different committees: The **Finance and Audit Committee** met six times in financial year 2018. At its meetings, the committee discussed the current status of the finances and taxes as well as the ongoing audits. The audits and analyses focused, among other things, on the Quarterly Releases for the 1st and 3rd quarters and the Interim Report for the 1st half-year 2018.

Moreover, the Finance and Audit Committee dealt with the risk management, the annual audit and compliance report as well as the sustainability report. The committee reviewed the Financial Statements 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 independence declaration pursuant to Section 7.2.1 of the German Corporate Governance Code.

Further topics covered by the committee included the results from the compliance effectiveness check provided by KPMG and the process presented by the Executive Board for accepting non-audit services provided by the annual auditor that, after in-depth review and discussion, was adopted. It also prepared resolution proposals on the declaration of conformity in accordance with Section 161 AktG and audit focus areas for 2018.

The **Personnel, Nomination and Remuneration Committee** held two meetings. The committee in particular prepared the Executive Board resolutions and remuneration and further Executive Board matters.

The **Nomination Committee** held one meeting during the reporting period. It discussed resolution proposals for the election of the shareholders' representatives as part of the 116th Ordinary Annual General Meeting of the company. The Mediation Committee did not meet.

Due to the great importance of technology and development for DMG MORI, these topics are now a fixed agenda item at every Supervisory Board meeting. For this reason, **the Technology and Development Committee** met for the last time on 12 March 2018. The focus of the discussions in the reporting year was on the product portfolio, the world premieres and additional innovations as well as accounting for the investments made in 2017.

The **"Corporate Governance"** section on page 24 et seqq. of the Annual Report describes the activities of the Supervisory Board with regard to the declaration of conformity in accordance with Section 161 AktG. Since the last declaration of conformity in November 2017, DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017, and will comply with them in the future as well.

After consulting the annual auditor and following its own review and discussion, the Supervisory Board approved the Annual Financial Statements and Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT for financial year 2018 at the **balance sheet meeting on 11 March 2019.** Thus, the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT were adopted pursuant to Section 172 AktG. Also the separate non-financial group report, which is a key component of our Sustainability Report and which meets the legal requirements according to the CSR Guideline Implementation Act to implement Directive 2014 / 95 / EU (Section 289 HGB) dated 11 April 2017, was discussed extensively. After its audit, the Supervisory Board had no objections. The decisions were prepared by the Finance and Audit Committee.

The Executive Board prepared the Business Report and Annual Financial Statements for 2018, as well as the Group Business Report 2018 of DMG MORI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The Consolidated Financial Statements 2018 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 315e HGB, Consolidated Financial Statements in accordance with the German Commercial Code (HGB) were not prepared. The annual auditors provided detailed reports on their audit procedures and findings and were available for any further queries. KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, issued an unqualified auditor's report for both financial statements and business reports.

The annual auditor also stated that the Executive Board has taken all the reasonable steps required under Section 91(2) AktG (German Stock Corporation Act). The design and application of the appropriate information and monitoring system in line with company requirements appears suited to its purpose of providing early warning of decisions posing a threat to the continued existence of the company. No major weaknesses in the Internal Control System and Early Risk Identification System were reported.

The chairperson of the Finance and Audit Committee provided the Supervisory Board with a detailed report on the findings of the 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 Business Report. The Supervisory Board approved the results of the audit based on its own review – as did the Finance and Audit Committee. Objections were raised neither by the Supervisory Board nor by the Finance and Audit Committee.

DMG MORI successfully closed financial year 2018. The Supervisory Board wishes to thank the members of the Executive Board for their exceptional commitment and outstanding strategic work, which is also reflected in the good key figures achieved. Our special thanks goes to all employees for their dedication and hard work throughout the past financial year.

Dr. Eng. Masahiko Mori
Chairman of the Supervisory Board
Bielefeld, 11 March 2019

Dr. Maurice Eschweiler (44) *

Industrial Services, personnel and legal

Dr. Maurice Eschweiler has been member of the Executive Board since 1 April 2013. He received a doctorate in economics from the University of Münster and joined the group in 2007. Among others he was managing director of DMG Vertriebs und Service GmbH.

* *(leaves the Executive Board with effect from 1 April 2019 and takes up his activity as Chief Representative)*

Christian Thönes (46)
Chairman of the Executive Board

Product development, sales, procurement, corporate communications as well as audit

Christian Thönes has been Chairman of the Executive Board since 15 April 2016. The business graduate has been a member of the Executive Board since January 2012 and headed the product development, production and technology areas. He joined the group in 1998 and built up Advanced Technologies (ULTRASONIC and LASERTEC). From 2009 to 2011, Christian Thönes was Managing Director of DECKEL MAHO Pfronten GmbH.

Michael Horn (47)

Production, logistics, quality and information technologies

Michael Horn has been member of the Executive Board since 15 May 2018. Previously he was member of the Executive Board of Körber AG, Hamburg, and Managing Director of several international mechanical engineering companies.

Björn Biermann (39)

Finance, controlling, taxes, risk management, investor relations and compliance

Björn Biermann has been member of the Executive Board since 27 November 2015. In 2008 the business graduate joined the group. He was head of controlling and corporate planning and of the transparency department for assessment of transactions with major shareholders.

Dear shareholders,

DMG MORI can look back on a very successful, eventful financial year 2018. In addition to record figures for order intake, sales revenues, EBIT and free cash flow, we achieved a lot and have shown our innovative power. As "Global One Company", we actively lived our motto **"Dynamic . Excellence".** We dynamically advanced our future areas and optimized our excellence in existing and established areas: DMG MORI is the sustainable and global innovator in the manufacturing industry.

A brief comment about the business figures: After a strong first quarter in 2018, we achieved new half-year records. We also generated high growth figures in the third quarter. Given the good development, we were able to raise our forecasts during the year – and even exceeded them at the end of the year: Over the whole year, order intake went up to € 2,975.6 million and was thus +8 % above the 2017 record figure (€ 2,754.8 million). Sales revenues during the year also developed increasingly positively during the course of the year and reached a new high: Over the whole year, sales revenues improved by +13 % to € 2,655.1 million (previous year: € 2,348.5 million). We also further improved on our result: EBITDA improved by +11 % to € 280.8 million (previous year: € 252.9 million). EBIT rose by +21 % to € 217.1 million (previous year: € 180.1 million). At 8.2 %, the EBIT margin exceeded the previous year's level (7.7 %). EBT increased by +22 % to € 214.8 million (previous year: € 176.4 million). As of 31 December 2018, the group reports EAT of € 149.5 million – a growth of +26 % (previous year: € 118.4 million). In addition to the good results of operations, our financial situation also developed positively: Free cash flow rose to the record high of € 154.2 million (+8 %; previous year: € 142.4 million). The key figures show: DMG MORI is on track.

In 2018, global machine tool consumption rose by +8.5 % (April forecast: +5.9 %). However, these provisional figures of the German Machine Tool Builders' Association (VDW) and the British economic research institute Oxford Economics from October 2018 did not take into account currency effects and possible consequences of geopolitical uncertainties. Adjusted for currency effects, the global consumption of machine tools went up by +5.2 % on a euro basis and thus showed initial tendencies towards decreasing dynamics (April forecast: +6.1 %).

DMG MORI continued to see a positive development during the reporting year – technologically, structurally and culturally:

› **technologically:** Dynamically, we advanced our innovation strategy for our future topics. We focused on optimization of production for excellence – among others with new assembly and logistics areas as well as ultramodern technology and solution centers.

› **structurally:** Through the appointment of Dr. Eng. Masahiko Mori as the new Chairman of the Supervisory Board and Michael Horn as an additional Member of the Executive Board, we have sustainably strengthened our position to actively shape the future together with our customers and partners.

› **culturally:** As "Global One Company", we live a modern company culture and commit ourselves to clear values. We further consolidated our open feedback culture in 2018 through a group-wide employee satisfaction analysis. DMG MORI is an attractive employer. Cultural diversity and equal opportunities as well as an appreciative approach are important to us. The health and satisfaction of our employees has also high priority.

Dear shareholders – dynamic and excellence: That is the DNA of DMG MORI. In financial year 2018, we presented a total of 10 world premieres together with DMG MORI COMPANY LIMITED. At international trade fairs and at our traditional Open House exhibitions we presented the whole range of our innovation competence from our five strategic future topics: **Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence** as well as **DMG MORI Qualified Products (DMQP).**

Automation is the key to flexible production systems. We have continuously expanded our automation portfolio at all locations. With modern pallet and robot-supported workpiece handling, we facilitate optimum productivity for our customers. The DMG MORI portfolio comprises 48 well-established standard automation products and customer-specific, fully integrated solutions. Already today, each of our machine tools can be automated. The Robo2Go can be used intuitively thanks to the app-based control via CELOS – without any knowledge of programming robots – and increases the efficiency of machine tools at low cost. DMG MORI HEITEC has added further options to its modular automation system. Customers receive an individual, end-to-end solution that can be installed up to 60 % faster using the "Digital Twin".

Digitization is changing our world quickly and radically. With CELOS, ISTOS, WERKBLiQ and ADAMOS, DMG MORI now has a consistent digitization strategy – "Integrated Digitization"– for customers and suppliers.

- **CELOS:** The new CELOS Version 5.0 has been available since April 2018. It provides a step-by-step entry into networked production. A total of 27 CELOS apps provide support and make digital workflows fully consistent – from planning to preparation in production through to monitoring. DMG MORI offers highly modern, intuitively operable software solutions for more efficiency along the entire value chain.
- **ISTOS:** ISTOS is the link between machine and production processes. Automatically optimized planning, monitoring and feedback are the foundation for digitized production – across process boundaries. Thanks to the new microservice architecture, ISTOS products are the perfect entry into "smart" production.
- **WERKBLiQ:** WERKBLiQ offers a cross-manufacturer platform where all those involved in the maintenance process can be linked to one another. Individual dashboards show all important information and key figures. This is how the entire maintenance and servicing process is digitized and accelerated.
- **ADAMOS:** ADAMOS stands for **ADA**ptive **M**anufacturing **O**pen **S**olutions and is a global alliance of world market leaders in machine construction across industries. The partners contribute innovative IT know-how, digital marketplaces and a broad app portfolio. ADAMOS – the open, manufacturer-independent IoT platform with consistent added value for customers: from machine tool builders for machine tool builders, their suppliers and customers.

At our FAMOT production facility, we digitized the entire value chain consistently with modular ISTOS products, DMG MORI Software Solutions and WERKBLiQ for the first time and presented it to the expert audience at the Grand Opening on 8 October. The FAMOT "Digital Factory" has global model character for our customers and suppliers and also sets new standards at DMG MORI.

Our 34 exclusive DMG MORI Technology Cycles furthermore allow for quick and simple shop floor programming. As the digital assistants for programming at the machine, they increase quality, productivity, transparency and process safety during production, while taking up to 60 % less time. Our customers are already purchasing technological cycles in a high double-digit million range.

One future area is **ADDITIVE MANUFACTURING.** We see further growth potential in the manufacture of complex 3D components using powder nozzle and powder bed technology. At the start of 2018, we increased our majority holding in REALIZER GmbH to 75.1 %, and further expanded assembly at the headquarters in Bielefeld. With the "Selective Laser Melting" *(SLM)* technology, which applies layer upon layer of powdery material and melts it using a laser, we offer our customers entirely new areas of application. DMG MORI consistently covers four process chains and bundles the most important generative manufacturing processes under one roof. This makes us a full-service provider – both in the additive manufacturing of metal components and in the subsequent machining. Innovations include the LASERTEC 30 *SLM* 2nd generation and the LASERTEC 12 *SLM* for unequalled precision and productivity.

With a strategic 30 % share in INTECH, DMG MORI further expanded its position in ADDITIVE MANUFACTURING: The Indian company specializes in associated software solutions – including artificial intelligence. The new OPTOMET software automatically calculates optimal process parameters – in hours rather than months. "First time right", meaning get it right the first time round.

With our **technology excellence,** we specifically process the main sectors of Aerospace, Automotive, Die & Mold and Medical. In the "Technology Excellence Centers", our experts become involved in the customer's development processes at an early stage. The aim: cross-process, integrated turnkey solutions. DMG MORI is focusing on improvements in the areas of precision, quality and efficiency – for the benefit of our customers.

An integrated manufacturing solution from a single source at reasonable prices – this is exactly what DMG MORI offers with the DMQP initiative. DMQP stands for **DMG MORI Qualified Products.** The global concept and the close collaboration with certified DMQP partners promises an ideal synergy of machine and accessory for the highest technological expertise. Cutting, handling, measuring, monitoring, materials: These are our five categories for perfectly coordinated accessories.

In addition to our five strategic future topics – Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products (DMQP) – we are focusing on **Quality** and **Service, Employees, Global One Business Excellence** and **Sustainability.** These are further important pillars of our strategy.

- **"First Quality"** – we drive this with numerous measures: For example, since 2018 we have been offering a 36-month warranty period for all motor spindles of the "MASTER" series – without any restriction on hours.

› **"Customer First":** At DMG MORI, the increase of our customers' service satisfaction is a top priority. As worldwide leading manufacturer of machine tools, we also want to become the service champion with excellence for our customers in the future!

› Our **employees** give 100 % support to DMG MORI. That's why we do the same for them. We take our responsibility seriously. Together, we want to become even better. At this point, we want to express our special thanks to our employees. For their high extraordinary commitment and great performance. They ensure that we remain innovative and thus safeguard the company's overall success.

› **GLOBE** stands for **Gl**obal **O**ne **B**usiness **E**xcellence. Excellence in integration, innovation and performance – we apply these principles in our "Global One Company". Every day. The harmonization of systems and processes forms the basis for this.

› As innovation leader, we also think further in terms of **sustainability:** Our integrated automation and digitization solutions guarantee the efficient and productive use of our plants around the clock – seven days a week. The higher the productivity, the better the sustainability balance. The low error rate enables our customers to save both materials and energy – and thus to protect the environment. With numerous social projects and initiatives, we also show that we live corporate responsibility. Sustainable and consistent: from our products and buildings to our suppliers, customers, and employees.

We are convinced: Every company can do even better. We will develop existing potential further and together with our stable leadership team will rethink processes continuously in order to become faster and stronger. To enthuse our customers, be the technological leader and drive future areas. As a team!

Strong partners are the key to success. We therefore want to express our special thanks to our customers, business partners and suppliers, and above all to you, dear shareholders. In the name of the whole Board, I want to thank you for your trust in us. That's important to us! Because your trust strengthens our strategic decisions.

In 2019, the global economy continues to be characterized by global uncertainties, such as the trade conflict between the USA and China, the potentially disorderly exit of the UK from the EU, and Italy's current debt situation. According to the February forecasts of the German Machine Tool Builders' Association (VDW) and Oxford Economics, world machine tool consumption should see less growth of +3.6 % in 2019 (previous year: +8.5 %). The trend of decreasing dynamics is thus continuing. However, in the face of the current geopolitical uncertainties, it is likely that these forecasts of the associations will be adjusted.

The good news: As "Global One Company", we are prepared for changing market conditions. We have great trust in our team! We have stable structures, a TOP management and transparency across the company. Thus DMG MORI is well-positioned for the future – technologically, structurally and culturally.

For the 2019 financial year, we are planning around € 2.6 billion in order intake and around € 2.65 billion in sales revenues. EBIT is expected to amount to around € 200 million and free cash flow to around € 150 million.

The current financial year is significantly impacted by the EMO – the world's largest machine tool trade fair. We are focusing our new developments on this industry highlight in Hanover. From 16 to 21 September we are presenting – as the largest exhibitor – a wide range of innovations as well as new technology, automation and digitization solutions on 10,000 m². Already at the start of the year, we presented our entire technology competence to an expert audience of significantly more than 8,000 visitors at our traditional Open House in Pfronten: 70 high-tech machines, two world premiere and the future topics Automation, Digitization and Additive Manufacturing.

Dear shareholders, we have a challenging year ahead of us with changing market conditions. We have to adapt to it. With our stable leadership team and our unique combination of dynamic and excellence – as "Global One Company". Together with you, our customers, suppliers and partners, we want to achieve our ambitious targets for 2019. We are looking ahead full of energy, and are glad to know that you are with us all the way! Thank you!

Christian Thönes
Chairman of the Executive Board
Bielefeld, 11 March 2019

THE BASIS OF THE GROUP
RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET WORTH
SUPPLEMENTARY REPORT
OPPORTUNITIES AND RISK REPORT
FORECAST REPORT
CONSOLIDATED FINANCIAL STATEMENTS

WORKPIECE HANDLING

PORTAL LOADER


GX


GX T

ROBOT


WH


IMTR


MATRIS

PALLET HANDLING

ROUND STORE


PH


RPS

LINEAR STORE


LPP


CPP


SR


Robo2Go


AWC

48
automation products

AUTOMATION

The key to flexible production systems:

+ well-established standard solutions for workpiece and pallet handling
+ customer-specific, fully integrated solutions
+ every machine automatable
+ optimally coordinated and tested ex works

CTX beta 800 TC
Robo2Go 2nd Generation

Robo2Go 2nd Generation

With the new Robo2Go, our customers can increase the productivity of their machine tool at an affordable price. The integrated control via CELOS can be used intuitively by any operator – even without any knowledge of how to program robots.

CELOS

WORKPIECE

ROBOT

WH

DMU 50
WH 15 Cell

PALLET HANDLING

ROUND STORE

PH

LINEAR STORE

LPP

CPP

AUTOMATION EX WORKS

In addition to well-established standard solutions, the DMG MORI automation portfolio also comprises customer-specific, fully integrated solutions – hardware and software are optimally coordinated and tested ex works.

CMX 50 U
PH 150

CLX 450
GX 6

AUTOMATION

The key to flexible production systems:

+ well-established standard solutions for workpiece and pallet handling
+ customer-specific, fully integrated solutions
+ every machine automatable
+ optimally coordinated and tested ex works

THE BASIS OF THE GROUP

Corporate Strategy and Key Financial and Performance Indicators

DMG MORI AKTIENGESELLSCHAFT and its subsidiaries form the group (hereinafter DMG MORI). The operating activities of DMG MORI are split into the "Machine Tools" and the "Industrial Services" segments. "Corporate Services" essentially comprises DMG MORI AKTIENGESELLSCHAFT with its group-wide holding functions.

The global manufacturing industry is characterized primarily by the trends of **automation** and **digitization**. As a consequence, the industry faces a market environment which is driven by innovation and is highly dynamic. Production in the future will not only require digital, networked manufacturing but also agile, dynamic and lean processes. Customer demand for continous complete solutions – including machinery, software, process, periphery and services – is increasing. Digital networking and parallel, virtual imaging of automated production are to enable a consistent process and cost transparency along the entire value chain and throughout the entire product life cycle. Moreover, traditional manufacturing processes and technologies are increasingly being supplemented by **ADDITIVE MANUFACTURING.**

The technological innovations resulting from these requirements are causing a fundamental change in the markets and business models. At the same time, the change towards electromobility and hybrid drive formats is influencing the machine tool industry. New competitors from other industries and regions are entering the market, whereas the complexity of machine tools continues to increase and innovation cycles are getting shorter and shorter.

DMG MORI considers these challenges as an opportunity to further expand its current market position as one of the world's leading suppliers of integrated premium solutions and as sustainable and global innovator for the manufacturing industry. Our goal: Actively promote innovations and offer even better integrated solutions to meet dynamic customer demands in the future. We want to be Number 1 for our customers worldwide with our holistic offer of machine tools, automation and digitization solutions and our DMQP: from development to production, through to the global sales and services of forward-looking machine tools.

A.01 | SEGMENTS OF DMG MORI

DMG MORI AKTIENGESELLSCHAFT

MACHINE TOOLS	INDUSTRIAL SERVICES	CORPORATE SERVICES
› Turning › Milling › Advanced Technologies › Digital Solutions	› Sales & Services › Energy Solutions	› Group-wide holding functions

Dynamic . Excellence

- + Automation
- + Digitization
- + Additive Manufacturing
- + Technology Excellence
- + DMQP
- + First Quality
- + Service Excellence
- + GLOBE
- + Employees
- + Sustainability

Together with DMG MORI COMPANY LIMITED, we are pushing the implementation of our motto **"Dynamic . Excellence".** We actively advance the important strategic future topics with high dynamics. At the same time, we aim for excellence in our products, processes as well as in quality and service. This is reflected in our "Global One 2020" corporate strategy.

We strengthen our technology and innovation leadership through continuous product and technology innovations. We continue to develop our automation portfolio so that every DMG MORI machine can be equipped with automation solutions in the future. In 2020, we want to sell every second machine with **automation.** Today, we already offer our customers highly integrated automation solutions ranging from pallet and workpiece handling to flexible linking of machines. A successful example is the Robo2Go 2nd Generation, which is characterized by its ease of operation and flexible workpiece handling.

With "Integrated Digitization" we are actively shaping the ongoing **digitization** of the manufacturing industry. The basis is our app-based control and operating environment CELOS. Our customers optimize their production processes with integrated solutions from ISTOS. At the same time, they can increase their machine availability by using the maintenance platform from WERKBLiQ. With the open, digital platform ADAMOS we are setting a standard for the Internet of Things (IoT) in the machine and plant building industry together with our partners and we are paving the way for new business models. With these integrated digital solutions our customers can network their entire production. This gives them the highest possible transparency of processes and costs.

The great potential of an integrated solution from DMG MORI can be seen in our modernized production and supplier plant in Poland. As "proof of concept" for our customers, at FAMOT we will achieve an increase in productivity through the use of the latest automation and digitization technologies at all levels of the value chain. In the future, DMG MORI will increasingly invest in the automation and digitization of its own value chain, so that further production plants will follow this example.

With the future topic **ADDITIVE MANUFACTURING,** DMG MORI covers the entire process chain and bundles the two most important generative manufacturing processes "Selective Laser Melting" in powder bed and "Laser Metal Deposition" with powder nozzle under one roof. This makes us a full-service provider – both in the additive production of metal components and in subsequent machining. We will continuously expand our product portfolio and our business model in order to participate in the growth market of additive production. An important step has already been taken with the investment in INTECH, an Indian software and technology developer for generative manufacturing.

In addition, we will increasingly focus on cooperation in the future – both internally with DMG MORI COMPANY LIMITED and with external partners. The selection of our cooperation partners is always aimed at the strategic expansion of our portfolio – especially in the future topics.

Our experts are involved at an early stage in the development processes of our customers in order to advise them individually and to develop complete solutions perfectly tailored to their requirements. We already offer this service today in our **Technology Excellence** Center for the main sectors Aerospace, Automotive, Die & Mold and Medical. In the future, we intend to expand this offering by opening new global Technology Excellence Centers for other industries as well, in order to proactively meet globally increasing customer needs.

We also pursue our motto "everything from a single source" with our **DMG MORI Qualified Products** (DMQP). In addition, to the machine and the service DMG MORI offers its customers perfectly coordinated and certified peripherals together with its DMQP partners. DMQP products stand for the highest productivity, quality, connectivity and availability. Integrated manufacturing solutions including accessories are our goal. To this end we optimize and harmonize our DMQP portfolio.

DMG MORI will continue to focus on innovative technology solutions, machine tools and services in the future. As a basis for this, we will focus on sustainable, organic growth. Our goal is to exceed our customers' high expectations regarding accuracy, reliability and durability with excellent products, processes and employees. Without compromise we therefore pursue our **"First Quality" strategy** along the entire value chain and focus on customer benefit in all our activities. Our goal is to satisfy every customer 100 %.

We are pursuing this goal equally with the "Industrial Services" segment. Here too, the focus is on the excellence of the services provided for commissioning, training, maintenance, spare parts service and repair. Our **"Customer First" program** is aimed at convincing customers with outstanding services throughout the entire life cycle of our products. To this end, DMG MORI will further increase the number of service employees. At the same time, we will continuously optimize our service quality and efficiency through structural measures, a continuous improvement process and our digital service concepts.

In addition, we strive to achieve the best possible design of our internal structures and processes, which are primarily the result of growing closer together with DMG MORI COMPANY LIMITED. The aim here is to identify and implement the "best of both worlds". The target image is made up of lean structures that allow a high degree of flexibility in order to be able to react dynamically to future market changes. By reorganizing its sales and service structures and optimizing its global production network, DMG MORI has already been able to significantly reduce complexity, realizing efficiency advantages through increased standardization. This process will continue to be advanced in the future in order to present ourselves even more strongly as "Global One Company". At the same time, we are pushing ahead with the harmonization of systems and processes. At the heart of our activities are the establishment of central IT infrastructures and the introduction of a global ERP system with our **"GLOBE** – **Gl**obal **O**ne **B**usiness **E**xcellence" project.

Ultimately, the pursuit of excellence, market leadership and customer satisfaction can only be achieved through the foundation of our success: Our **employees.** With their outstanding commitment as well as their comprehensive experience and strengths, they enable DMG MORI to meet its own premium standards, achieve its ambitious goals and exceed the high customer expectations. For this reason, we attach great importance to being an attractive employer and constantly improving our working environment. At the same time, DMG MORI stands for a corporate culture of diversity, openness and transparency. We promote entrepreneurial thinking and talent through group-wide succession management concepts such as the "High Potential Program". In addition, DMG MORI strengthens employee loyalty through numerous offers such as sports promotion or the DMG MORI classical concert as an event highlight.

The in-house development and production of our DMG MORI components gives us the opportunity to strengthen our core competencies, avoid dependencies and ensure the best possible quality of our products. Together with a variety of other measures, DMG MORI components contribute to the cost optimization and **sustainability** of our products and processes. These include the standardization of components and interfaces, the further streamlining of our product portfolio as well as consistent supplier management and efficient internal value chains.

A.02 | KEY FINANCIAL AND PERFORMANCE INDICATORS	Facts 2017	Targets Annual Report 2017 (12 March 2018)	Targets Q3/2018 (25 October 2018)	Facts 2018
Order intake	€ 2,754.8 million	around € 2.5 billion	around € 2.9 billion	€ 2,975.6 million
Sales revenues	€ 2,348.5 million	around € 2.45 billion	around € 2.55 billion	€ 2,655.1 million
EBIT	€ 180.1 million	around € 180 million	around € 200 million	€ 217.1 million
Free cash flow	€ 142.4 million	around € 100 million	around € 125 million	€ 154.2 million
Investments (tangible fixed assets / intangible assets)	€ 39.7 million	around € 65 million	around € 65 million	€ 81.9 million
Research and Development expenses	€ 50.4 million	around € 60 million	around € 60 million	€ 57.9 million

Management System of DMG MORI

The Executive Board of DMG MORI AKTIENGESELLSCHAFT manages the group via a rigidly defined organizational and management structure, as well as by operative goals, the achievement of which is monitored by pre-defined key figures. With the help 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.

Main key internal target and control variables are order intake, sales revenues, earnings before interest and taxes (EBIT), free cash flow and investments. In terms of the key result figure, we implemented a change from earnings before taxes (EBT) to EBIT to enable comparison with DMG MORI COMPANY LIMITED as of 1 January 2018. We manage the activities of the group and individual companies sustainably and with a focus on value.

Overall, DMG MORI completed financial year 2018 very successfully. With € 2,975.6 million, order intake reached a new record (+8 %; previous year: € 2,754.8 million). At € 2,655.1 million, sales revenues were +13 % or € 306.6 million above the previous year's figure (€ 2,348.5 million). EBIT increased by +21 % to € 217.1 million (previous year: € 180.1 million). Free cash flow was significantly above the previous year at € 154.2 million (+8 %; € 142.4 million). All mentioned target and control variables therefore reached maximum values and due to the higher performance and sustainably good business development, exceeded the forecast for the whole of 2018.

Investments in property, plant and equipment and intangible assets amounted to € 81.9 million. The increase in comparison to the forecast results from investments in the project "GLOBE". Expenditure for research and development amounted to € 57.9 million.

Organization and Legal Corporate Structure

DMG MORI AKTIENGESELLSCHAFT, which has its headquarters in Bielefeld, manages the group centrally and across all functions as a management holding company. It comprises all cross-divisional key functions of the group. DMG MORI Management GmbH, Bielefeld, is the operating management company of the group's sales and service locations. DMG MORI AKTIENGESELLSCHAFT manages the company's home market in Germany, the EMEA region (Europe, Middle East, Africa) as well as the markets in China and India. As the parent company of the group's production sites, GILDEMEISTER Beteiligungen GmbH is responsible for further holding functions. Together with DMG MORI COMPANY LIMITED, we are present worldwide at 157 sales and service locations – 14 of which are production plants.

All companies of the group are managed as profit centers and follow clear guidelines to achieve the best possible performance and results. A group-wide uniform IT infrastructure standardizes the main work processes and workflows, and thus forms an integrative link for the group. The organizational costs of DMG MORI AKTIENGESELLSCHAFT amounted to € 22.5 million (previous year: € 23.8 million). The ultimate parent company of DMG MORI AKTIENGESELLSCHAFT is DMG MORI COMPANY LIMITED, which has its headquarters in Tokyo, Japan.

The following changes were made to the group's legal corporate structure:

› Effective from 1 January 2018, DMG MORI Hamburg GmbH, Hamburg, merged to DMG MORI Berlin Hamburg GmbH, Bielefeld.

› In May 2018, GILDEMEISTER energy solutions GmbH, Würzburg, founded GILDEMEISTER ENERGY Services UK Ltd., Manchester (UK), as a 100 % subsidiary.

› In November 2018, GILDEMEISTER Beteiligungen GmbH, Bielefeld, acquired a 30 % interest in INTECH DMLS PRIVATE LIMITED, Bangalore (India). With this share in the Indian software developer, DMG MORI intends to open up its access to important software and technology know-how for generative production in the area of ADDITIVE MANUFACTURING.

The structure of the group is oriented towards all companies making their contribution to further expand its position as a global market and innovation leader. The group is depicted in a matrix organization with the production plants on the one side and the sales and service companies on the other side. The supply plants are specialized according to business fields and production lines.

The DMG MORI sales and service companies are responsible for the direct sales and servicing of our products and those of DMG MORI COMPANY LIMITED. In addition, our key account management serves large international customers. GILDEMEISTER energy solutions GmbH, Würzburg operates in the field of regenerative energies.

According to its last notification of voting rights on 6 April 2016, DMG MORI COMPANY LIMITED, Nara (Japan) indirectly held a 76.03 % share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. In addition, Paul E. Singer held 8.11 % of the share capital as at 31 December 2018 through related companies according to the last voting rights report from 4 January 2019.

DMG MORI's financial investments are listed on page 151 et seqq.

Takeover Directive Implementation Act (Section 315a para. 1 HGB (German Commercial Code))

The following mandatory disclosures apply to the 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 Corporation Act (AktG), the Supervisory Board is responsible for appointing and dismissing the members of the Executive Board. This authorization is specified in Section 7 para. 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.

› According to its last notification of voting rights on 6 April 2016, DMG MORI COMPANY LIMITED indirectly held a 76.03 % share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT.

› Pursuant to Section 119 para. 1 no. 5 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 AktG, in conjunction with Section 15 para. 4 of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT.

› Pursuant to Section 5 para. 3 of the Articles of Association, the Executive Board is authorized 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 (authorized 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 authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right in certain specifically and in detail defined cases according to the Articles of Association (authorized capital).

› 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.

Pursuant to Section 315a para. 1 HGB, the Executive Board provides the following explanatory notes:

› As of 31 December 2018, 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 the bearer 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.

› There were no changes to the Articles of Association in financial year 2018.

› The Executive Board has not used the mentioned authorizations 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 with the possibility to cancel them in the event of a change of control.

Share

Stock Market Listing

The shares of DMG MORI AKTIENGESELLSCHAFT were listed on the SDAX in the reporting year and quoted on the official market on the stock exchanges in Frankfurt/Main, Berlin and Düsseldorf, as well as on the open market stock exchanges in Hamburg, Hanover, Munich and Stuttgart. DMG MORI AKTIENGESELLSCHAFT continues to meet the transparency requirements of the German Stock Exchange's "Prime Standard".

Share Performance

In the stock market year 2018, the DMG MORI share was initially quoted at € 45.40 (2 January 2018) and closed at the price of € 43.10 (-5 %) as of 28 December 2018, and thus developed better than the SDAX (-20 %). Market capitalization amounted to € 3.40 billion.

Guaranteed Dividend

Due to the domination and profit transfer agreement with DMG MORI GmbH – a 100 % subsidiary of DMG MORI COMPANY LIMITED – DMG MORI AKTIENGESELLSCHAFT has stopped distributing dividends since financial year 2016. Instead, DMG MORI GmbH has undertaken to pay minority shareholders of DMG MORI AKTIENGESELLSCHAFT compensation ("guaranteed dividend") amounting to € 1.17 gross or € 1.03 net per share – after corporation tax and before personal income tax – for each complete financial year for the term of the agreement.

Corporate Communications // Investor Relations

Our Corporate Communications // Investor Relations departments aim to provide an open and ongoing exchange of information with the capital market. Our objective is to create transparency and to enable others to gain a better understanding of our business model. Our work substantially contributes towards cultivating and enhancing DMG MORI's positive public image. We maintain constant communication with the national and international business press and all associations, bodies and decision makers relevant to the group.

A.03 | KEY FIGURES OF THE SHARE OF DMG MORI AKTIENGESELLSCHAFT | ISIN: DE0005878003

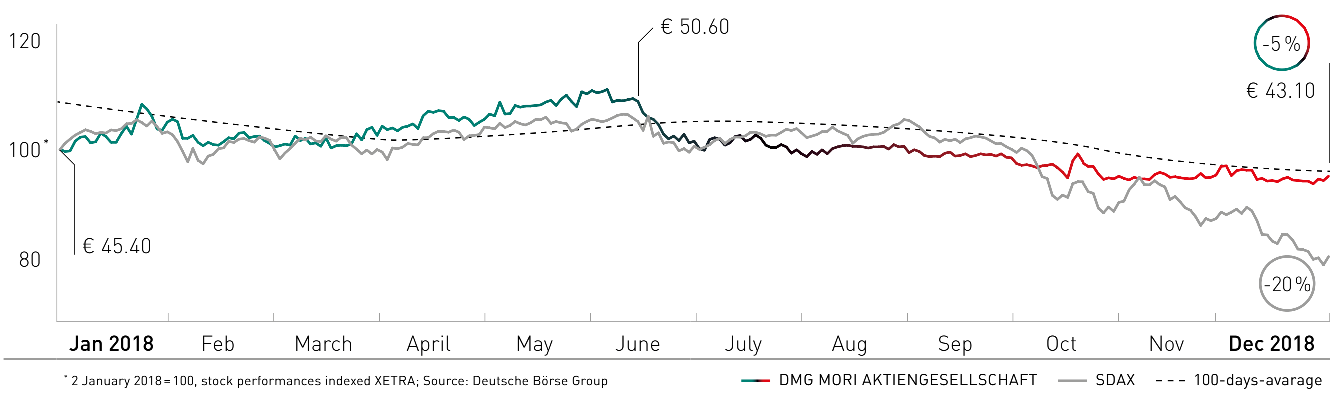
		2018	2017	2016	2015	2014	2013
Registered capital	€ million	204.9	204.9	204.9	204.9	204.9	204.9
Number of shares	million shares	78.8	78.8	78.8	78.8	78.8	78.8
Closing price 1)	€	43.10	46.02	43.16	38.08	23.50	23.15
Annual high 1)	€	50.60	53.85	44.76	38.90	26.82	24.53
Annual low 1)	€	42.80	42.95	35.02	23.28	18.85	15.00
Market capitalization	€ million	3,397.1	3,627.2	3,401.8	3,001.4	1,852.2	1,824.6
Dividend *	€	–	–	–	0.60	0.55	0.50
Dividend total *	€ million	–	–	–	47.3	43.4	39.4
Dividend yield *	%	–	–	–	1.6	2.3	2.2
Earnings per share 2)	€	1.88	1.49	0.57	1.90	1.41	1.33
Price-to-earnings ratio 3)		22.9	30.9	75.7	20.0	16.7	17.4

1) XETRA-based closing price
2) Pursuant to IAS 33
3) Closing price / earnings per share

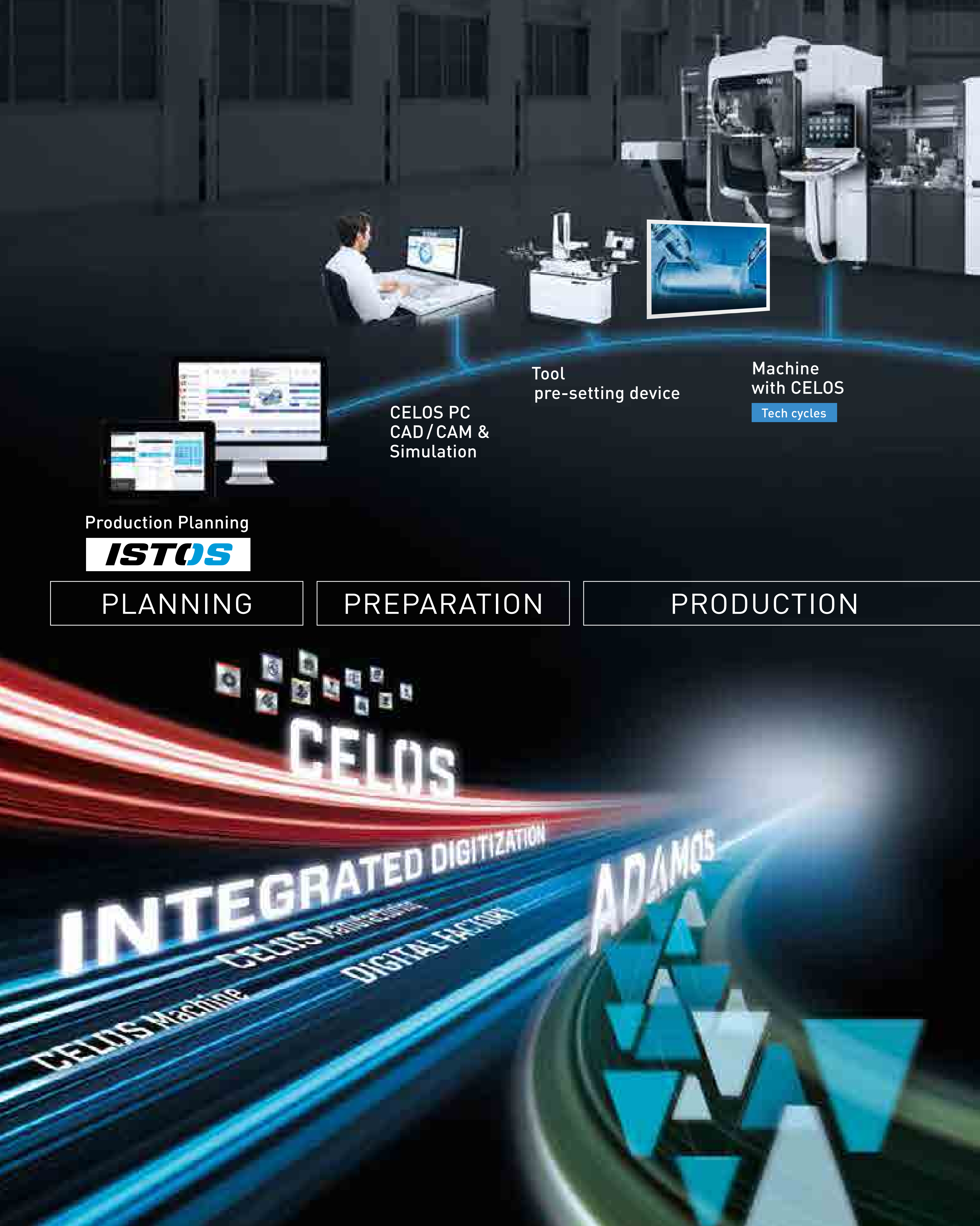
* Due to the domination and profit transfer agreement, DMG MORI AKTIENGESELLSCHAFT will cease paying dividends as of financial year 2016. Instead, DMG MORI GmbH has undertaken to pay external shareholders a compensation amount ("guaranteed dividend") of € 1.17 gross per share for each full financial year.

A.04 | DMG MORI AKTIENGESELLSCHAFT-SHARE IN COMPARISON WITH THE SDAX® – JANUARY TO DECEMBER 2018

in %



* 2 January 2018 = 100, stock performances indexed XETRA; Source: Deutsche Börse Group


Production Planning
ISTOS
CELOS PC
CAD / CAM &
Simulation
Tool
pre-setting device
Machine
with CELOS
Tech cycles
PLANNING
PREPARATION
PRODUCTION
CELOS
INTEGRATED DIGITIZATION
DIGITAL FACTORY
CELOS Machine
ADAMOS

DIGITIZATION

Integrated Digitization strategy of DMG MORI:

+ CELOS – 27 apps // step-by-step entry into networked production
+ ISTOS – optimized planning // link between machine and production processes
+ WERKBLiQ – digital maintenance and service process across different manufacturers
+ ADAMOS – broad portfolio of apps // open IoT platform across different manufacturers

CELOS

INTEGRATED DIGITIZATION FROM PLANNING TO SERVICE

DMG MORI is a **digitization pioneer** in **machine tool construction**. As a technological leader we offer **step-by-step entry into networked production** with CELOS Version 5.0.

27 CELOS apps offer numerous highly modern, intuitive solutions for more **efficiency along the entire value chain**. This "digital toolbox" enables both simple and harmonious access to digitization for smaller companies and also offers modular solutions for large companies.

ISTOS

OPTIMIZED PLANNING FOR THE ENTIRE PRODUCTION PROCESS

With **ISTOS PLANNING SOLUTIONS** customers are taking a decisive step towards digitization. **Planning, monitoring and feedback** are the foundation for optimized production – across applications and process boundaries.

ISTOS products are focused on the integrated **digitization of processes in the networked factory**, and as such support manufacturing companies in achieving optimized production planning and control.

PRODUCTION PLANNING: Dynamic planning and optimization of manufacturing orders due to limited resources

PRODUCTION FEEDBACK: Feedback on the production status by the use of operating and machine data collection

PRODUCTION COCKPIT: Manufacturer-independent overview of production

ISTOS

WERKBLiQ

AN INTELLIGENT OVERVIEW OF THE FACTORY

Manage service and maintenance processes – from documentation and commissioning of service partners to the procurement of replacement parts. Simple, efficient and fast.

For service partners
- Simple planning and provision
- Increased customer satisfaction

For manufacturers
- Simple & direct communication
- Accelerated data exchange

For machine operators
- Manufacturer-independent maintenance solution
- Digital cost and performance reports
- Avoidance of machine downtime

WERKBLiQ

ADAMOS

TOGETHER, INTERDISCIPLINARY, UNIQUE

+ **ADAMOS:** The digitization initiative by machine tool builders for mechanical engineering
+ **ADAMOS partner network:** Accelerated innovation by exchanging knowledge across industries
+ **ADAMOS IoT platform:** Comprehensive functionalities for the efficient creation of digital applications
+ **Applications:** Tailored to mechanical engineering. Individual and joint development for similar problems

DIGITIZATION

Integrated Digitization strategy of DMG MORI:

+ CELOS – 27 apps // step-by-step entry into networked production
+ ISTOS – optimized planning // link between machine and production processes
+ WERKBLiQ – digital maintenance and service process across different manufacturers
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Corporate Governance Report / Group Declaration on Corporate Management

The Executive Board and Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always act in accordance with good corporate governance and report in accordance with Section 3.10 of the German Corporate Governance Code on corporate governance at DMG MORI. This is reflected in 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. DMG MORI follows the recommendations of the German Corporate Governance Code.

In November 2018, the Executive Board and Supervisory Board once again issued a compliance statement that confirmed the group's compliance with all recommendations of the "Government Commission on the German Corporate Governance Code" in the version of the code of 7 February 2017 since its publication in the electronic Federal Gazette (Bundesanzeiger) on 24 April 2017 without reservation. 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. DMG MORI also complies with the suggestions of the German Corporate Governance Code except for two exceptions regarding the Annual General Meeting. For organizational and cost reasons, we have waived the Internet transmission and the accessibility of the representatives for the instruction-bound exercise of the voting rights of shareholders during the Annual General Meeting.

The current declaration of conformity and the Corporate Governance report are permanently accessible on our website – as well as the declaration of conformity of previous years.
→ **en.dmgmori-ag.com/corporate-communications/corporate-governance**

Pursuant to Section 317 para. 2 (6) of the German Commercial Code (HGB), the purpose of the audit of the statements of the group declaration on corporate management pursuant to Section 289 f para. 2 and 5 and Section 315 d of the HGB is limited to determining whether such statements have been made.

Responsible Management of Opportunities and Risks
In our opinion, the comprehensive and systematic management of opportunities and risks within corporate management is a part of good corporate governance. For detailed information on the opportunities and risk management system of the group, please see page 64 et seqq. of the Annual Report.

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 upon 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 reports and quarterly releases to the Finance and Audit Committee and discusses these reports and releases with the Finance and Audit Committee before their publication. The Articles of Association and the rules of procedure empower the Supervisory Board to consent to a wide range of business transactions proposed by the Executive Board.

The remuneration of both the members of the Supervisory Board and of the Executive Board is presented in detail in the remuneration report on page 28 et seqq. 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 voluntary obligation pursuant to Section 5.4.1 DCGK (German Corporate Governance Code):

- The Supervisory Board should be staffed with the same number of shareholder representatives with experience in managing or governing companies with global operations;
- Employees from key DMG MORI sectors should be considered 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 shareholders' 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 limit of 70 years at the time of election to the Supervisory Board should be observed; limit of five terms of office;
- Nominations for future staffing of the Supervisory Board should also be made primarily with the interests of the company in mind, while observing the objectives mentioned above.

The re-election of the Supervisory Board meant that the Supervisory Board again complied with its voluntary obligation of setting a gender quota in financial year 2018. It also again complied with its voluntary obligation to ensure the independence of at least 50 % of the Supervisory Board members.

Diversity

The diversity culture lived at DMG MORI empowers our employees to support international group projects. This cultural exchange promotes personnel diversity and increases performance. At DMG MORI, all employees and job applicants are held in high esteem irrespective of their nationality or ethnic origin, sex, age, religion, sexual orientation or physical impairments. The Executive Board emphasizes this equal opportunity through the DMG MORI Code of Conduct.

Statutory Gender Quota Requirements

Taking into account the Act on Equal Participation of Men and Women in Executive Positions in Private Business and the Public Sector, the Supervisory Board passed a resolution on 30 November 2017 specifying that a quota of 20 % of the Executive Board of DMG MORI AKTIENGESELLSCHAFT is to be occupied by female members of staff by 30 June 2022.

As a result of flat hierarchies, there is only one management level below that of the Executive Board at DMG MORI AKTIENGESELLSCHAFT. The target quota set by the Executive Board on 18 October 2017 for this management level was 10 % for women. This target is to be achieved by 30 June 2022. With regard to the Supervisory Board, the statutory 30 % quota has been met since the Supervisory Board elections 2018. The shareholders' and employees' representatives have decided to meet these legal requirements separately from each other. Since the Supervisory Board elections, there have been two female Supervisory Board members among the shareholders' representatives. Since the Supervisory Board elections, there have been three female Supervisory Board members among the employees' representatives.

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

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 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 to exercise their voting right by proxy through an authorized 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 in a timely manner via the Internet. All documents and information are made available to shareholders in good time on our website.

Transparency

We strive to ensure that our corporate communication is as transparent and as relevant as possible for all stakeholders, such as shareholders, capital lenders, business partners and employees, as well as for the general public. Our website provides further information at any time on the group's current position, and this is also where press releases and quarterly reports, annual reports and a detailed financial calendar are published.

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 obligations and our own internal guidelines. Our Compliance Management System is designed to safeguard our principles and values. Further information about our Compliance Management System can be found in the Sustainability Report 2018 and on our website.

Financial Accounting and Annual Audit

We have again agreed with the annual auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for this reporting period that the Chairman of the Supervisory Board and the Chairwoman of the Finance and Audit Committee must 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.

Highly qualified junior staff: The 396 apprentices are prepared from the beginning for the requirements of tomorrow's working world and strengthened in digital skills.

Insurance for Members of the Supervisory Board and the Executive Board of DMG MORI

D&O insurances (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 the managing directors. The D&O insurance contains the deductible provided for in the code and in the pertinent statutory provisions, respectively.

Share Ownership of the Executive Board and Supervisory Board Members

Only one member of the Supervisory Board has a substantial indirect holding in DMG MORI AKTIENGESELLSCHAFT. Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). DMG MORI COMPANY LIMITED indirectly holds a 76.03 % share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. Hence, Dr. Eng. Masahiko Mori is indirectly a shareholder of DMG MORI AKTIENGESELLSCHAFT.

Pursant to section 19 MMVO (German Misuse of Power Regulation), 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. The corresponding notifications made by DMG MORI AKTIENGESELLSCHAFT can be viewed on the company website at all times.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET WORTH
SUPPLEMENTARY REPORT
OPPORTUNITIES AND RISK REPORT
FORECAST REPORT
CONSOLIDATED FINANCIAL STATEMENTS

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.

Supervisory Board Remuneration

The Supervisory Board's remuneration is defined by the Annual General Meeting and governed by Section 12 of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT. The Supervisory Board remuneration consists of several components, including the fixed remuneration that each member of the Supervisory Board receives, remuneration for committee work, and attendance fees for meetings.

In financial year 2018, 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). Fixed remuneration totaled € 718,604 (previous year: € 894,905).

Remuneration for committee work totaled € 228,870 (previous year: € 373,413) and included the work done in the Finance and Audit Committee, the Personnel, Nominations and Remuneration Committee as well as the Technology and Development Committee until 4 May 2018. 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 2018 amounted to € 144,000 (previous year: € 229,500).

In financial year 2018, total remuneration for the Supervisory Board amounted to € 1,091,474 (previous year: € 1,497,818).

Executive Board Remuneration

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

Members of the Executive Board receive direct and indirect remuneration. The indirect remuneration component primarily consists of pension plan expenses. The direct remuneration of members of the Executive Board of DMG MORI AKTIENGESELLSCHAFT includes 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). The remuneration 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 primarily include the responsibilities of the respective Executive Board members, their personal performance, the performance of the entire Executive Board, also the business situation, the success and the future prospects of the company within its comparative environment.

The Supervisory Board meeting on 24 November 2016 and the Annual General Meeting resolution from 5 May 2017 confirmed the existing structure of Executive Board remuneration comprising a fixed component, STI, individual and performance-oriented remuneration, LTI and contributions to pension plans. The LTI was adjusted to a three-year period starting from 2017. Furthermore, as of the 2017 – 2019 tranche, the LTI will no longer take the share price into account, but rather be guided by the result of DMG MORI AKTIENGESELLSCHAFT as the key indicator, including a bottom threshold for the result. The Supervisory Board has set caps on the overall direct remuneration of the Executive Board.

The total remuneration received by the Executive Board totaled € 10,078 K (previous year: € 8,659 K). Of this sum, fixed salaries accounted for € 2,478 K (previous year: € 2,100 K), and STI accounted for € 3,349 K (previous year: € 2,880 K). The individual remuneration amounted to € 2,063 K (previous year: € 1,750 K). The value of the LTI totaled € 1,283 K (previous year: € 1,272 K). Benefits in kind amounted to € 105 K (previous year: € 57 K). The pension plan expense amounted to € 800 K (previous year: € 600 K).

The following table shows the remuneration of the Executive Board in accordance with the German Corporate Governance Codex (DCKG). The table "Allocated grants" shows the awarded remuneration levels for members of the Executive 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.

A.05 | REMUNERATION OF THE SUPERVISORY BOARD OF DMG MORI AKTIENGESELLSCHAFT

in €	Fixed remuneration	Committee remuneration: Finance and Audit Committee (F&A)	Committee remuneration: Personnel-, Nominirations and Remuneration Committee (PNR)	Committee remuneration: Technology and Development Committee (T&D)	Meeting attendance fees	Total
current SB members (since 4 May 2018)						
Dr. Eng. Masahiko Mori Chairman SB (since 4 May 2018) Chairman PNR (since 4 May 2018)	–	–	–	–	–	0
Since 4th May 2018 Dr. Eng. Mori has waived any Supervisory Board Remuneration. Any remuneration up to the time of the waiving was assigned and paid to DMG MORI COMPANY LIMITED, Japan. Dr. Eng. Mori has not personally received any remuneration for his activities as Supervisory Board member for 2018. The expense of DMG MORI AKTIENGESELLSCHAFT until 4th May 2018 amounted to € 40,114, of which € 20,384 was fixed remuneration, € 7,500 the attendance fee and committees € 6,115 (F&A), € 0 (PNR) and € 6,115 (T&D).						
Ulrich Hocker Deputy chairman SB	90,000	0	18,000	0	12,000	120,000
Irene Bader	–	–	–	–	–	0
Since 4th May 2018 Mrs. Bader has waived any Supervisory Board Remuneration. Any remuneration up to the time of the waiving was not paid to Mrs. Bader personally, but was assigned and paid to DMG MORI GmbH, Germany. Mrs. Bader has not personally received any remuneration for her activities as Supervisory Board member for 2018. The expense of DMG MORI AKTIENGESELLSCHAFT until 4th May 2018 amounted to € 32,499, of which € 20,384 was fixed remuneration, € 6,000 the attendance fee and committees € 0 (F&AP), € 6,115 (PNR) and € 0 (T&D).						
Prof. Dr.-Ing. Berend Denkena	60,000	0	0	6,115	9,000	75,115
Prof. Dr. Annette Köhler Chairman F&A	60,000	36,000	0	0	16,500	112,500
James Victor Nudo SB member (since 4 May 2018)	–	–	–	–	–	0
As of the beginning of his appointment to the Supervisory Board, James Victor Nudo has fully waived any Supervisory Board remuneration.						
Mario Krainhöfner * 1st Deputy chairman SB	90,000	3,945	18,000	0	13,500	125,445
Stefan Stetter Deputy chairman SB (since 4 May 2018) SB member (since 4 May 2018)	59,425	11,885	0	0	10,500	81,810
Tanja Fondel * SB member (since 4 January 2018)	56,877	0	11,885	0	9,000	77,762
Dietmar Jansen *	60,000	11,885	3,945	0	13,500	89,330
Larissa Schikowski ** SB member (since 4 May 2018)	39,616	0	11,885	0	6,000	57,501
Michaela Schroll * SB member (since 4 May 2018)	39,616	11,885	0	0	9,000	60,501
former SB member (until 4 May 2018)						
Prof. Dr.-Ing. Raimund Klinkner Chairman SB (until 4 May 2018) Chairman T&D (until 4 May 2018) Chairman PNR (until 4 May 2018)	50,959	6,115	12,230	12,230	10,500	92,034
Hermann Lochbihler dep. chairman SB (until 4 May 2018)	30,575	6,115	6,115	6,115	9,000	57,920
Matthias Pfuhl	20,384	6,115	0	6,115	7,500	40,114
Peter Reinoss *	20,384	0	0	3,945	4,500	28,829
Total ***	**718,604**	**100,060**	**88,175**	**40,635**	**144,000**	**1,091,474**

* These employees' representatives transfer the majority of their remuneration for Supervisory Board duties to the Hans-Böckler-Stiftung, Düsseldorf, Germany.
** Larissa Schikowski transfers part of her remuneration for Supervisory Board activities to various charitable institutions.
*** The total amount corresponds to the expenses of DMG MORI AKTIENGESELLSCHAFT for 2018.

A.06 | EXECUTIVE BOARD DIRECT REMUNERATION

	Fixum		STI		LTI		Performance remuneration		Perquisite		Pension Plan		Total	
in € K	2017	2018	2017	2018	2017 *	2018 *	2017	2018	2017	2018	2017	2018	2017	2018
Christian Thönes Chairman since 15 April 2016	900	900	1,380	1,380	636	647	750	750	21	24	300	300	3,987	4,001
Dr. Maurice Eschweiler	600	600	750	750	636	636	500	500	18	20	150	150	2,654	2,656
Björn Biermann	600	600	750	750	–	–	500	500	18	19	150	200	2,018	2,069
Michael Horn Executive Board member since 15 May 2018	–	378	–	469	–	–	–	313	–	42	–	150	–	1,352
Total	**2,100**	**2,478**	**2,880**	**3,349**	**1,272**	**1,283**	**1,750**	**2,063**	**57**	**105**	**600**	**800**	**8,659**	**10,078**

* Value of the LTI-Tranche 2014 – 2017 and 2015 – 2018

A.07 | ALLOCATED GRANTS
in € K

				2017	2018	2018 (Min)	2018 (Max)
Christian Thönes	Chairman	since 15 April 2016	Fixum	900	900	900	900
			Perquisite	21	24	24	24
	Executive Board member	since 1 Jan 2012	**Sum**	**921**	**924**	**924**	**924**
			STI	690	690	0	1,380
			ind. performance remuneration	690	690	0	750
			LTI 2017 – 2019	300	–	–	–
			LTI 2018 – 2020	–	300	0	360
			Sum	**1,680**	**1,680**	**0**	**2,490**
			Pension [1]	300	300	300	300
			Total	**2,901**	**2,904**	**1,224**	**3,714**
Dr. Maurice Eschweiler	Executive Board member	since 1 April 2013	Fixum	600	600	600	600
			Perquisite	18	20	20	20
			Sum	**618**	**620**	**620**	**620**
			STI	375	375	0	750
			ind. performance remuneration	377	377	0	500
			LTI 2017 – 2019	200	–	–	–
			LTI 2018 – 2020	–	200	0	240
			Sum	**952**	**952**	**0**	**1,490**
			Pension [1]	150	150	150	150
			Total	**1,720**	**1,722**	**770**	**2,260**
Björn Biermann	Executive Board member	since 27 Nov 2015	Fixum	600	600	600	600
			Perquisite	18	19	19	19
			Sum	**618**	**619**	**619**	**619**
			STI	375	375	0	750
			ind. performance remuneration	377	377	0	500
			LTI 2017 – 2019	200	–	–	–
			LTI 2018 – 2020	–	200	0	240
			Sum	**952**	**952**	**0**	**1,490**
			Pension [1]	150	200	200	200
			Total	**1,720**	**1,771**	**819**	**2,309**
Michael Horn	Executive Board member	since 15 May 2018	Fixum	–	378	378	378
			Perquisite	–	42	42	42
			Sum	**–**	**420**	**420**	**420**
			STI	–	234	0	469
			ind. performance remuneration	–	236	0	313
			LTI 2017 – 2019	–	–	–	–
			LTI 2018 – 2020	–	125	0	150
			Sum	**–**	**595**	**0**	**931**
			Pension [1]	–	150	150	150
			Total	**–**	**1,165**	**570**	**1,501**
Total			Fixum	2,100	2,478	2,478	2,478
			Perquisite	57	105	105	105
			Sum	**2,157**	**2,583**	**2,583**	**2,583**
			STI	1,440	1,674	0	3,349
			ind. performance remuneration	1,444	1,680	0	2,063
			LTI 2017 – 2019	700	–	–	–
			LTI 2018 – 2020	–	825	0	990
			Sum	**3,584**	**4,179**	**0**	**6,401**
			Pension [1]	600	800	800	800
			Total	**6,341**	**7,562**	**3,383**	**9,784**

1) Payments for pension provisions as defined contribution

A.08 | INFLOW FOR THE FINANCIAL YEAR
in € K

				2017	2018
Christian Thönes	Chairman	since 15 April 2016	Fixum	900	900
			Perquisite	21	24
	Executive Board member	since 1 Jan 2012	**Sum**	**921**	**924**
			STI	1,380	1,380
			ind. performance remuneration	750	750
			LTI 2014 – 2017	636	–
			LTI 2015 – 2018	–	647
			Sum	**2,766**	**2,777**
			Pension 1)	300	300
			Total	**3,987**	**4,001**
Dr. Maurice Eschweiler	Executive Board member	since 1 April 2013	Fixum	600	600
			Perquisite	18	20
			Sum	**618**	**620**
			STI	750	750
			ind. performance remuneration	500	500
			LTI 2014 – 2017	636	–
			LTI 2015 – 2018	–	636
			Sum	**1,886**	**1,886**
			Pension 1)	150	150
			Total	**2,654**	**2,656**
Björn Biermann	Executive Board member	since 27 Nov 2015	Fixum	600	600
			Perquisite	18	19
			Sum	**618**	**619**
			STI	750	750
			ind. performance remuneration	500	500
			LTI 2014 – 2017	–	–
			LTI 2015 – 2018	–	–
			Sum	**1,250**	**1,250**
			Pension 1)	150	200
			Total	**2,018**	**2,069**
Michael Horn	Executive Board member	since 15 May 2018	Fixum	–	378
			Perquisite	–	42
			Sum	**–**	**420**
			STI	–	469
			ind. performance remuneration	–	313
			LTI 2014 – 2017	–	–
			LTI 2015 – 2018	–	–
			Sum	**–**	**782**
			Pension 1)	–	150
			Total	**–**	**1,352**

1) Payments for pension provisions as defined contribution

A.08 | INFLOW FOR THE FINANCIAL YEAR
in € K

				2017	2018
Dr. Rüdiger Kapitza	Chairman	until 6 April 2016	Fixum	–	–
	Executive Board member	from 1 Jan 1992 to 6 April 2016	Perquisite	–	–
			Sum	**–**	**–**
			STI	–	–
			ind. performance remuneration	–	–
			LTI 2014 – 2017	1,216	–
			LTI 2015 – 2018	–	871
			Sum	**1,216**	**871**
			Pension	–	–
			Total	**1,216**	**871**
Dr. Thorsten Schmidt	Deputy chairman	until 31 Dec 2015	Fixum	–	–
	Executive Board member	from 1 Oct 2006 to 31 Dec 2015	Perquisite	–	–
			Sum	**–**	**–**
			STI	–	–
			ind. performance remuneration	–	–
			LTI 2014 – 2017	903	–
			LTI 2015 – 2018	–	647
			Sum	**903**	**647**
			Pension	–	–
			Total	**903**	**647**
André Danks	Executive Board Finance	since 11 March 2014 Revocation of the appointment to the Executive Board on 26 Nov 2015	Fixum	–	–
			Perquisite	–	–
			Sum	**–**	**–**
			STI	–	–
			ind. performance remuneration	–	–
			LTI 2014 – 2017	515	–
			LTI 2015 – 2018	–	–
			Sum	**515**	**–**
			Pension	–	–
			Total	**515**	**–**
Total			Fixum	2,100	2,478
			Perquisite	57	105
			Sum	**2,157**	**2,583**
			STI	2,880	3,349
			ind. performance remuneration	1,750	2,063
			LTI 2014 – 2017	3,906	–
			LTI 2015 – 2018	–	2,801
			Sum	**8,536**	**8,213**
			Pension 1)	600	800
			Total	**11,293**	**11,596**

1) Payments for pension provisions as defined contribution

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 2018, the reference values used were the volume of the order intake and EBIT ("Earnings Before Interest and Taxes"). The target figures are on a sliding scale and are respecified every year. As a precondition for the payment of the STI, the group's sustainability factor (total expenditures for research and development, corporate communication incl. marketing as well as for further training in relation to total sales revenues) for the respective financial year must reach or exceed a certain specified minimum value. This promotes sustainability-focused corporate governance.

As a long-term remuneration component, the LTI takes into account the results of DMG MORI AKTIENGESELLSCHAFT as the key indicator, including a bottom threshold for the results.

The individual performance remuneration considers how well the individual Executive Board members have met their individually set goals. The STI, the LTI and the individual performance remuneration are variable, which means they do not represent secure remuneration.

The delayed LTI tranches for 2015 – 2018 and 2016 – 2019 represent a performance units model and do 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. After expiration of the relevant period, the amount to be paid out is calculated from the number of units. From the LTI tranche 2015 – 2018, which was awarded on 31 December 2018 and will be paid out in 2019, the resulting payment totals € 2,801 K (previous year's tranche 2014 – 2017: € 3,906 K). The subsequent LTI tranches combine 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.

Due to the domination and profit transfer agreement between a subsidiary of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT, the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT adopted a resolution to guarantee a stable calculation basis for the LTI in 2016. Imputed values were defined for the EAT parameters and share price for the LTI between 2015 – 2018 and 2016 – 2019.

Benefits in kind arise mainly from the values 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 benefits in kind, which may vary depending on their personal situation and are subject to tax payable by each Executive Board member. Pension commitments for current members of the Executive Board are implemented through a defined contribution pension plan. The expenses for the financial year just ended amounted to € 800 K (previous year: € 600 K). An amount of € 2,181 K was paid to the former Chief Financial Officer André Danks as part of the final settlement of the contract.

Advances in favor of members of the Executive Board – and also in favor of members of the Supervisory Board – were not granted. The DMG MORI AKTIENGESELLSCHAFT group companies did not pay any remuneration directly to members of governing bodies for services personally rendered, in particular consulting and mediation services.

Former members of the Executive Board and their surviving dependents were paid € 1,271 K in pensions (previous year: € 1,339 K). The pension obligations for former members of the Executive Board and their surviving dependents amounted to € 31,655 K (previous year: € 34,829 K).

+ FORM-FITTING COOLANT CHANNELS

Optimal orientation of the cooling agent jet

+ LIGHTWEIGHT CONSTRUCTION

30 % less weight with the same torsional rigidity

+ INTEGRAL CONSTRUCTION

Direct build up onto the tool holder leads directly to the finished part

Additively manufactured milling tool with integrated tool holder

+ COMPACTNESS

+ TOOLLESS MANUFACTURING

Significantly lower manufacturer costs

First time right

Complete: **Powder bed and powder nozzle** from a single source

ADDITIVE MANUFACTURING

ADDITIVE MANUFACTURING by DMG MORI:

+ global full-liner
+ 4 complete process chains
+ 20 years of experience
+ comprehensive advice, training & service

Powder bed – Selective Laser Melting (*SLM*)

OPTOMET – First time right

+ Parameter development for new materials within hours rather than months
+ Finished part: even better surface quality through OPTOMET software

***re*PLUG powder module**

+ zero-contamination material change in < 2 hours
+ integrated powder processing
+ full compatibility with LASERTEC 12 *SLM* and LASERTEC 30 *SLM* 2nd Gen.
+ also as *re*PLUG *re*SEARCH for parameter development

+ LI

30 % les
torsional ri

+ INTEGRAL CONSTRU

Direct build up onto the tool holde
directly to the finished part

Additively manufactured milling tool with integrated tool holder

INTEGRATED PROCESS CHAINS FOR ADDITIVE COMPLETE MACHINING

ADDITIVE MANUFACTURING

ADDITIVE MANUFACTURING by DMG MORI:

+ global full-liner
+ 4 complete process chains
+ 20 years of experience
+ comprehensive advice, training & service

Research and Development

The purpose of DMG MORI's research and development is to sustainably increase the value of our products for our customers. As innovation and technology leader, we provide a forward-looking offer of machinery, technology and automation solutions, software products and services for our customers.

We attach special value to:

› intelligent automation of machines and plants,
› end-to-end digital processes with DMG MORI Software Solutions (CELOS, DMG MORI Technology Cycles, DMG MORI Powertools),
› highly efficient production planning with ISTOS,
› intelligent maintenance processes with WERKBLiQ,
› the further development of global standards in the digitization of machine and plant building industry with ADAMOS,
› expansion of the portfolio with cutting-edge manufacturing technologies particularly in ADDITIVE MANUFACTURING,
› Technology Excellence through industry-specific development of future-oriented and integrated production solutions (Aerospace, Die & Mold, Medical and Additive Manufacturing),
› consolidation of our product portfolio (streamlining),
› standardization of components (SCOPE) and increase in value-added depth for core components (DMG MORI COMPONENTS).

At € 57.9 million, expenses for research and development were above the previous year's figure (+15 %; € 50.4 million).The increase in comparison to the previous year shows the once more enhanced dynamic by which we have advanced our strategic future topics – in particular Automation and Digitization. A total of 581 employees worked on developing our products (previous year: 525 employees). As in the previous year, this represents 15 % of the factories' workforce. The innovation ratio in the "Machine Tools" segment was 4.0 % (previous year: 3.9 %). Investments in new products are listed in explanations of segments as capitalized development costs.

As "Global One Company" together with DMG MORI COMPANY LIMITED we presented 10 world premieres during the reporting year, three of which were internal and two joint developments, on 54 national and international trade fairs and Open House exhibitions. In addition, we presented a wide range of new technology solutions from our five strategic future topics – Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products – and consistently promoted our "First Quality" strategy. The value of our industrial property rights, defined by the market value method, amounts to around € 608.8 million in total (previous year: € 570.6 million).

Research and development activities are decentralized and coordinated by a central product development body. This structure enables the development of the highest level of product competence, while at the same time opening up synergy effects through cross-plant cooperation. We are generating additional synergies with our worldwide annual developer conference, the "Global Development Summit". In October 2018, more than 200 international experts from highly varied company segments met at FAMOT in Poland to develop and advance new ideas.

In addition to our traditional Open House exhibitions, highlights also included the AMB in Stuttgart and the Grand Opening FAMOT. At our factory in Poland we consistently digitized the value chain, thereby creating a model project for customers and suppliers. The sustainable increase in the quality of products and services continues to be DMG MORI's top priority. As part of our "First Quality" strategy, since the start of 2018, the warranty period for all motor spindles of the MASTER series will be 36 months – without any restriction on hours. This highlights the reliability and long service life of our products. At the same time we are still consistently strengthening our five strategic future topics with innovative solutions: Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence as well as DMG MORI Qualified Products (DMQP).

In the Turning division we introduced the 2nd generation NTX 3000 | 1500. The Turn&Mill center distinguishes itself with the highest precision, productivity and a generous work space in an area of only 16.5 m². In universal Turning, the new NLX 6000 | 1000 was able to impress with its outstanding precision and an additional Y-axis for optimal flexibility during processing.

In the Milling division we incorporated our experiences in more than 10,000 vertical processing centers in the new DMC 1850 V. The machine boasts stability and precision and is equipped with *speed*Master spindles to ensure the highest productivity ex works. In addition, the DMU 200 Gantry and the DMU 340 Gantry were presented in Japan and the USA for the first time. They excel in 5-axis processing of large components thanks to their dynamics and rigidity.

A.09 | RESEARCH AND DEVELOPMEMT AT DMG MORI IN A YEAR BY YEAR VIEW

		2018	2017	2016	2015	2014	2013
R&D employees	number	581	525	502	510	501	504
Proportion of R&D employees [1]	in %	15	15	15	14	14	15
R&D expense [2]	€ million	57.9	50.4	46.8	45.9	44.1	42.5
Innovation ratio [3]	in %	4.0	3.9	3.8	3.6	3.5	3.5
Capitalization ratio [4]	in %	8	13	18	18	18	26

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) Capitalized development costs in relation to R&D expenses

In Advanced Technologies, we introduced the LASERTEC 30 *SLM* 2nd generation and the LASERTEC 12 *SLM*. The new machines are equipped with CELOS as an integrated software solution and provide unlimited access to all process parameters. The optimized powder modules *re*PLUG and *re*PLUG *re*SEARCH ensure a contamination-free powder changeover in less than two hours. They significantly increase the productivity of the machines. CELOS offers additional intuitive machine operations. Thanks to its uniform user interface, even highly complex components can be programmed externally and can be adopted at the machine in a minimal expenditure of time. The efficient information flow and intuitive operations of CELOS guarantee optimal workflow during the process chain of additive complete machining. With their open system, the machines also offer individual adaptation of all machine settings and process parameters as well as an unlimited choice of material manufactures.

With a 30 % share in the Indian company INTECH from November, we are opening up access to important software and technology know-how for additive manufacturing. Customers benefit from an easier calculation of optimal process parameters, which now will take only hours rather than months.

As a global full-liner, together with the LASERTEC 65 3D and LASERTEC 65 3D *hybrid*, we offer four complete process chains in ADDITIVE MANUFACTURING including the relevant advice. With the new "Additive Intelligence", we support our customers during development – from identifying suitable applications through to the production of first small series.

In Automation, we have further expanded our offer in workpiece and pallet handling. The Robo2Go 2nd generation is particularly easy to use via CELOS, without any knowledge of robot programming, it can be programmed quickly and offers a multi-job function with which different components can be added in one loading. The joint venture DMG MORI HEITEC has added further options to its modular automation system. Our customers can configure an individual automation solution from a number of robots, storage systems, grippers and peripheral options. They receive a comprehensive, process-safe solution from one source, which can be installed 60 % quicker using the "Digital Twin".

In the area of Digitization, we support our customers with integrated end-to-end solutions. We set standards with a completely digitized value chain in our production factory FAMOT. With our consistent digitization strategy – "Integrated Digitization" – we optimized the whole value chain, using the modular products and services of ISTOS, DMG MORI Software Solutions and WERKBLiQ. The connectivity of all machines, systems and work steps is ensured using the IoT*connector* which can be easily retrofitted to existing DMG MORI machines using the retrofit kit. The web-based maintenance and service platform WERKBLiQ enables integrated documentation of maintenance and certification processes. With PLANNING SOLUTIONS, ISTOS offers a simple start to optimized production planning and now also increases efficiency and flexibility in FAMOT. Our customers receive solutions for simple, efficient, transparent and fast planning of all production processes. We provide greater customer proximity and efficiency with the SERVICE*camera* which, together with the NET*service* sets new benchmarks for remote services. Our customers receive fast, safe and intuitive support.

With the DMG MORI Technology Cycles, we provide 34 effective assistants by now for workshop-oriented programming. The new cycle "TCC – Tool Control Center" visualizes forces and bendings clearly and provides process monitoring. The newly presented cycle "VCS Complete" enables a simple review and compensation of machine precision through fully automated machine measuring. The new Technology Cycle "crownHOBBING" makes it possible to produce Hirth gearing in turn-mill machines. This cycle allows customers to replace up to three individual machines with one Turn & Mill processing center. The technology cycle "Y-Axis Parting", which was presented for the first time during the reporting year, simplifies the cutting of components over the Y-axis, thereby offering a high level of stability and operating safety. The new cycle "Keyway Broaching" ensures that any number of grooves can easily be created and improves the processing result through the integrated compensation of tool forcing. The cycle "Maintenance Package i4.0" monitors resilience and services the machines through a needs-oriented, automatic lubrication.

Purchasing

Our purchasing activities include everything we need to develop and manufacture our innovations. The central task of purchasing is to cover demands and to participate in the development of competitive, innovative products and the optimization of cost structures. The aim: Providing high quality and expertise at the best possible price. To achieve this, we need strong partners. With our complete "DMG MORI Technology Partner" program, we further expanded cooperation with our suppliers in the reporting year. We also intensified digitization in-house. Initial pilot projects for new cloud-based IT solutions, such as the procurement platform SAP ARIBA, were launched successfully and are now being gradually rolled out across the group.

Our procurement is organized globally and is present in the most important markets around the world. This ensures that both production materials and investments in resources and services globally meet the required quality and are procured at the best possible conditions. Thanks to intensive networking between the individual procurement organizations, we are able to benefit from group-wide synergies in different procurement markets. Three regional offices further ensure that additional growth markets are determined and local suppliers become qualified. In this way, cost benefits can be realized for all production sites.

Supplier know-how is crucial for our technological edge and our customer-focused, competitive products. We need motivated and reliable suppliers. They help us to satisfy our customers. In the reporting year, we strengthened and developed existing technology partnerships in the areas of Digitization and DMG MORI Qualified Products (DMQP) in particular. At the DMG MORI "TechDays", we were able to launch 37 innovative projects together with our technology partners in order to coordinate global strategies and technological focus even more closely and implement them in the short term.

In the new "MASTER" spindle generation we introduced the new high-performance bearing material Vacrodur in series, thus being able to realize an extension of the warranty to 36 months without restricted on hours.

The "Product Cost Optimization" program (PCO) was launched in the reporting year. By drawing up "clean sheets", entrepreneurial and technical activities are visualized to achieve optimum component costs. The aim of PCO is to reach our material cost targets more quickly – by involving our suppliers earlier – and at the same time to improve quality from a market and customer perspective.

We live digitization. Starting with purchasing this is the only way to achieve consistent networking. The focus during the reporting year was on optimizing and standardizing purchasing processes to achieve the greatest possible transparency and a high degree of coordination and networking in the group. In the next step, we will focus more closely on the interface with our suppliers. Our aim is to completely digitize the supply chain in order to better secure our supply and use synergies across the group. By using global material group management together with DMG MORI COMPANY LIMITED, both companies benefit from improved cost structures and use synergies which result from numerous projects.

Sustainability is a must. This also applies to purchasing. Global compliance with sustainability standards is already a basic condition for cooperation with our suppliers. With the new purchasing platform, we are now laying the foundation for increasing transparency along the supply chain in the future, and thus evaluating and selecting suppliers according to their sustainability performance. More information on our partner and supplier management is available in the Sustainability Report 2018 on page 26 et seq.

Production and Logistics

The aim of the production and logistics area is efficient manufacture, assembly and delivery of our machines. Compliance with our strict quality standards and high adherence to delivery dates are absolute basic conditions. With the "TAKT" project, we are systematically implementing our production strategy and transferring "Best in Class" solutions to all of our production plants. These measures increase productivity, reduce processing times and eliminate waste. We are striving for optimum utilization of capacities and sustainable production.

In production, we are cooperating intensively with DMG MORI COMPANY LIMITED. Our integrated production network enables us to reduce transport and logistics costs, and to increase availability as an added value for our customers.

The "DMG MORI Improve" software makes it possible to look at ideas and improvements across the plants, to evaluate them and to implement them quickly and easily on an independent basis. During financial year 2018, the area of "Production Innovations" was added to the already integrated topics of "Idea Management" and "CIP" (Continuous Improvement Process). This makes it possible to collect, administer and evaluate innovations relating to products and processes across the group.

In addition, we are advancing the digitization of our internal processes and the integration of ADDITIVE MANUFACTURING into our own value chain. Our component strategy stipulates the need to strengthen our core competences: By producing DMG MORI Components in-house, we can guarantee the highest quality standards and reduce dependencies on suppliers.

In our "First Quality" strategy, we are bundling our globally used quality processes. Our goal: 100 % satisfied customers. The ongoing development of the quality management system and the use of forward-looking digital systems are still the key for top product and process quality. More details are available in the Sustainability Report in the chapter entitled "Product Quality and Security" on page 16 et seq.

In the Milling division, DECKEL MAHO Pfronten GmbH introduced a digital production round. The digital project cockpit developed for this purpose, which contains all information relevant to orders in the installation stage, creates a higher level of transparency and process stability. We digitized mechanical manufacturing and application technology with the maintenance and service software of WERKBLiQ.

At DECKEL MAHO in Seebach, we networked the entire heterogeneous machine fleet using "Digital Monitoring". This allows us to achieve full transparency of machine statuses – in real time. Moreover, we optimized and expanded the installation area for automation solutions.

In a pilot project in the Turning division, GILDEMEISTER Drehmaschinen GmbH equipped the load carrier and hall infrastructure with RFID technology. With the help of automated online bookings, the availability of the load bearer will in future be ensured along the supply and provision chain in real time. In addition – based on the Japanese principle – we set up a "Production Dojo" to improve the value-added process on an ongoing basis. As part of this process, we examine a machine in detail during installation to identify optimization potential, deduce improvement measures and implement these consistently.

At GILDEMEISTER Italiana S.p.A. in Bergamo (Italy), we implemented the new MULTISPRINT assembly line. It was possible to increase the overall efficiency and productivity of the installation area thanks to restructuring and optimizing measures.

At a Grand Opening, we presented FAMOT in Pleszew (Poland) as a digital production factory. For the first time, we comprehensively digitized all levels of the value chain – setting a milestone for digitization. This networked all processes and areas transparently, from order intake to maintenance management and from integrated production planning to company-developed MDE/BDE software. The core element of the digital factory at FAMOT is the open manufacturing service bus from ISTOS, which allows the integration of different factory-specific applications. This in turn enables us to make our processes even more efficient, faster and safer. Overall, we have comprehensively modernized the entire site and significantly expanded our assembly, manufacturing and logistics capacities.

At Ulyanovsk Machine Tools ooo (Russia), we were able to increase the localization proportion to more than 30 %. We therefore receive around 500 parts and components from local manufacturers.

AUTOMOTIVE

MEDICAL

AEROSPACE

DIE & MOLD

TECHNOLOGY EXCELLENCE

Technology Excellence Center:

+ early integration into the customer's development processes
+ cross-process, integrated turnkey solutions
+ main sectors: Aerospace, Automotive, Die & Mold, Medical

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET WORTH
SUPPLEMENTARY REPORT
OPPORTUNITIES AND RISK REPORT
FORECAST REPORT
CONSOLIDATED FINANCIAL STATEMENTS

AEROSPACE

GEARBOX CASINGS FOR
TURBINE AGGREGATES
Material: Aluminium
Drilling better than H5
Position tolerances: 12 – 15 µm

DMC 125 U duoBLOCK

AUTOMOTIVE

CRANKSHAFT
Measurements: ø 150 × 420 mm
Material: 1.4305

CTX beta 1250 CS

MEDICAL

TECHNOLOGY EXCELLENCE FOR GROWTH MARKETS

DMG MORI has set up its own Technology Excellence Centers across the world for the main sectors of Aerospace, Automotive, Die & Mold and Medical. The experts there are already involved in the customer's development processes at an early stage. The goal: Tailor-made, comprehensive technical solutions.

MEDICAL

SPRINT 20|5 SWISSTYPE*kit*

BONE SCREW
Measurements: ø 10 × 85 mm
Material: Titanium (Ti6Al4V)

DIE & MOLD

DMU 65 monoBLOCK

MOLD FOR BOBBY CAR
Measurements: 580 × 300 × 380 mm
Material: 1.4122

TECHNOLOGY EXCELLENCE

Technology Excellence Center:

+ early integration into the customer's development processes
+ cross-process, integrated turnkey solutions
+ main sectors: Aerospace, Automotive, Die & Mold, Medical

REPORT ON ECONOMIC POSITION

Business Environment

Overall Economic Development

After a swinging start to 2018, the world economy became less dynamic during the course of the year. According to preliminary calculations of the Institute for World Economics (IfW) at Kiel University, the global economy remained stable during the first half of the year at the previous year's level with +3.7 %.

In Germany, the growth of the gross domestic product (GDP) of +1.5 % was lower than the previous year (+2.2 %). Economic development in the Eurozone was also lower than the previous year at +1.9 % (previous year: +2.5 %). Nearly all major economies saw declining economic dynamics, particularly Italy at +1.0 % (previous year: +1.6 %) and the UK at +1.3 % (previous year: +1.7 %). The Russian economy continued to be stable at a growth of +1.6 % (previous year: +1.5 %).

In Asia and China, GDP growth of +6.6 % was largely similar to the previous year (previous year: Asia +6.5 %, China +6.8 %). India recorded further growth at +7.7 % (previous year: +6.7 %). In Japan, however, the economy became less dynamic during the course of the year. GDP rose by only +0.8 % (previous year: +1.9 %).

The US economy continued to show strong growth. GDP increased by +2.9 % over the whole year (previous year: +2.2 %). Growth in Latin America fell to +0.6 % (previous year: +1.1 %).

The international business of DMG MORI AKTIENGESELLSCHAFT is being impacted by the euro exchange rates. The U.S. dollar, the Chinese renminbi, the Russian ruble and the Japanese yen are thereby of particular importance. In 2018, the euro appreciated against the renminbi and the ruble, and fell compared to the US dollar and the yen.

Development of the Machine Tool Building Industry

INTERNATIONAL DEVELOPMENT

According to the information of the German Machine Tool Builders' Association (VDW), and the British economic research institute Oxford Economics, the global machine tool market developed positively as a whole in 2018. World consumption increased by +8.5 % (April forecast: 5.9 %). However, these preliminary figures did not take into account currency effects and possible consequences of geopolitical uncertainties. Adjusted for currency effects, the global consumption of machine tools went up by +5.2 % to € 75.1 billion on a euro basis and thus showed first tendencies towards reduced dynamics (April forecast: +6.1 %).

In Europe, demand for machine tools rose significantly by +11.5 % (previous year: +8.2 %). Asia only recorded an increase of +1.4 % (previous year: +4.2 %). In North and South America, the development was again very positive at +6.4 % (previous year: 7.5 %).

In China, the world's largest market, the consumption of machine tools decreased by -1.1 % to € 22.9 billion (previous year: € 23.2 billion). As the second most important market for machine tools with € 8.9 billion, the USA recorded two-digit growth of +12.3 % (previous year: € 7.9 billion). In the third largest market, Germany, consumption rose significantly by +15.0 % to € 6.9 billion (previous year: € 5.9 billion). After a decline last year, Japan now saw an increase of +11.3 % again and came in fourth globally at € 5.4 billion (previous year: € 4.8 billion). Italy recorded strong growth of +25.9 % to € 4.6 billion (previous year: € 3.7 billion) and came in fifth ahead of South Korea with € 3.0 billion (previous year: € 3.4 billion). Like last year, the ten most important consumption markets accounted in total for around 80 % of the machine tool consumption worldwide.

The VDW calculated a volume of € 75.1 billion (previous year: € 71.5 billion) for global production. According to preliminary estimates, China was again the worldwide largest producer of machine tools with a volume of € 17.4 billion (previous year: € 17.9 billion) in 2018. Germany and Japan follow in second and third place with € 12.7 billion (previous year: € 11.8 billion) and € 12.4 billion (previous year: € 11.4 billion), respectively. Altogether, the ten key production countries account for more than 90 % of all machine tools worldwide (previous year: 90 %).

Industry highlight at the beginning of the year 2018: At the traditional Open House at DECKEL MAHO Pfronten DMG MORI once again achieved record figures.

GERMAN MACHINE TOOL INDUSTRY

In 2018, the German machine tool industry developed as follows: At € 17.4 billion, the order intake of plants in Germany was only +1.0 % above the level of the previous year (previous year: € 17.2 billion). Domestic demand improved by +5.0 % (previous year: +10.1 %). Demand from abroad stagnated (previous year: +7.0 %). The order intake for cutting machines remained constant at the level of the previous year. Machining orders in the domestic market increased by +3.0 %, and decreased by -2.0 % in orders from abroad. In the forming machines area, order intake increased by +7.0 % (previous year: +6.0 %). Order intake at foreign plants of German manufacturers is not included in these figures.

Sales revenues of German machine tool manufacturers rose by +7.0 % year-on-year (previous year: +5.0 %). Production once again reached a volume of € 15.6 billion and was thus +7.0 % above the previous year's level (€ 14.6 billion).

Machines with a value of € 10.6 billion were exported (+3.5 %; previous year: € 10.2 billion). The export ratio fell by almost three percentage points to 67.4 %. The most important export market for German machine tools was once again China with € 2.3 billion (previous year: € 2.2 billion). This represents 22 % of German machine tool exports (previous year: 21 %).

As in the previous year, the USA took second place with an export volume of € 1.3 billion (export share: 12.3 %). Italy was the third most important export market with € 0.6 billion and an export share of 5.6 % before Poland. The import of machine tools rose by +10.7 % to € 3.9 billion (previous year: € 3.6 billion). Accounting for an import share of 30 %, almost every third imported machine tool came from Switzerland. This was followed by Japan (11 %) and Italy (8 %).

Domestic consumption of machines, parts and equipment increased by +13.8 % to € 9.0 billion. Over the course of the year, the capacity utilization of German machine tool producers increased by more than 2 percent points. The capacity utilization of producers of cutting machines was 93.9 % (previous year: 91.6 %).

Averaged across the year, the number of employees in German machine tool companies rose to a total of around 73,550 (previous year: 70,937).

The ifo business climate index for trade and industry is the leading indicator for economic development in Germany. According to the ifo publication from February 2019, the German economy was experiencing an downturn. The business climate deteriorated notably in nearly all important manufacturing industries (mechanical engineering, manufacturing of metal products and electrical equipment).

Results of Operations, Financial Position and Net Worth

Order Intake

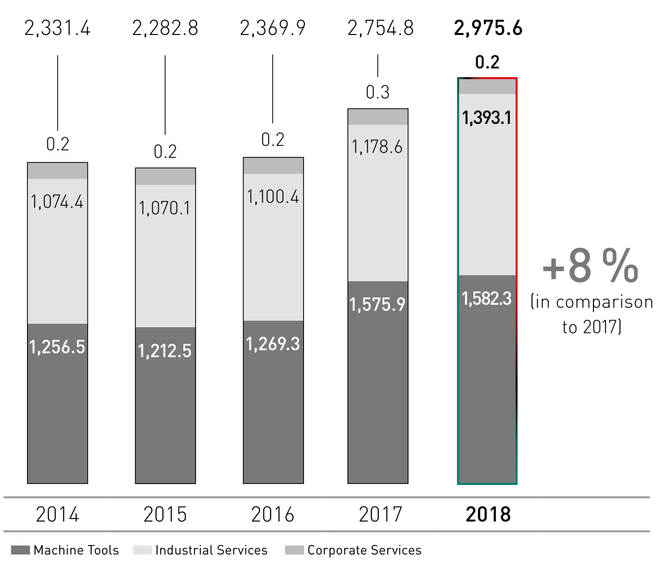
Order intake rose to € 2,975.6 million and, after the previous year's record number (€ 2,754.8 million), we were able to once again increase it by +8 %. Thus, with regards to order intake, we achieved our best business year so far. Orders reached € 705.0 million in the fourth quarter (previous year's quarter: € 666.2 million).

In the "Machine Tools" segment, orders amounted to € 1,582.3 million (previous year: € 1,575.9 million). The "Industrial Services" segment recorded an order intake of € 1,393.1 million (previous year: € 1,178.6 million), of which € 1,236.1 million were accounted for in the Services division (previous year: € 1,078.8 million). This figure includes orders from our original service business which rose by +11 % to € 708.7 million and that – apart from LifeCycle Services (e. g. spare parts, maintenance and services) – also comprises sales commissions (previous year: € 636.0 million). Orders for machines by DMG MORI COMPANY LIMITED amounted to € 527.3 million (previous year: € 442.8 million).

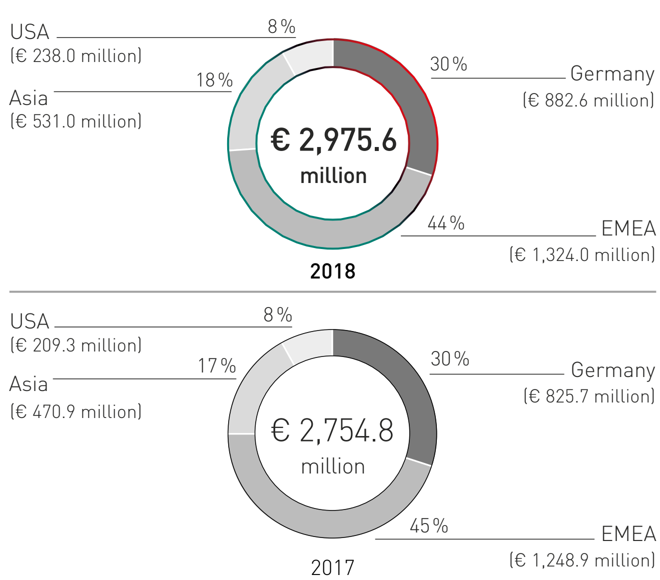
Domestic orders increased by +7 % to € 882.6 million (previous year: € 825.7 million). International orders amounted to € 2,093.0 million. (+ 8 %; previous year: € 1,929.1 million). Thus, the proportion of international business was with 70 % at last year's level.

The increase in domestic and international order intake was thus due to high demand in the individual markets. At 7,715 machines sold, orders were above the previous year (7,604). The sales prices were raised slightly across the entire product range.

B.01 | ORDER INTAKE BY SEGMENTS
in € million



B.02 | ORDER INTAKE BY REGIONS



Sales Revenues

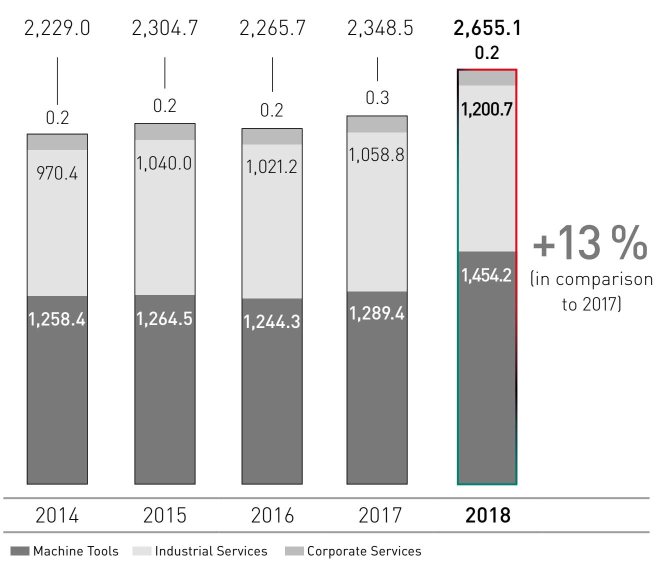
At € 2,655.1 million, sales revenues increased to a new record high in the company's history. They increased by € 306.6 million or + 13 % compared to the previous year (€ 2,348.5 million). In the fourth quarter, sales revenues increased by € 105.1 million or + 15 % to € 797.4 million (previous year: € 692.3 million).

The "Machine Tools" segment again developed positively with an increase in sales revenues of € 164.8 million or 13 % to € 1,454.2 million (previous year: € 1,289.4 million). Sales revenues increased to € 461.9 million in the fourth quarter (+ 23 %; previous year's quarter: € 376.7 million). In the "Industrial Services" segment, sales revenues throughout the year went up by € 141.9 million to € 1,200.7 million (+ 13 %; previous year: € 1,058.8 million). In the Services division, sales revenues increased by € 91.0 million to € 1,098.6 million (+ 9 %; previous year: € 1,007.6 million). Sales revenues from our original service business totaled € 539.4 million (previous year: € 520.4 million). Sales revenues from trade with products of DMG MORI COMPANY LIMITED amounted to € 559.3 million (previous year € 487.2 million). In the fourth quarter, sales revenues in the "Industrial Services" segment increased to € 335.4 million (previous year's quarter: € 315.5 million).

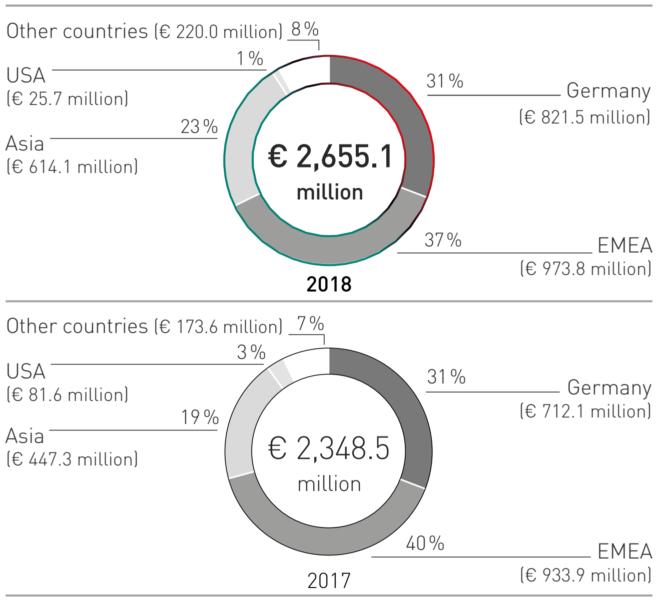
The increase for machine tools is due to expanded production capacities, implemented price increases and the good order intake in the 2018 business year. In the original Services division the "Customer First" program, among others, had a positive effect on sales revenue development.

International sales revenues rose by +12 % to € 1,833.6 million. Domestic sales revenues went up by +15 % to € 821.5 million. The export ratio amounted to 69 % (previous year: 70 %). In the Asia region, revenues in the 2017 business year increased due to the realignment of our distribution and service structure.

B.03 | SALES REVENUES BY SEGMENTS
in € million



B.04 | SALES REVENUES BY REGIONS



Order Backlog

On 31 December 2018, the group's order backlog was € 1,609.9 million (31 Dec 2017: € 1,309.1 million). The domestic order backlog increased to € 515.7 million (31 Dec 2017: € 454.6 million). The international order backlog increased by € 239.7 million to € 1,094.2 million (31 Dec 2017: € 854.5 million). International orders accounted for 68 % of the present order backlog (corresponding date of the previous year: 65 %).

The order backlog varied in the individual segments: In "Machine Tools", it amounted to € 901.3 million (31 Dec 2017: € 773.2 million). "Industrial Services" had an order backlog totaling € 708.6 million as of 31 December 2018 (31 Dec 2017: € 535.9 million). Of which € 601.2 million were accounted for in the Services division (31 Dec 2017: € 473.6 million).

Based on the order backlog, this mathematically results in a time period of 7 months on average in "Machine Tools" (previous year: around 6 months) – a good general capacity utilization for the current financial year. However, the individual production companies have different capacity utilizations.

Results of Operations

In financial year 2018, the results of operations of DMG MORI developed positively: EBITDA went up by +11 % to € 280.8 million (previous year: € 252.9 million). EBIT increased by +21 % to € 217.1 million (previous year: € 180.1 million). At 8.2 % the EBIT margin exceeded the previous year's level (7.7 %). EBT rose by +22 % to € 214.8 million (previous year: € 176.4 million). The group reported EAT of € 149.5 million as of 31 December 2018 (previous year: € 118.4 million).

The individual income statement items are discussed in more detail below. Overall performance increased to € 2,667.9 million; it thus exceeded the previous year's value by € 300.0 million or +13 % (€ 2,367.9 million). The increase was primarily the result of an increase in sales revenues by € 306.6 million or 13 % (previous year: € 2,348.5 million) and a change in inventory of € +6.5 million (previous year: € +11.7 million), which is particularly due to an increase in unfinished goods.

The cost of materials increased by € 216.5 million to € 1,480.1 million (previous year: € 1,263.6 million), primarily due to high

B.05 | INCOME STATEMENT

in € million	2018		2017		Changes against previous year	
Sales revenues	**2,655.1**	**99.5 %**	**2,348.5**	**99.2 %**	**306.6**	**13.1 %**
Changes in finished goods and work in progress	6.5	0.3 %	11.7	0.5 %	-5.2	44.4 %
Own work capitalized	6.3	0.2 %	7.7	0.3 %	-1.4	18.2 %
Total work done	**2,667.9**	**100.0 %**	**2,367.9**	**100.0 %**	**300.0**	**12.7 %**
Cost of materials	-1,480.1	-55.5 %	-1,263.6	-53.4 %	-216.5	17.1 %
Gross profit	**1,187.8**	**44.5 %**	**1,104.3**	**46.6 %**	**83.5**	**7.6 %**
Personnel costs	-595.9	-22.3 %	-550.7	-23.3 %	-45.2	8.2 %
Other expenses and income	-311.1	-11.7 %	-300.7	-12.6 %	-10.4	3.5 %
EBITDA	**280.8**	**10.5 %**	**252.9**	**10.7 %**	**27.9**	**11.0 %**
Depreciation	-63.7	-2.4 %	-72.8	-3.1 %	9.1	12.5 %
EBIT	**217.1**	**8.1 %**	**180.1**	**7.6 %**	**37.0**	**20.5 %**
Financial result	-5.7	-0.1 %	-5.2	-0.2 %	-0.5	9.6 %
Share of profits and losses of at equity-accounted investments	3.4	0.1 %	1.5	0.1 %	1.9	126.7 %
EBT	**214.8**	**8.1 %**	**176.4**	**7.5 %**	**38.4**	**21.8 %**
Income taxes	-65.3	-2.5 %	-58.0	-2.5 %	-7.3	12.6 %
EAT	**149.5**	**5.6 %**	**118.4**	**5.0 %**	**31.1**	**26.3 %**

sales revenues. The materials ratio amounted to 55.5 % (previous year: 53.4 %). This increase results particularly from a changed product and country mix and from higher procurement costs.

The gross profit increased to € 1,187.8 million (previous year: € 1,104.3 million). The personnel ratio decreased to 22.3 % (previous year: 23.3 %) due to an overall increase in performance. Personnel expenses increased to € 595.9 million (previous year: € 550.7 million) due to the higher employee number and wage increases. The number of employees went up by 402 to 7,503 and particularly increased in service and due to new recruitments at FAMOT and the expansion of the strategic future topics.

The balance of other income and expenses amounted to € -311.1 million (previous year: € -300.7 million). Other operating income fell to € 74.2 million (previous year: € 81.1 million). As in the previous year, this includes mainly income from cost allocations of € 14.0 million (previous year: € 10.3 million) and exchange rate gains in the amount of € 35.3 million (previous year: € 30.4 million), which should be seen in connection with the exchange rate losses in other operating expenses. In financial year 2018, an exchange rate gain in the amount of € 3.5 million resulted on the balance (previous year: € -0.7 million). The proportion of other operating expenses of total performance improved to 14.5 % (previous year: 16.1 %). With an increased total performance (+13 %), other operating expenses went up only slightly by € 3.5 million to € 385.3 million (+1 %; previous year: € 381.8 million). Revenue-dependent expenses for outgoing freight and packaging went up by € 3.8 million to € 58.2 million, for travel and representation expenses by € 2.5 million to € 40.3 million, for other third-party services by € 3.1 million to € 35.5 million and for contract work and freelancers by € 3.9 million to € 29.5 million. The opposite trend was achieved with savings in expenditure for trade fairs and exhibitions of € 12.1 million and consultancy expenses of € 4.4 million.

Depreciation amounted to € 63.7 million (previous year: € 72.8 million). This includes impairments in the amount of € 5.7 million (previous year: € 14.6 million) which largely relate to real estate and technical equipment. Ignoring the effects of impairment, depreciation amounted to € 58.0 million (previous year: € 58.2 million).

The financial result was € -5.7 million (previous year: € -5.2 million). This was, among other things, the result of higher financial income (€ 4.5 million; previous year: € 3.8 million) and higher interest payable (€ 10.2 million; previous year: € 9.0 million). The result from companies valued at equity increased to € 3.4 million (previous year: € 1.5 million).

The income taxes amounted to € 65.3 million (previous year: € 58.0 million). The tax ratio improved to 30.4 % (previous year: 32.9 %). For more details, see the Group notes on page 117.

Financial Position

The financial position developed positively in the reporting year: Free cash flow increased to € 154.2 million (previous year: € 142.4 million) and thus reached a record value.

Cash flow from operating activity (cash inflow) increased to € 230.4 million (previous year: € 171.7 million). Substantial contributions to this cash flow came from earnings before taxes (EBT) in the amount of € 214.8 million (previous year: € 176.4 million) and depreciation of € 63.7 million (previous year: € 72.8 million). The significant rise in received prepayments by € 52.4 million, the reduction in trade receivables by € 10.3 million and the increase in trade creditors by € 25.6 million led to an improved cash flow. The increase in inventories by € 77.7 million led to a cash flow reduction. The payments for income taxes (€ 51.1 million) and interest (€ 9.2 million) reduced the cash flow.

B.06 | CASH FLOW
in € million

	2018	2017
Cash flow from operating activity	230.4	171.7
Cash flow from investment activity	-315.1	-9.7
Cash flow from financing activity	-123.5	-190.7
Changes in cash and cash equivalents	-210.7	-33.3
Liquid funds at the start of the reporting period	363.4	396.7
Liquid funds at the end of the reporting period	152.7	363.4

SUPPLEMENTARY REPORT
OPPORTUNITIES AND RISK REPORT
FORECAST REPORT
CONSOLIDATED FINANCIAL STATEMENTS

The cash flow from investment activity (cash outflow) amounted to € -315.1 million (previous year: € -9.7 million). Payments made for investments in property, plant and equipment were € 60.8 million (previous year: € 29.7 million) and for intangible assets were € 21.1 million (previous year: € 10.0 million). The purchase of financial investment assets resulted in total outgoing payments of € 10.3 million (previous year: € 25.9 million), which largely resulted from the purchase of shares in INTECH, Bangalore (India). Incoming payments in the amount of € 21.4 million resulted particularly from the sale of the shares in DMG MORI Manufacturing USA in December 2017. Cash flows from investing activities also include the payment for the increase in the loan to DMG MORI GmbH of € 250.0 million (previous year: € 0.0 million).

At € 154.2 million, free cash flow reached the highest value in the company's history (previous year: € 142.4 million). The free cash flow is defined as the balance of the cash flow from operating activity and the cash flow from investment activity. The outflows and inflows relating to the sale and acquisition of subsidiaries (€ -1.5 million; previous year: € 21.4 million), and the financial assets (€ 12.6 million; previous year: € -1.8 million), and disbursement of the loan to DMG MORI GmbH (€ 250.0 million; previous year: € 0.0 million) remain outside of consideration.

B.07 | FREE CASH FLOW
in € million

	2018	2017
Free cash flow from operating activity	230.4	171.7
Free cash flow from investing activity	-76.2	-29.3
Free cash flow	154.2	142.4

The cash flow from financing activity (cash outflow) amounted to € -123.5 million (previous year: € -190.7 million). The cash flow resulted from profit transfers to DMG MORI GmbH for 2017 in the amount of € 89.9 million (previous year: € 41.1 million) and the redemption of financial liabilities in the amount of € 37.7 million (previous year: € 6.2 million). In the previous year, cash flow resulted primarily from purchase price payments for the purchase of shares in DMG MORI Europe AG (€ 140.4 million) and the transfer of profits to DMG MORI GmbH for the year 2016 (€ 41.1 million).

The change in cash flow as of 31 December 2018 resulted in a balance of liquid funds of € 152.7 million (previous year: € 363.4 million). DMG MORI was therefore in a good liquidity position at the end of the year. As of 31 December 2018, surplus funds were recorded in the amount of € 152.7 million (previous year: € 316.9 million).

DMG MORI 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 totaled € 802.4 million in financial year 2018 (previous year: € 849.2 million). Its material components are a syndicated credit facility in the amount of € 500.0 million concluded in February 2016 at improved conditions and with a maturity date of February 2021. This consists of a cash tranche in the amount of € 200.0 million and an aval tranche in the amount of € 300.0 million, additional aval lines of € 129.0 million and factoring agreements of € 167.5 million. In January 2018, the maturity of the syndicated credit line was extended until February 2022. As of 31 December 2018, the cash tranche was unused. Aside from this, we have a few short-term bilateral loan commitments to individual subsidiaries with a total volume of € 5.9 million (previous year: € 43.1 million).

Factoring remains an important component of our financing mix. In addition to the financing effect, we can also optimize our debtor management process. DMG MORI requires aval lines for its operating activities in order to have guarantees for prepayments and warranties issued.

Thanks to this financing mix, we have sufficient financing lines which allow us to make the necessary liquidity available for our business.

Our syndicated credit agreement obliges us to observe a covenant in line with the market. This was complied with as of 31 December 2018. Off-balance-sheet operating lease agreements supplement the financing. The sum of future obligations from the operating lease agreements amounts to € 66.8 million (previous year: € 53.0 million).

Net Worth

As of 31 December 2018, the balance sheet total increased by € 199.2 million to € 2,440.5 million (previous year: € 2,241.3 million). The equity ratio amounted to 49.1 % (previous year: 52.0 %), due to the higher balance sheet total.

On the asset side, fixed assets increased by € 8.5 million or 1.3 % to € 686.5 million (previous year: € 678.0 million). Fixed assets reduced by € 5.1 million to € 434.9 million (previous year: € 440.0 million). Intangible assets were € 190.3 million (previous year: € 190.7 million). Financial assets rose by € 14.0 million to € 61.3 million (previous year: € 47.3 million). The change results particularly from the purchase of shares in INTECH and the share of profits and losses of at equity-accounted investments. For an explanation of key investments, please see the chapter "Investments" on page 50.

Long-term receivables and other assets increased by € 12.6 million to € 71.6 million (previous year: € 59.0 million). Deferred tax assets increased to € 55.6 million (previous year: € 49.9 million).

Inventories increased as planned by 14.2 % or € 77.7 million to € 625.4 million (previous year: € 547.7 million). Stocks of raw materials and consumables increased by € 75.1 million to € 282.9 million (previous year: € 207.8 million) and unfinished goods by € 19.1 million to € 164.1 million (previous year: € 145.0 million). The increase results in particular from safeguarding material supply and from advance payments for the scheduled sales revenues in the first quarter 2019. The inventory of finished products reduced primarily due to sales revenues in the fourth quarter of 2018 and active inventory management to € 167.4 million (previous year: € 181.9 million). The inventory turnover ratio was 4.2 (previous year: 4.3). The percentage of inventories in the balance sheet total amounted to 25.6 % (previous year: 24.4 %).

Short-term receivables and other assets increased by 52.4 % or € 311.1 million to € 904.3 million compared to the previous year (previous year: € 593.2 million). In spite of higher sales revenues, trade debtors were reduced to € 227.0 million thanks to our consistent debtor management (previous year: € 237.8 million). Receivables from related parties rose by € 273.7 million to € 480.7 million (previous year: € 207.0 million). The increase results primarily from a loan in 2018 to DMG MORI COMPANY LIMITED in the amount of € 250.0 million. Other assets amounted to € 141.5 million (previous year: € 130.9 million).

On the balance sheet date, liquid funds were € 152.7 million (previous year: € 363.4 million); this equates to 6.3 % of the balance sheet total (previous year: 16.2 %).

B.08 | BALANCE SHEET OF DMG MORI in € million	31 Dec 2018		31 Dec 2017		Changes against previous year	
Assets						
Long-term assets	758.1	31.1 %	737.0	32.9 %	21.1	2.9 %
Fixed assets	686.5	28.1 %	678.0	30.3 %	8.5	1.3 %
Long-term receivables and other assets	71.6	3.0 %	59.0	2.6 %	12.6	21.4 %
Short-term assets	1,682.4	68.9 %	1,504.3	67.1 %	178.1	11.8 %
Inventories	625.4	25.6 %	547.7	24.4 %	77.7	14.2 %
Short-term receivables and other assets	904.3	37.0 %	593.2	26.5 %	311.1	52.4 %
Liquid funds	152.7	6.3 %	363.4	16.2 %	-210.7	58.0 %
Balance Sheet total	**2,440.5**	**100.0 %**	**2,241.3**	**100.0 %**	**199.2**	**8.9 %**
Equity and liabilities						
Long-term financing resources	1,308.9	53.6 %	1,302.6	58.1 %	6.3	0.5 %
Equity	1,197.7	49.1 %	1,164.6	52.0 %	33.1	2.8 %
Outside capital	111.2	4.5 %	138.0	6.1 %	-26.8	19.4 %
Long-term provisions	96.0	3.9 %	87.8	3.9 %	8.2	9.3 %
Long-term liabilities	15.2	0.6 %	50.2	2.2 %	-35.0	69.7 %
Short-term financing resources	1,131.6	46.4 %	938.7	41.9 %	192.9	20.5 %
Short-term provisions	227.1	9.3 %	198.4	8.9 %	28.7	14.5 %
Short-term liabilities	904.5	37.1 %	740.3	33.0 %	164.2	22.2 %
Balance Sheet total	**2,440.5**	**100.0 %**	**2,241.3**	**100.0 %**	**199.2**	**8.9 %**

On the liabilities side, equity increased by € 33.1 million or 2.8 % to € 1,197.7 million (previous year: € 1,164.6 million). With a higher balance sheet total, the equity ratio reached 49.1 % (previous year: 52.0 %). As on the same date in the previous year, we have surplus funds and thus no gearing.

Long-term debts fell by € 26.8 million to € 111.2 million (previous year: € 138.0 million). Their share of the balance sheet total amounted to 4.5 % (previous year: 6.1 %). Long-term provisions increased by € 8.2 million to € 96.0 million. Long-term liabilities decreased in particular due to the complete repayment of financial liabilities by € 35.0 million to € 15.2 million. Long-term liabilities of € 2.5 million (previous year: € 1.8 million) related to deferred tax liabilities. Long-term financing resources, comprising equity and long-term debts, increased by € 6.3 million or 0.5 % to € 1,308.9 million in the reporting period.

Short-term financial assets increased to € 1,131.6 million (previous year: € 938.7 million). Short-term provisions increased to € 227.1 million (previous year: € 198.4 million) due to higher total performance. Short-term financial liabilities for the previous year (€ 11.5 million) were repaid in full. Trade creditors increased by € 25.6 million to € 195.4 million (previous year: € 169.8 million) due to higher total performance. Prepayments received rose by € 52.4 million to € 342.6 million alongside higher order intake (previous year: € 290.2 million). At 21.3 %, the prepayment ratio reached a high level like last year (previous year: 22.2 %). Liabilities to other related companies increased by € 29.5 million to € 236.6 million (previous year: € 207.1 million), which was largely due to the profit transfers to DMG MORI GmbH compared to the previous year (2018: € 99.3 million; 2017: € 89.9 million). This matter as part of the liabilities to other related parties is recognized in cash flow from financing activity when payments are made.

In addition to the assets recognized in the group balance sheet, DMG MORI also uses off-balance-sheet assets. These primarily relate to specific leased or rented goods (operating lease). The group makes use of factoring programs as part of the off-balance-sheet financial instrument options. Our excellent long-term relationships of trust with our customers and suppliers are also of particular importance. They make it possible for us to have direct access to the relevant markets and render us independent of short-term market fluctuations.

The first application of the new accounting standards IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" as of 1 January 2018 did not have a significant influence on the business development and the results of operations, net worth and financial position. For explanations of the consequences of first application on the Group Financial Statements, see the Group notes on page 94 et seqq.

Investments

Investments in property, plant and equipment and in intangible assets amounted to € 81.9 million (previous year: € 39.7 million). Thus, the volume of investments will be at the level of earlier financial years. This now planned increase compared to the previous year is due primarily to the extension of our production capacities, the strengthening of Digitization, and our project "GLOBE – Global One Business Excellence": We promoted the introduction of a new global ERP system to harmonize and optimize systems and processes.

At the Grand Opening of FAMOT in Pleszew on 8 October, we opened a 7,000 m² assembly hall and for the first time introduced a production plant digitized across the entire value chain. By mid-2019, we will enlarge FAMOT, particularly the areas assembly, manufacture and logistics by a total of 22,000 m². In Pfronten, we started the expansion of our production site. By 2021, we will construct an ultramodern technology and solution center and expand the assembly and logistics area at DECKEL MAHO Pfronten.

Depreciation of fixed assets taking into account capitalized development costs and finance leases amounted to € 63.7 million (previous year: € 72.8 million). Depreciation of capitalized development costs amounted to € 11.1 million (previous year: € 8.1 million). The additions to financial assets amounted to € 8.8 million and were primarily caused by the 30 % investment in INTECH. Investments totaled € 90.7 million (previous year: € 41.8 million).

Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT (summary)

The following tables summarize the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT according to HGB (German Commercial Code). The complete Annual Financial Statements and Business Report are set out in a separate report. Essentially, DMG MORI AKTIENGESELLSCHAFT's income was the result of the income from domestic subsidiaries amounting to € 170.9 million (previous year: € 152.9 million), resulting from the profit and loss transfer.

B.09 | INCOME STATEMENT OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB)
in € million

	2018	2017
Sales revenues	14.4	16.0
Other operating income	20.5	20.7
Other expenses	-65.9	-69.1
Income from financial assets	170.9	152.9
Financial result	3.1	4.6
Income taxes	-43.7	-35.2
EAT	99.3	89.9
Transfer of profits to DMG MORI GmbH	-99.3	-89.9
Net income	0	0
Retained profits brought forward	**0**	**1.5**
Posting to profit reserves	**0**	**1.5**
Net profit	**0**	**0**

Other expenses decreased to € 65.9 million (previous year: € 69.1 million). The change primarily results from other operating expenses which reduced to € 37.6 million (previous year: € 41.1 million) and largely from savings from consultancy expenses in the amount of € 1.6 million.

The financial result was € 3.1 million (previous year: € 4.6 million). The income taxes amounted to € 43.7 million (previous year: € 35.2 million). Income taxes include the charged taxes of DMG MORI GmbH, as a result of the tax group. According to the domination and profit transfer agreement, EAT in the amount of € 99.3 million (previous year: € 89.9 million) will be transferred to DMG MORI GmbH.

The DMG MORI AKTIENGESELLSCHAFT balance sheet total increased by € 98.3 million to € 1,867.5 million (previous year: € 1,769.2 million). Assets increased to € 794.9 million (previous year: € 758.7 million). Shares in affiliated parties as part of fixed assets increased to € 753.9 million (previous year: € 638.2 million).

Current assets and other assets increased to € 1,072.6 million (previous year: € 1,010.5 million). The change results particularly from the increase in receivables from affiliated companies, which rose to € 964.8 million (previous year: € 714.1 million). The increase results particularly from the additional loan to DMG MORI GmbH (€ 250.0 million) and claims from profit transfer agreements (€ 170.9 million). Cash and cash equivalents fell to € 80.3 million (previous year: € 273.1 million).

On the liabilities side, equity remained the same as in the previous year at € 921.2 million. The equity ratio amounted to 49.3 % (previous year: 52.1 %), due to the higher balance sheet total. Liabilities to affiliated parties increased to € 908.2 million (previous year: € 805.0 million). These include the transfer of profits to DMG MORI GmbH for financial year 2018 in the amount of € 99.3 million, income taxes of € 43.7 million which are charged by DMG MORI GmbH as a result of fiscal unity, as well as finance and cost allocations with affiliated parties.

B.10 | BALANCE SHEET OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB)
in € million

	2018	2017
Assets		
Fixed assets	**794.9**	**758.7**
Shares in affiliated companies	753.9	638.2
Loans to related companies	0	79.0
Equity investments	6.7	6.7
Other fixed assets	34.3	34.8
Current and other assets	**1,072.6**	**1,010.5**
Receivables from affiliated companies	964.8	714.1
Other current assets and other assets	107.8	296.4
Balance Sheet total	**1,867.5**	**1,769.2**
Equity and liabilities		
Equity	**921.2**	**921.2**
Provisions	**33.5**	**37.8**
Liabilities	**912.8**	**810.2**
Liabilities to affiliated companies	908.2	805.0
Other liabilities	4.6	5.2
Balance Sheet total	**1,867.5**	**1,769.2**

DMQP

DMG MORI QUALIFIED PRODUCT

3 | MEASURING

+ measuring sensors
+ tool measuring
+ tool pre-setting

2 | HANDLING

+ coolant system
+ bar feeder
+ chip conveyor

1 | MACHINING

+ oil mist separator
+ clamping devices
+ software (CAD/CAM)

DMQP CERTIFICATES

+ optional tool systems
+ individual consulting
+ exclusive conditions

> 100 partners
> 2,400 products

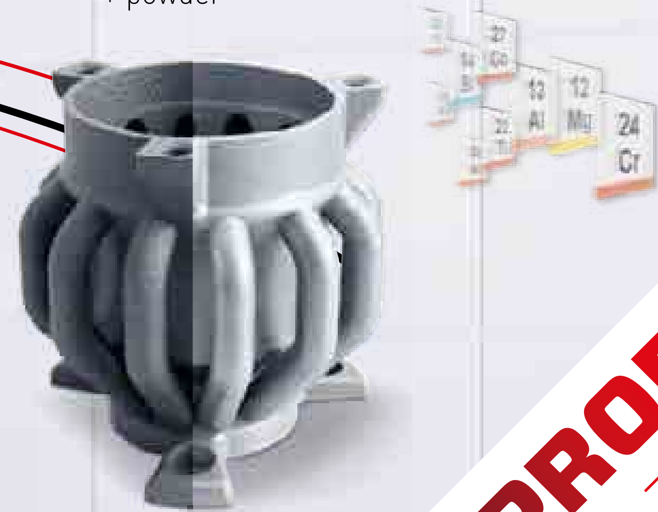
DMG MORI QUALIFIED PRODUCTS

4 | MONITORING

+ service camera
+ signal lamp
+ internal camera

5 | MATERIALS

+ unpacking
+ material parameterization
+ powder



Perfectly coordinated accessories:

+ 5 DMQP categories
+ certified quality from a single source
+ standardized interfaces
+ exclusive technology and partner network
+ financing directly with the machine

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 recognized under "Industrial Services".

Machine Tools

The "Machine Tools" segment includes the new machines business of the group with the divisions Turning and Milling, Advanced Technologies (ULTRASONIC / LASERTEC / ADDITIVE MANUFACTURING) and Digital Solutions. The Turning division comprises GILDEMEISTER Drehmaschinen GmbH and GILDEMEISTER Italiana S.p.A. Our portfolio of turning machines covers the full range from universal turning machines to turn-mill centers, through to vertical and horizontal production turning and multispindle machining centers. DECKEL MAHO Pfronten GmbH and DECKEL MAHO Seebach GmbH are part of the Milling division. Our range includes vertical and horizontal processing centers and 5-axis milling. Our universal turning and milling machines of the CLX and CMX series are built at our factories FAMOT Pleszew Sp. Z o.o. and GRAZIANO Tortona S.r.l. Ulyanovsk Machine Tools ooo produces the machines of the ECOLINE series locally – in Russia for Russia.

SAUER GmbH and REALIZER GmbH form the Advanced Technologies business division. Besides the ultrasound-supported milling and grinding process ULTRASONIC, the division comprises the laser processing technology LASERTEC and ADDITIVE MANUFACTURING. REALIZER GmbH complements the ADDITIVE MANUFACTURING portfolio. In addition to laser deposit welding using a powder nozzle, we also offer selective laser melting in powder bed.

DMG MORI Software Solutions GmbH bundles our expertise in control and software development across the entire group in the Digital Solutions division. ISTOS GmbH is the link between machine and production processes for open, cross-machine networking to the digital factory. It develops specific applications such as PRODUCTION PLANNING for extended planning and scheduling of manufacturing orders for a consistently digitized value chain network. Together with DMG MORI Software Solutions GmbH, ISTOS GmbH shall sustainably shape digitization in the field of machining. WERKBLiQ offers a cross-manufacturer platform where all those involved in the maintenance process can be linked to one another. Machine operators can see all important information and key figures on their individual dashboards. The entire maintenance and service process is digitized and accelerated. ADAMOS GmbH's goal is to bundle expertise from mechanical engineering, production and information technology. Together with the global market leaders Dürr, Software AG, ZEISS and ASM PT, DMG MORI is establishing the open, manufacturer-independent IoT platform as the global industry standard – from machine tool builders for machine tool builders, their suppliers and customers. Since September 2017, six additional partners have joined: Engel, Karl Mayer, Mahr, Weber, Oerlikon and Illig.

B.11 | SEGMENT KEY INDICATORS DMG MORI
in € million

	2018	2017	Changes against previous year	
Order intake	**2,975.6**	**2,754.8**	**220.8**	**8 %**
Machine Tools	1,582.3	1,575.9	6.4	0 %
Industrial Services	1,393.1	1,178.6	214.5	18 %
Corporate Services	0.2	0.3	-0.1	-33 %
Sales revenues	**2,655.1**	**2,348.5**	**306.6**	**13 %**
Machine Tools	1,454.2	1,289.4	164.8	13 %
Industrial Services	1,200.7	1,058.8	141.9	13 %
Corporate Services	0.2	0.3	-0.1	-33 %
EBIT	**217.1**	**180.1**	**37.0**	**21 %**
Machine Tools	126.8	114.9	11.9	10 %
Industrial Services	120.2	95.2	25.0	26 %
Corporate Services	-29.8	-30.6	0.8	3 %

B.12 | KEY FIGURES "MACHINE TOOLS" SEGMENT in € million	2018	2017	Changes against previous year	
Order intake				
Total	1,582.3	1,575.9	6.4	0 %
Domestic	487.2	450.2	37.0	8 %
International	1,095.1	1,125.7	-30.6	-3 %
% International	69	71		
Sales revenues				
Total	1,454.2	1,289.4	164.8	13 %
Domestic	467.7	370.0	97.7	26 %
International	986.5	919.4	67.1	7 %
% International	68	71		
Order backlog *				
Total	901.3	773.2	128.1	17 %
Domestic	212.9	193.4	19.5	10 %
International	688.4	579.8	108.6	19 %
% International	76	75		
Investments	81.8	35.5	46.3	130 %
EBITDA	169.9	158.6	11.3	7 %
EBIT	126.8	114.9	11.9	10 %
EBT	125.2	112.1	13.1	12 %
	2018	**2017**	**Changes against previous year**	
Employees *	4,120	3,875	245	6 %
including trainees	284	276	8	3 %

* Reporting date 31 December

In our future topic Automation, we rely on comprehensive solutions. As part of the strategic realignment, we have transferred the responsibility for automation solutions to the production plants. This facilitates better coordination of the interfaces between machines, automation and control. We plan to accelerate the development using the joint venture company DMG MORI HEITEC GmbH, which was established in November 2017. The company's objective is to provide a consistent automation concept, especially for small to medium-sized companies using modular, mutually compatible solutions.

Order intake amounted to € 1,582.3 million (previous year: € 1,575.9 million). The order intake in the fourth quarter was € 334.7 million (previous year: € 332.0 million). Domestic orders increased by 8 % in the whole year to € 487.2 million (previous year: € 450.2 million). International orders amounted to € 1,095.1 million (previous year: € 1,125.7 million). The share of international business was 69 % (previous year: 71 %). The "Machine Tools" segment accounted for 53 % of all orders (previous year: 57 %).

Sales revenues rose by 13 % to € 1,454.2 million (previous year: € 1,289.4 million). In the fourth quarter, they increased to € 461.9 million (+23 %; previous year: € 376.7 million). Domestic orders increased by +26 % in the whole year to € 467.7 million (previous year: € 370.0 million). International revenues rose by 7 % to € 986.5 million (previous year: € 919.4 million). The export ratio amounted to 68 % (previous year: 71 %). As the previous year, the "Machine Tools" segment accounted for a share of 55 % of sales revenues.

On 31 December 2018, the order backlog was € 901.3 million (previous year: € 773.2 million). The domestic order backlog amounted to € 212.9 million (previous year: € 193.4 million). At € 688.4 million, international orders had a share of 76 % (previous year: 75 %).

EBITDA reached € 169.9 million (previous year: € 158.6 million). EBIT amounted to € 126.8 million (previous year: € 114.9 million). EBT was € 125.2 million (previous year: € 112.1 million).

Investments in property, plant and equipment and in intangible assets amounted to € 73.0 million (previous year: € 33.4 million). Thus, the volume of investments is again as planned, reaching the level of earlier financial years. The planned increase compared to the previous year is primarily due to the extension of our production capacities, the strengthening of Digitization, and our project "GLOBE – Global One Business Excellence": We promoted the introduction of a new global ERP system to harmonize and optimize systems and processes.

At the Grand Opening of FAMOT in Pleszew on 8 October, we opened a 7,000 m² assembly hall and for the first time introduced a production plant digitized across the entire value chain. By mid-2019, we will enlarge FAMOT, particularly the areas assembly, manufacture and logistics by a total of 22,000 m². In Pfronten, we started the expansion of our production site. By 2021, we will construct a state-of-the-art technology and solution center and expand the assembly and logistics area at DECKEL MAHO Pfronten. In addition, we modernized the technology and solution center and the assembly area at GILDEMEISTER Italiana S.p.A. in Brembate (Italy).

The capitalized development costs amounted to € 4.4 million (previous year: € 6.4 million). The additions to financial assets amounted to € 8.8 million and resulted primarily from the investment in INTECH. Investments totaled € 81.8 million (previous year: € 35.5 million).

The "Machine Tools" segment had 4,120 employees at year-end (previous year: 3,875 employees). The percentage of employees in this segment accounted for 55 %, same as last year. The increased number of employees resulted particularly from new recruitment at FAMOT and in our strategic future areas – primarily Automation, Digitization and ADDITIVE MANUFACTURING. The personnel quota was 19.2 % (previous year: 19.8 %). Employee expenses totaled € 279.5 million (previous year: € 255.1 million).

B.13 | KEY FIGURES "INDUSTRIAL SERVICES" SEGMENT
in € million

	2018	2017	Changes against previous year	
Order intake				
Total	1,393.1	1,178.6	214.5	18 %
Domestic	395.2	375.2	20.0	5 %
International	997.9	803.4	194.5	24 %
% International	72	68		
Sales revenues				
Total	1,200.7	1,058.8	141.9	13 %
Domestic	353.6	341.8	11.8	3 %
International	847.1	717.0	130.1	18 %
% International	71	68		
Order backlog *				
Total	708.6	535.9	172.7	32 %
Domestic	302.8	261.2	41.6	16 %
International	405.8	274.7	131.1	48 %
% International	57	51		
Investments	6.3	5.3	1.0	19 %
EBITDA	137.7	120.9	16.8	14 %
EBIT	120.2	95.2	25.0	26 %
EBT	113.7	89.8	23.9	27 %
	2018	**2017**	**Changes against previous year**	
Employees *	3,299	3,142	157	5 %
including trainees	112	83	29	35 %

* Reporting date 31 December

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 DMG MORI COMPANY LIMITED. With the help of the DMG MORI LifeCycle Services, our customers maximize the productivity of their machine tools over their entire life cycle – from commissioning until their trade-in as a used machine. The wide range of service contracts, repair and training services offered to our customers ensures that their machine tools are extremely cost-efficient.

Order intake in the segment "Industrial Services" reached € 1,393.1 million and was thus +18 % above the previous year (€ 1,178.6 million), of which € 1,236.1 million were accounted for in the Services division (previous year: € 1,078.8 million). This includes orders from our original service business, LifeCycle Services (e. g. replacement parts, maintenance and services), as well as from sales commissions of € 708.7 million (+11 %; previous year: € 636.0 million). Orders for machines of DMG MORI COMPANY LIMITED increased to € 527.3 million (previous year: € 442.8 million). In the fourth quarter, order intake increased by € 36.1 million to € 370.2 million (previous year: € 334.1 million). Domestic orders throughout the year amounted to € 395.2 million (previous year: € 375.2 million). International orders increased by +24 % to € 997.9 million (previous year: € 803.4 million). 72 % of all orders came from abroad (previous year: 68 %). 47 % of all orders were for "Industrial Services" (previous year: 43 %).

Sales revenues rose by 13 % to € 1,200.7 million (previous year: € 1,058.8 million). The Services area contributed to this with an increase of 9 % to € 1,098.6 million (previous year: € 1,007.6 million). Sales revenues from our original service business totaled € 539.4 million (previous year: € 520.4 million). Sales revenues from trade with products of DMG MORI COMPANY LIMITED increased to € 559.3 million (previous year: € 487.2 million). In the fourth quarter, sales revenues amounted to € 335.4 million (previous year: € 315.5 million). Domestic orders reached € 353.6 million over the whole of the year (previous year: € 341.8 million). International sales revenues amounted to € 847.1 million (previous year: € 717.0 million). The proportion was 71 % (previous year: 68 %). As in the previous year, "Industrial Services" were attributed a share of 45 % in sales revenues.

As of 31 December 2018, the order backlog amounted to € 708.6 million (previous year: € 535.9 million). In the reporting year, EBITDA in the "Industrial Services" segment amounted to € 137.7 million (previous year: € 120.9 million). EBIT amounted to € 120.2 million (previous year: € 95.2 million), EBT was € 113.7 million (previous year: € 89.8 million).

Investments in property, plant and equipment and in intangible assets amounted to € 6.3 million (previous year: € 5.3 million). In addition to equipping our service employees with modern tools and electronic measuring instruments, we modernized distribution sites in a targeted way. The primary focus was on the extensive modernization of DMG MORI Netherlands. As the previous year, no development costs were capitalized during the reporting year.

There were 3,299 employees in the "Industrial Services" segment at the end of the financial year (previous year: 3,142 employees). The percentage of employees in this segment accounted for 44 %, same as last year. The increase in employees was due particularly to service employees in Germany and abroad. The personnel ratio amounted to 24.5 % (previous year: 25.8 %). Personnel expenditure was € 294.2 million (previous year: € 273.3 million).

Corporate Services

The "Corporate Services" segment essentially comprises DMG MORI AKTIENGESELLSCHAFT with its group-wide holding functions.

Both order intake and sales revenues in the amount of € 0.2 million respectively (previous year: € 0.3 million), primarily consist of rental income. Like last year, the "Corporate Services" segment accounted for less than 0.1 % of sales revenues in the group. EBIT amounted to € -29.8 million (previous year: € -30.6 million). The financial result continued to develop positively and was € 5.8 million (previous year: € 4.4 million). EBT went up to € -24.0 million (previous year: € -26.2 million).

Investments in property, plant and equipment and in intangible assets in the "Corporate Services" segment amounted to € 2.6 million (previous year: € 1.0 million). Capacities of REALIZER GmbH have been expanded. Procurement, quality, construction, application technology and distribution are now bundled in Bielefeld.

As of 31 December 2018, the "Corporate Services" segment had 84 employees, like the previous year. As in the previous year, this represents 1 % of the group's workforce.

B.14 | KEY FIGURES "CORPORATE SERVICES" SEGMENT

in € million	2018	2017	Changes against previous year
Order intake	0.2	0.3	-0.1
Sales revenues	0.2	0.3	-0.1
Investments	2.6	1.0	1.6
EBITDA	-26.7	-27.2	0.5
EBIT	-29.8	-30.6	0.8
EBT	-24.0	-26.2	2.2
	2018	2017	Changes against previous year
Employees *	84	84	0

* Reporting Date 31 December


36
MONTH
WARRANTY
on all MASTER spindles without
restriction on hours

Quality without compromise:

+ reliability and durability
+ 36-month warranty on all MASTER spindles without restriction on hours
+ Objective: 100 % satisfied customers

Non-Financial Key Performance Indicators

Comprehensive Sustainability Reporting

DMG MORI is committed to sustainable action in relation to its employees, society and the environment. We act responsibly and in conformity with all applicable laws at all times. It's the same that we expect from our business partners. We give our employees the opportunity to advance themselves professionally with individualized development programs. We are in active communication with our customers, suppliers, employees and business partners.

The Sustainability Report, which was compiled for the second time, is attached to this Annual Report separately and can be accessed via the DMG MORI website at any time. It provides a detailed and comprehensive sustainability balance. Product quality and security, resource management as well as diversity and equal opportunities are matters that we consider – among others – to be particularly important for DMG MORI based on our materiality analysis.
→ en.dmgmori-ag.com/corporate-responsibility

With the Sustainability Report 2018, which also contains the Separate Non-Financial Group Report 2018, we are complying with the statutory provisions as per the CSR Directive Implementation Act for the Implementation of Directive 2014/95/EU (Section 289 HGB (German Commercial Code)) dated 11 April 2017. This Separate Non-Financial Group Report is thereby not part of the Business Report. Moreover, DMG MORI compiled the Sustainability Report in accordance with the international reporting guidelines, "GRI Standards 2016: Core Option" of the Global Reporting Initiative (GRI). By including a number of voluntary disclosures, we are going far beyond the minimum statutory requirements.

DMG MORI is aware of its responsibility to the environment. Our intention is to use renewable, recyclable and recycled materials to a large extent in our products and services. In addition, we pay special attention to resource and energy efficiency even while developing our products – so that our customers can save materials and energy, too. We summarize our machine- and product-specific measures to increase the energy efficiency of our machine tools under the term "GREENMODE". Our "First Quality" strategy ensures a long service life of more than 20 years, thereby contributing to saving resources and avoiding waste.

All corporate and conduct measures to save energy in our company are summarized under the term "ENERGYSAVING". Our energy management system is certified according to ISO 50001. We are committing ourselves to treat energy and resources responsibly and reduce CO_2 emissions accordingly. This is one of our energy management targets. These are reviewed by management each year in management evaluations and checked by the Executive Board in a central management review. The energy consumption per added value decreased by 11 %.

Employees

On 31 December 2018, the group had 7,503 employees, including 396 apprentices (previous year: 7,101 employees, including 359 apprentices). The number of employees increased by 402. The increase in employees was particularly due to service employees in Germany and abroad. In addition, we added personnel to our production capacities at FAMOT and our strategic future topics – primarily Automation, Digitization and ADDITIVE MANUFACTURING. The number of agency workers employed throughout the group was 484 at the end of the financial year (previous year: 436).

Employee expenses totaled € 595.9 million (previous year: € 550.7 million). Wages and salaries thereby accounted for € 506.7 million (previous year: € 467.5 million), social insurance contributions for € 85.6 million (previous year: € 79.0 million) and the costs of retirement pensions for € 3.6 million (previous year: € 4.2 million). The personnel ratio decreased to 22.3 % (previous year: 23.3 %).

In the area of human capital, we have been placing a high value on the qualifications of our employees for years. Our qualification structure continues to be at the same high level: As last year, 97 % of the workforce has a professional qualification or is currently working towards a professional qualification. In total, expenses for vocational and further training amounted to € 18.3 million (previous year: € 16.2 million). Our employees' age structure is balanced.

The employee sickness rate was 3.9 % (previous year: 3.8 %), again falling below the most recent industry average of 5.2 %. The employee fluctuation rate amounted to 7.7 % (previous year: 8.3 %). At the same time, the proportion of employees in key positions or of high potentials who left our company (dysfunctional fluctuation) was 2.6 % (Previous year: 2.9 %). More information about our employees can be found in the Sustainability Report 2018 on page 28 et seqq.

Overall Statement of the Executive Board on Financial Year 2018

The Executive Board can look back on a very successful financial year 2018. DMG MORI achieved record figures for order intake, sales revenues, EBIT and free cash flow. High demand for our innovative machines and technology solutions continued. Order intake rose by +8 % to € 2,975.6 million (previous year: € 2,754.8 million). According to the forecasts of the German Machine Tool Builders' Association (VDW), and the British economic research institute Oxford Economics, the global machine tool consumption grew by +8.5 % from October 2018. Adjusted for currency effects, the global consumption of machine tools went up by +5.2 % in euro terms.

Sales revenues increased to € 2,655.1 million and also reached a new record high (+13 %; previous year: € 2,348.5 million). EBITDA increased to € 280.8 million (+11 %; previous year: € 252.9 million). EBIT increased to € 217.1 million (+21 %; previous year: € 180.1 million). At 8.2 % the EBIT margin exceeded the previous year's level (7.7 %). EBT rose to € 214.8 million (+22 %; previous year: € 176.4 million). As of 31 December 2018, the group reported € 149.5 million in EAT (+26 %; previous year: € 118.4 million). Free cash flow rose to the record value of € 154.2 million (+8 %; previous year: € 142.4 million).

In addition to historic record values, we achieved a lot and have shown our innovative power in financial year 2018. We dynamically advanced our future areas. We have optimized our excellence in existing and established areas.

Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products are DMG MORI's strategic areas of innovation. Excellence in quality and service is also top priority. In addition, we have high standards for qualified employees, the harmonization of systems and processes with the "GLOBE" project as well as the topic of sustainability. We want to further expand our global market shares and sustainably strengthen our strong innovation power as "Global One Company".

SUPPLEMENTARY REPORT

Economic Development 2019

The economy as a whole developed reticently in the first two months of the year due to geopolitical uncertainties. The economic mood in nearly all major industrial nations dampened. In addition to the general economic cooldown, this is primarily due to the trade conflict between the USA and China, the potentially disorderly exit of the UK from the EU, and Italy's current debt situation. In Germany, the economic situation was tense. The most recent business climate index published by the ifo Institute for Economic Research shows significant tendencies towards an economic downturn – the estimate for the first six months of the year is correspondingly cautious.

The global machine tool market is expected to show significantly slower growth at +3.6 % in 2019 than in the previous year (+8.5 %). The German machine tool industry started 2019 less dynamically, too. Given the stable order intake, the VDW and Oxford Economics are however forecasting an increase in Germany's consumption for the whole year by +5.2 %. However, in the face of the current geopolitical uncertainties, it is likely that these forecasts of the associations will be adjusted.

Corporate Situation after the End of the Reporting Year

DMG MORI started financial year 2019 as planned. Order intake in January and February was € 458.8 million (previous year: € 543.5 million). Sales revenues increased to € 374.3 million (previous year: € 350.0 million). At € 22.4 million, EBIT was above the previous year's figure of the first two months (€ 13.5 million).

We presented the latest technologies from our five future topics at our traditional Open House in Pfronten at the beginning of the year. More than 8,000 international trade visitors showed great interest in this industry highlight. With an order intake of well over € 200 million, we achieved the second-highest order intake in the history of the Open House.

There were no changes to the legal corporate structure in the first two months.

5 SERVICE PROMISES

1

Optimal supply:
More than 300,000 different original spare parts in stock

2

World class spindle service:
More than 1,000 spindles available

3

Rapid assistance:
More than 3,000 active service experts across the world

4

DMG MORI full service:
Instant damage repair

5

NET*service:*
Fast, safe and intuitive

SERVICE EXCELLENCE

The new DMG MORI NET*service* is fast, safe and intuitive:

+ quick response times
+ maximum data security
+ simple connection to SERVICE*camera*
+ multi-user conference

OPPORTUNITIES AND RISK REPORT
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OPPORTUNITIES AND RISK REPORT

Opportunities Management System (CMS)

Opportunities at DMG MORI are systematically identified, analyzed and managed outside of our risk management system and associated reporting. Alongside annual and medium-term planning, we draw up rolling forecasts ("RFC") on an ongoing basis. Any positive deviations from the respective current RFC are defined as opportunities.

Our global customer relationship management system (CRM) documents and analyzes our sales and service activities in machine tools and industrial services. This enables us, for example, to identify individual material opportunities in sales and services quickly and to take appropriate action. Our CRM is based on a number of operational early indicators, such as market potential, order intake or trade fair evaluations. This means we can target our sales and service activities, and take advantage of opportunities consistently. Furthermore, we continuously monitor our markets and can thus identify any broader economic and industry-specific opportunities early on.

In addition, other opportunities are identified by our operational management. The opportunities thus defined are discussed with the Executive Board and strategies are developed on this basis.

Overall economic opportunities arise from our targeted and comprehensive activities in all the established market regions and existing growth markets. DMG MORI is present worldwide with 157 sales and service companies.

Despite the slight downwards trend in the second half of the year, global economic developments in 2018 had a positive impact on our business activities. We were able to close the reporting year once again with record figures for order intake, order backlog, sales revenues, EBIT and free cash flow. The high order backlog at present and our long-term excellent position as a provider of integrated technology, automation and digitization solutions have given rise to economic opportunities for DMG MORI. At the same time, we have not lost sight of the fact that the growth momentum in the general economy and in the consumption worldwide of machine tools is expected to decline further.

Our extensive innovative product portfolio and our consistent digitization strategy make use of industry-specific opportunities. Our product portfolio contains a balance of different types of machinery at different price levels to meet the technological requirements. Overall, DMG MORI continues to record a high level of interest worldwide in its products, not only for its turning and milling machines but also for its ADVANCED TECHNOLOGIES. The particular focus of our research and development work is placed on our five strategic future topics: Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products.

Corporate strategic opportunities for DMG MORI also exist through sustained leadership in the areas of innovation and technology, as well as through the highest quality of our machine tools and our industrial services. We apply this consistently in our entire value chain from research and development to production, through to sales and services. This provides us with the opportunity of sustainably maintaining our position in numerous markets and of continuously building upon it.

As part of the "Global One Company" with clearly aligned sales and service structures we are able to participate directly in the German home market, in the EMEA region (Europe, Middle East, Africa) and in the Chinese and Indian markets. Through DMG MORI COMPANY LIMITED we are also successful in Japan, North and South America, and regions in Asia. Together we serve more than 100,000 customers in 42 different industries in 79 countries. We achieve cost reductions and greater efficiency through joint development, purchasing, production and administration activities, and thus benefit from our close cooperation with DMG MORI COMPANY LIMITED.

Performance-related opportunities arise from the constant enhancement of our processes in the areas of production, technology, quality and logistics. Moreover, we make sure that our services are sustainable both for the environment and for society. Details can be found in the DMG MORI Sustainability Report 2018.

Risk Management System (RMS)

Our international business activities as a worldwide leading manufacturer of machine tools and supplier of integrated technology, automation and digitization solutions expose us to potential risks. Hence, an active risk management system is essential for DMG MORI. This serves to identify risks timely and therefore starts at all levels of the organization. There is a comprehensive awareness of risks at all the group companies. We are explicit in our desire for honesty when dealing with risks at DMG MORI and this is actively promoted. We promote a corporate culture of openness in order to identify early on any negative influences at any level of the hierarchy and to correct these. All employees are actively involved in reducing or eliminating risk in their areas of activity.

We counteract potential risks with a comprehensive and integrated risk management system that operates throughout the group, which we are constantly enhancing both technically and organizationally. It comprises the early risk identification system, the internal control system (ICS) and the central insurance management.

Risk early warning system

In our risk early warning system we record and manage the risks of any future development. We define a risk as being a negative deviation from our planned earnings target (EBIT) within the next twelve months when compared with the current RFC. In addition, we also take tax and interest rate risks into account. We record, assess and control risks whose inherent potential is dictated by environmental circumstances.

Our risk early warning 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, and who coordinates the measures for risk reduction or risk elimination,

3. local risk officers in any single group company who are responsible for the decentralized recording, analysis and communication of existing risks,

4. area-specific, quarterly risk assessments based on predefined risk areas and an inventory of related measures for risk reduction or risk elimination with a quantitative assessment, which take account of the risk-bearing capacity of the group and individual companies,

5. risk reporting at group level and the individual companies with ad-hoc reporting of relevant risks.

The risk early warning system is based on the generally accepted COSO concept. Its objective is the complete and reliable group-wide recording of existing potential risks together with a risk summary and assessment. The retrieval and setting up of measures to reduce risk, as well as continuous risk monitoring and extensive reporting, is performed across all business segments.

The strategy of our existing risk early warning system is based on a group-wide, systematic identification, assessment, aggregation, monitoring and notification of existing risks and related measures to reduce or eliminate risks. These risks are identified in a standardized process in the individual group companies every quarter.

At DMG MORI risks are assessed as being the result of the maximum risk potential notified and their determined probability of occurrence (gross risks), in order to then deduct the effect of the risk reduction or elimination measures (net risks). Reporting is made on the basis of the existing net risks by the group companies to the risk management. The structure of the risk early warning system is designed in such a way that we can determine the individual local and central risks, as well as the effect on the group, in order to present the overall risk situation.

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› 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 from the group's financing.
› Group effects usually arise from consolidation requirements; this includes, for example, the double counting of risks, which then have to be adjusted correspondingly.

We use the following categories of risk occurrence in our risk assessment:

C.01 | PROBABILITY OF OCCURRENCE	
Very slight	≤ 5 %
Unlikely	> 5 % to ≤ 25 %
Possible	> 25 % to ≤ 50 %

Risks with a probability of occurrence of more than 50 % are considered with net risks directly in the ongoing corporate planning or as accruals for the provision of risks. Any risks that could jeopardize the company as a going concern are reported without delay outside the regular reporting schedule. Risk-bearing capacity – defined as the relation of the accumulated expected value of all risks identified after adjustment for current group effects and total group equity – is a key performance indicator alongside the possible financial effects.

C.02 | POSSIBLE FINANCIAL EFFECT	
Insignificant	≤ € 10 million
Moderate	> € 10 to ≤ € 25 million
Significant	> € 25 million

The categories for possible financial effects were set by the risk management team based on the pre-defined risk strategy, taking sales revenues, EBIT and equity, as well as the risk-bearing capacity, into account.

The Supervisory Board and the Executive Board are informed at regular intervals of the current overall risk situation of the group and that of the individual business units. Reporting is carried out for the Supervisory Board twice a year, as at 30 June and 31 December, in the form of a comprehensive risk report. The Executive Board receives a quarterly risk report. The risk early warning system set up by the Executive Board pursuant to section 91(2) of the German Stock Corporation Act (AktG) is examined by the auditors.

Internal Control System (ICS)

The ICS of DMG MORI is an additional key component of the group-wide risk management system. The ICS complies with the German statutory requirements of the German Stock Corporation Act (AktG) as well as with the pertinent Japanese legal requirements of the Japanese Financial Instruments and Exchange Acts by way of J-SOX/Naibutousei compliant documentation.

The ICS serves to reduce or eliminate manageable risks in the daily business processes. The aim of the ICS is to ensure the consistent implementation of strategic and operational directives from the Executive Board, to meet operational efficiency targets and to comply with all legal requirements, standards at and valued compliance requirements of the group.

In addition, the ICS ensures the completeness, correctness and reliability of our Consolidated Financial Statements in accordance with IFRS, of the local financial statements and of the underlying accounting. It covers all organizational, control and monitoring structures to ensure the legally compliant recording, preparation and assessment of business matters and their subsequent adoption in the annual financial statements.

Building on an annually updated analysis and the documentation of material business processes, the controllable risks are recorded within our ICS. We eliminate or reduce these risks by optimizing our structural and procedural organization as well as through suitable control activities at an appropriate level. For instance, our ICS includes our existing internal guidelines and instructions as well as preventive and detecting control activities, such as authorizations and releases, plausibility checks, reviews and the four-eyes principle. The appropriate separation of functions within the business processes is ensured through our transparent structural and procedural organization.

The ICS comprises the principles, procedures and measures for ensuring the propriety of the group financial reporting. We have standardized relevant regulations in guidelines throughout the group, for example those contained in the accounting handbook. These guidelines and the financial statements calendar, which is applicable throughout the group, form the basis for preparing the financial statements. The local companies are responsible for compliance with the relevant regulations and in this respect are supported by the group accounting department. In addition, there are local regulations, such as compliance with local accounting requirements, that have to be harmonized with the group accounting. Consolidation is carried out centrally by the group accounting department. DMG MORI also engages external service providers as necessary, for example for the evaluation of pension obligations. Employees who are entrusted with financial reporting receive regular further training by way of internal and external courses.

The appropriateness and effectiveness of the ICS is evaluated based on an annual management testing at the group affiliates and central departments of DMG MORI AKTIENGESELLSCHAFT. This is carried out by means of random tests by the internal audit department. The results are reported to the Supervisory Board and the Executive Board. The appropriateness and effectiveness of the ICS is additionally checked on a random basis during scheduled and non-scheduled audits and is subsequently evaluated. The Supervisory Board and Executive Board are likewise informed of the results.

Insurance management

As a further component of the risk management system, DMG MORI has a centralized insurance management, which in close coordination with DMG MORI COMPANY LIMITED strategically determines and implements economically appropriate and insurable risks throughout the group.

Overview of the significant risk fields

C.03

Type of risk	Probability of occurrence	Possible financial effect
Overall economic, industry-specific and sales-related	possible	moderate
Corporate strategy	unlikely	moderate
Production	unlikely	moderate
Procurement and purchasing	unlikely	moderate
Research & development	unlikely	insignificant
Personnel	very slight	insignificant
IT	possible	insignificant
Financial	very slight	insignificant
Legal	unlikely	moderate
Tax	very slight	insignificant
Other	very slight	insignificant

Presentation of the individual risk areas

Overall economic risks arise out of a general economic slowdown, a high degree of geopolitical uncertainty and notably out of the trade conflict between the USA and China. These may have a strong impact locally on the respective national economies as well as on the world economy. However, the probability of occurrence or the economic consequences are not foreseeable at present.

In Germany, a declining momentum in economic growth is expected in 2019, which may have an effect on industry's propensity to invest. In addition, the rise in raw material prices, especially for crude oil products, plays a restraining role. This could cause inflation to rise. This, in turn, increases pressure on the European Central Bank to end its zero-interest policy. However, rising interest rates would likewise have a negative effect on capital expenditure.

In Europe there are identifiable risks in the euro zone from a failure to implement the necessary structural reforms in several countries within the euro zone. In Italy, especially, the situation could get worse in the short-term. France, too, has scaled back its reform efforts. The effects of a possible uncontrolled withdrawal of Great Britain from the European Union may have a negative impact in the future on our business located in Great Britain as well as on other countries in the EU. The Russian economy is only recovering slowly from the economic slumps and sanctions of the past years. Due to the renewed escalation of the political conflict with the Ukraine, further sanctions are possible, which could have a negative impact on the Russian economy. In the USA it has become apparent that the president's plans to revise the existing free trade agreements and return to protectionism can be pursued generally, but their implementation is limited. Nevertheless, significant risks may arise from the future political, fiscal and trade policy focus of the USA. A worldwide cyclical downturn could have a material impact on the market for machine tools and thus on order intake. We counteract these risks by continuously monitoring cyclical trends and, where applicable, taking any measures necessary. Furthermore, changes in exchange rates resulting from political or economic crises could impact our future competitive position (economic currency risk). In particular, a possible devaluation of the US dollar, Chinese renminbi, Russian ruble and British pound could lead to our products becoming more expensive in the countries concerned as well as in the markets that are dependent on the dollar. We counteract this risk through international sourcing as well as by regionalized production.

Industry-specific and sales-related risks exist in the form of continued intense competition and increased pressure on prices in the markets for machine tools, which may even intensify further in the event of an economic downturn. We counteract these risks with the technological lead afforded by our products and by focusing strongly on our customers and markets. Risks may result from matters relating to export control regulations as these could have a direct impact on the permissible delivery to countries, markets, industrial sectors or specific customers. Any changes as a consequence of sanctions may cause material short-term sales risks.

Corporate strategy risks lie mainly in false estimations of future industry-specific developments 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 global trade fair presence and a company strategy focused on innovation. As a result of the domination and profit transfer agreement, risks for the future economic development of the company result from potential instructions given by DMG MORI GmbH. These instructions do not necessarily have to be in the sole interest of DMG MORI AKTIENGESELLSCHAFT, but they are issued in the interests of the group.

Procurement and purchasing risks may arise in the area of central goods due to price increases in materials for machine tools. In addition, the high workload experienced by suppliers bears the risk of potential cost increases. Further risks exist in possible supplier shortfalls and quality problems. We counteract these risks through the standardization of structural parts and components, as well as through international sourcing with a minimum of two suppliers for essential materials, and through greater in-sourcing of key components.

Production risks, such as production ineffectiveness or 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, contribution 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, hence 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 technical work safety risks with a consistent application and implementation of statutory work safety regulations and the highest certified technical standards at all sites. We conduct all legally prescribed reviews and voluntary audits. We counteract environmental risks with full implementation of statutory environmental standards, appropriate and safe storage of hazardous goods, and the environmentally conscious disposal of hazardous goods and other waste. Furthermore, we aim to ensure an efficient use of resources to conserve scarce environmental resources in our internal business processes. Further details are given in the DMG MORI Sustainability Report 2018.

In the area of **research and development**, risks exist due to possible budget excesses, failed developments, increased start-up costs for new products, and delayed market launches of innovations. We counteract these risks through a closely coordinated development partnership with DMG MORI COMPANY LIMITED, customers, suppliers and universities. We avoid incalculable research and development projects, hence we consider these risks to be manageable and controllable.

Personnel risks exist due to our constant need for highly-qualified managers and employees. An inability to attract and retain these employees in sufficient numbers may adversely affect the group's development long-term. We limit these risks through comprehensive programs for vocational training and personal development, performance-related remuneration with a performance-based incentive scheme, early successor planning and deputizing arrangements. The necessary availability at any one time of highly-qualified managers and staff could also be negatively affected by a high absence rate due to illness. We counteract this risk most notably through a preventive occupational health care system.

IT risks occur due to the increased networking of our internal systems. 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 organized data espionage, blackmail, cybercrime and fraudulent scamming. 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 and firewall systems, and by controlling access and authorizations. In addition, we create appropriate awareness among our staff by regularly training and updating them on the relevant risks and the existing threat situation.

Financial risks across all segments result among others from our international activities in the form of currency-related risks, which we assess and hedge by means of our currency strategy. The essential components of DMG MORI financing are a syndicated loan, which comprises a cash and an aval tranche and is firmly agreed until February 2022, and a factoring program. All financing agreements include an agreement on compliance with a standard covenant. The liquidity of the 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. Further information on risks according to IFRS 7 is given in the Notes on page 136 et seqq.

Legal risks may arise in particular from legal disputes with suppliers, the authorities and former employees, as well as from possible warranty claims due to customer complaints, which cannot always be completely prevented by our efficient quality management. To maintain the existing risks at a manageable and calculable level, warranty and liability obligations are limited both in terms of time and scope. Any deviations from this arrangement must be approved separately by the Executive Board.

Tax risks exist through the value of deferred tax assets on loss carryforwards or interest carryforwards not being adjusted. We assume that this potential tax reduction can be used against future taxable income. We further assume that the tax and social insurance declarations we submit are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. Should it not be possible to use loss and interest carryforwards, this could adversely impact the net assets, financial position and results of operations

Overall Statement of the Executive Board to the Risk Situation

The Executive Board rates the existing risks as controllable and, based on current information, does not view the continued existence of the group to be endangered by these risks. Compared with the reporting in the Annual Report 2017, the risks have increased slightly overall. Given the growth in order intake and sales, we consider this moderate increase to be reasonable. The Executive Board counteracts the risk development by means of a continuously updated business development supervision and by holding Executive Board meetings and status meetings at regular intervals. The risks-bearing capacity of equity was calculated based on the accumulated overall expected risk value determined. The group's equity significantly exceeds the total risk expected value determined.


MILLTAP 700
NTX 1000

EMPLOYEES

100 % for DMG MORI:

+ employee satisfaction analysis
+ open feedback culture
+ attractive employer
+ extraordinary commitment

FORECAST REPORT

Future Business Environment

For the current financial year, the Kiel Institute for Economics (IfW) is forecasting global economic growth of +3.4%. For Germany, an increase in GDP of +1.7% is estimated for the current year. Overall, the European economy is expected to noticeably lose momentum and GDP is expected to increase by only +1.7%. With an expected growth rate of +6.2%, Asia will continue to be the region with the strongest growth in the current year. An increase of +6.1% is forecast for China. The Japanese economy is expected to grow by +1.0%. The IfW estimates that economic development in the USA will remain stable at +2.5%.

Global machine tool consumption is expected to grow at a much slower pace in 2019. Excluding global currency effects, VDW and Oxford Economics forecast an increase of +3.6% (previous year: +8.5%). In view of the existing geopolitical uncertainties, it cannot be ruled out that these forecasts of the associations will be adjusted.

While consumption in Europe as a whole is expected to grow by +4.7%, Great Britain is expected to record a significant decline of -8.3% due to the Brexit. Consumption in Asia is expected to rise by +3.3%. At country level, the Chinese and Japanese markets are also expected to grow by +5.1%. In the USA, VDW and Oxford Economics expect solid growth of +3.0%. The German machine tool industry started the year with less momentum. Due to the solid order backlog, VDW and Oxford Economics forecast an increase in consumption of +5.2% in Germany for the whole year.

The worldwide positive trend of recent years seems to continuously weaken. In almost all major industrial nations, economic sentiment has already dampened. In addition to the general economic slowdown, the main risk factors are the trade conflict between the USA and China, the possible disorderly exit of Great Britain from the EU, the current debt situation in Italy, the price development for raw materials and energy as well as the strong exchange rate fluctuations. Due to the existing global uncertainties and economic policy risks, it remains difficult to make reliable forecasts.

Future Development of DMG MORI

As a worldwide leading supplier of premium solutions for the manufacturing industry, we intend to further expand our market position also in the future. Together with DMG MORI COMPANY LIMITED – as "Global One Company" – we are pushing the implementation of our motto "Dynamic . Excellence".

Our corporate strategy "Global One 2020" is aimed at actively promoting innovation in the manufacturing industry and, with integrated solutions, meeting dynamic customer requirements even more effectively in the future. With a comprehensive range of machine tools, automation and digitization solutions, and our DMQP, we want to be the number 1 for our customers worldwide in the future, too: From development and production to worldwide sales and service of future-oriented machine tools.

In addition to our five strategic future topics – Automation, Digitization, ADDITIVE MANUFACTURING and Technology Excellence as well as DMQP – we focus on **Quality** and **Service, Employees, Global One Business Excellence** and **Sustainability.**

These are further important pillars of our strategy. We will continue to advance our future topics with dynamics. We consistently and sustainably optimize our excellence in existing and well-established areas.

At the beginning of financial year 2019, order intake was below the record level of the previous year. In the first quarter of 2019, we expect order intake of around € 670 million (previous year: € 821.8 million). For the year as a whole, we are planning an order intake of around € 2.6 billion.

Sales revenues in the first quarter of 2019 are expected to be around € 620 million, exceeding the previous year's level (€ 581.8 million). For the full year, we plan sales revenues of around € 2.65 billion. EBIT for the first quarter is expected to be about € 50 million (previous year: € 41.0 million). EBIT for the full year should reach around € 200 million. For financial year 2019, we expect free cash flow of around € 150 million.

Our agreed financing framework will cover the necessary liquidity requirements in the financial year 2019. We therefore have sufficient financial leeway in the group at all times. We expect market interest rates to rise moderately towards the end of the year.

Strategic financing measures are not planned, thus the financing structure remains essentially unchanged. Seasonally required liquidity can be covered from existing financial resources.

For financial year 2019, we plan to invest around € 110 million in tangible and intangible assets. In particular, the focus will be on the further expansion of our production plants in Pleszew (Poland) and in Pfronten. We are also continuing to invest in our "GLOBE – Global One Business Excellence" project to harmonize and optimize systems and processes and are pushing ahead with the introduction of the new global ERP system. With the first-time application of the new accounting standard IFRS 16 "Leases" as of 1 January 2019, additions from rights of use are also included in investments.

The first-time application will lead to a rise in the balance sheet total and subsequently to a lower equity ratio, but not to a change in EBIT. Due to the first-time application, depreciation will increase, while other operating expenses will move in the opposite direction and decrease. Cash flow from operating activities and thus the free cash flow will increase as the cash flows for leasing arrangements will be recognized in future in the cash flow from financing activities. Further details of the effects of the first-time application are given in the Notes to the Consolidated Financial Statements on page 99 et seqq.

In the area of research and development, we will continue to advance our innovation strategy. For the current financial year, we are again planning a wide range of innovations and world premieres from the areas of Automation, Digitization, ADDITIVE MANUFACTURING, Technology Excellence and DMG MORI Qualified Products (DMQP) and are consistently pursuing our "First Quality" strategy.

Research and development expenses are expected to amount to around € 60 million. Overall, in the area of research and development, about 15 % of the workforce in the plants shall continue to work on strengthening our technological leading position sustainably.

Overall Statement of the Executive Board on Future Business Development 2019

The global economy continues to be characterized by worldwide uncertainties. According to preliminary forecasts by the German Machine Tool Builders' Association and the British economic research institute Oxford Economics, global machine tool consumption is expected to grow at a significantly lower rate of +3.6 % in 2019 (previous year: +8.5 %). In view of the existing geopolitical uncertainties, it cannot be ruled out that these forecasts of the associations will be adjusted.

For the financial year 2019, we are planning order intake of around € 2.6 billion and sales revenues of around € 2.65 billion. EBIT should reach around € 200 million and free cash flow around € 150 million. Capital expenditure on tangible and intangible assets is expected to amount to around € 110 million and will be financed primarily from our own funds.

We want to sustainably strengthen our high innovative power as "Global One Company". Dynamic and Excellence in technology, service and quality will also characterize the current business year. We will continue to drive forward our strategic future topics with dynamics and sustainably optimize the existing to excellence.


Business Architecture
Automation, Digitization, Additive Manufacturing
INNOVATION
Harmonization
New Business Model
INTEGRATION
GLOBE
GLOBAL ONE BUSINESS EXCELLENCE

Business Intelligence

First Quality

PERFORMANCE

Standardization

Service

GLOBAL ONE BUSINESS EXCELLENCE

Excellence in integration, innovation and performance:

+ harmonization of systems and processes
+ new, consistent ERP system
+ business architecture with business approach
+ ERP as one enabler for digitization

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

For the period 1 January to 31 December 2018

D.01	Notes	2018 € K	2017 € K
Sales revenues	6	2,655,128	2,348,451
Changes in finished goods and work in progress		6,481	11,687
Own work capitalised	7	6,326	7,743
Total work done		**2,667,935**	**2,367,881**
Other operating income	8	74,182	81,164
Operating performance		**2,742,117**	**2,449,045**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		1,264,442	1,108,137
Cost of purchased services		215,660	155,439
		1,480,102	1,263,576
Personnel costs	10		
Wages and salaries		506,661	467,492
Social security contributions, pensions and other benefits		89,236	83,163
		595,897	550,655
Depreciation	11	63,729	72,833
Other operating expenses	12	385,256	381,836
Operating result		**217,133**	**180,145**
Financial income	13		
Interest income		4,280	3,597
Other income		170	170
		4,450	3,767
Financial expenses	14		
Interest payable		8,969	7,381
Interest expense from pension provisions		456	508
Other financial expenses		760	1,126
		10,185	9,015
Financial result		-5,735	-5,248
Share of profits and losses of at equity-accounted investments	15	3,388	1,485
Earnings before taxes		214,786	176,382
Income taxes	16	65,256	58,019
Annual profit		**149,530**	**118,363**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		148,257	117,442
Of which attributed to non-controlling interests	17	1,273	921
Earnings per share pursuant to IAS 33 in € (undiluted)	**18**	**1.88**	**1.49**
Earnings per share pursuant to IAS 33 in € (diluted)	**18**	**1.88**	**1.49**

Consolidated Statement of other Comprehensive Income

For the period 1 January to 31 December 2018

D.02	Notes	2018 € K	2017 € K
Annual profit		**149,530**	**118,363**
Other comprehensive income			
Remeasurement of benefit-oriented pension plans		5,956	1,267
Income taxes		-1,526	-445
Sum of items never reclassified to income statement		**4,430**	**822**
Differences from currency translation		-25,217	7,281
Net investments		1,220	-7,550
Changes in market value of hedging instruments	38	-377	-233
Market value of hedging instruments – reclassification to the income statement		585	991
Reclassification of differences from currency translation upon loss of significant influence		0	-2,649
Income taxes	28	-63	-226
Sum of items which are reclassified to the income statement		**-23,852**	**-2,386**
Other comprehensive income for the period after taxes		**-19,422**	**-1,564**
Total comprehensive income for the period		**130,108**	**116,799**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		128,956	115,590
Of which attributed to non-controlling interests		1,152	1,209

Consolidated Cash Flow Statement

For the period 1 January to 31 December 2018

D.03		2018	2017
CASH FLOW FROM OPERATING ACTIVITY	Notes	€ K	€ K
Earnings before taxes (EBT)		214,786	176,382
Depreciation	11	63,729	72,833
Financial result	13, 14	5,735	5,248
Other income and expenses not affecting payments		-4,094	-2,056
Change in provisions	30, 31	44,563	-26,283
Loss on the disposal of fixed assets		-596	-1,371
Income tax refunds		2,264	5,779
Income taxes paid		-51,146	-55,502
Interest received		4,599	3,713
Interest paid		-9,151	-7,382
Changes in asset and liabilities items			
Inventories	24	-85,718	-52,361
Trade debtors	23, 25	-42,832	-57,757
Other assets not from investments or financing activity		-24,804	1,740
Trade creditors	34	30,428	-4,974
Other liabilities not from investments or financing activity		82,615	113,711
	39	**230,378**	**171,720**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		5,722	10,358
Amounts paid out for investments in tangible assets		-60,832	-29,711
Amounts paid out for investments in intangible assets		-21,104	-10,013
Cash flow from the takeover of control over subsidiaries	39	-1,500	-23,798
Cash flow from the loss of control over subsidiaries	39	0	45,197
Amounts paid out for investments in financial assets	39	-8,754	-2,050
Amounts paid out for loans to other related parties	25	-250,000	0
Amounts received from disposal in financial assets	39	21,406	268
		-315,062	**-9,749**
CASH FLOW FROM FINANCING ACTIVITY			
Payments for repayment of financial debts	39	-37,765	-6,132
Payments from changes in interests in subsidiaries	39	0	-143,426
Profit transfer to DMG MORI GmbH	39	-89,865	-41,097
Amounts received from changes in interests in subsidiaries	39	4,094	0
	39	**-123,536**	**-190,655**
Changes affecting payments		-208,220	-28,684
Effects of exchange rate changes on financial securities		-2,504	-4,636
Cash and cash equivalents as at 1 January	27	363,405	396,725
Cash and cash equivalents as at 31 December	**27**	**152,681**	**363,405**

Consolidated Balance Sheet

As at 31 December 2018

D.04 ASSETS	Notes	31 Dec 2018 € K	31 Dec 2017 € K
LONG-TERM ASSETS			
Goodwill	19	139,399	139,419
Other intangible assets	19	50,973	51,262
Tangible assets	20	434,880	440,005
Equity-accounted investments	22	58,851	45,153
Other equity investments	21	2,403	2,109
Trade receivables from third parties	23	1,263	849
Other long-term financial assets	23	11,963	5,906
Other long-term assets	23	2,757	2,426
Deferred tax assets	28	55,606	49,931
		758,095	**737,060**
SHORT-TERM ASSETS			
Inventories	24	625,381	547,662
Trade receivables from third parties	25	226,989	237,796
Receivables from at equity accounted companies	25	21,244	15,970
Receivables from other related companies	25	480,705	206,972
Receivables from associated companies	25	47	28
Receivables from down payment invoices	6	33,260	0
Other short-term financial assets	26	60,241	72,764
Other short-term assets	26	81,272	58,050
Income tax receivables		584	1,591
Cash and cash equivalents	27	152,681	363,405
		1,682,404	**1,504,238**
Balance Sheet Total		**2,440,499**	**2,241,298**

D.04 EQUITY AND LIABILITIES	Notes	31 Dec 2018 € K	31 Dec 2017 € K
EQUITY			
Subscribed capital	29	204,927	204,927
Capital reserve	29	498,485	498,485
Retained earnings and other reserves	29	489,823	458,095
Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT		**1,193,235**	**1,161,507**
Non-controlling equity interests	29	4,453	3,111
Total equity		**1,197,688**	**1,164,618**
LONG-TERM DEBTS			
Long-term financial debts	32	0	35,037
Provisions for pensions	30	37,828	44,580
Other long-term provisions	31	58,180	43,246
Contract liabilities	6	1,890	0
Other long-term financial liabilities	33	8,205	9,505
Other long-term liabilities	33	2,649	3,856
Deferred tax liabilities	28	2,505	1,787
		111,257	**138,011**
SHORT-TERM DEBTS			
Short-term financial debts	32	0	11,453
Tax provisions	31	17,850	15,174
Other short-term provisions	31	209,245	183,199
Trade payables to third parties	34	195,393	169,759
Liabilities to at equity accounted companies	34	2,266	2,310
Liabilities to other related companies	34	236,613	207,132
Liabilities to associated companies	34	0	0
Payments received on account	6	342,575	290,181
Contract liabilities	6	21,532	0
Contract liability from down payment invoices	6	33,260	0
Other short-term financial liabilities	34	31,124	10,722
Other short-term liabilities	34	41,696	48,739
		1,131,554	**938,669**
Balance Sheet Total		**2,440,499**	**2,241,298**

Development of Group Equity

For the period 1 January 2017 to 31 December 2018

D.05			Retained earnings and other reserves					
in € K	Subscribed capital	Capital reserve	Revenue reserves	Difference from currency translation	Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIEN-GESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2018	**204,927**	**498,485**	**464,058**	**-5,799**	**-164**	**1,161,507**	**3,111**	**1,164,618**
Adjustment from the first-time application of IFRS 9, IFRS 15 (after taxes)			-1,525			-1,525	-137	-1,662
As at 1 Jan 2018	**204,927**	**498,485**	**462,533**	**-5,799**	**-164**	**1,159,982**	**2,974**	**1,162,956**
Total comprehensive income								
Annual profit			148,257			148,257	1,273	149,530
Other comprehensive income								
Differences from currency translation				-25,096		-25,096	-121	-25,217
Net investments				1,220		1,220		1,220
Change in fair value of derivative financial instruments (after taxes)					145	145		145
Remeasurement of benefit-oriented plans (after taxes)			4,430			4,430		4,430
Other comprehensive income for the period after taxes			**4,430**	**-23,876**	**145**	**-19,301**	**-121**	**-19,422**
Total comprehensive income for the period			**152,687**	**-23,876**	**145**	**128,956**	**1,152**	**130,108**
Transactions with owners								
Purchase / Sale of non-controlling interests with / without change of control							327	327
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)			3,623			3,623		3,623
Profit transfer to DMG MORI GmbH for 2018			-99,326			-99,326		-99,326
Sum of transactions with owners			**-95,703**			**-95,703**	**327**	**-95,376**
As at 31 Dec 2018	**204,927**	**498,485**	**519,517**	**-29,675**	**-19**	**1,193,235**	**4,453**	**1,197,688**

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements page 125 et seq.

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves: Revenue reserves	Retained earnings and other reserves: Difference from currency translation	Retained earnings and other reserves: Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIEN-GESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2017	**204,927**	**498,485**	**447,635**	**-2,593**	**-696**	**1,147,758**	**39,905**	**1,187,663**
Total comprehensive income								
Annual profit			117,442			117,442	921	118,363
Other comprehensive income								
Differences from currency translation				4,344		4,344	288	4,632
Net investments				-7,550		-7,550		-7,550
Change in fair value of derivative financial instruments (after taxes)					532	532		532
Remeasurement of benefit-oriented plans (after taxes)			822			822		822
Other comprehensive income for the period after taxes			**822**	**-3,206**	**532**	**-1,852**	**288**	**-1,564**
Total comprehensive income for the period			**118,264**	**-3,206**	**532**	**115,590**	**1,209**	**116,799**
Transactions with owners								
Purchase / Sale of non-controlling interests with / without change of control			2,501			2,501	-38,003	-35,502
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)			-14,477			-14,477		-14,477
Profit transfer to DMG MORI GmbH for 2017			-89,865			-89,865		-89,865
Sum of transactions with owners			**-101,841**			**-101,841**	**-38,003**	**-139,844**
As at 31 Dec 2017	**204,927**	**498,485**	**464,058**	**-5,799**	**-164**	**1,161,507**	**3,111**	**1,164,618**

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements page 125 et seq.

Consolidated Fixed Asset Movement Schedule

As at 31 December 2018 (Part of the notes)

D.06

ACQUISITION AND PRODUCTION COSTS

in € K
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
Equity-accounted investments
Other equity investments
Securities
Total fixed assets

DEPRECIATION

in € K	As at 1 Jan 2018	Difference from currency translation	Other changes
Intangible assets			
Goodwill	0	0	0
Assets arising from development	108,511	-3	-986
Industrial property and similar rights	85,760	-10	8,164
	194,271	**-13**	**7,178**
Tangible assets			
Land and buildings	127,214	-428	11
Technical equipment and machinery	74,167	-680	327
Other equipment, factory and office equipment	170,340	-435	338
Construction in progress	242	-6	0
	371,963	**-1,549**	**676**
Financial assets			
Equity-accounted investments	-5,248	0	-2,642
Other equity investments	7,384	0	0
Securities	6	0	0
	2,142	**0**	**-2,642**
Total fixed assets	**568,376**	**-1,562**	**5,212**

As at 1 Jan 2018	Difference from currency translation	Other changes	Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2018
139,419	-20	0	0	0	0	0	139,399
132,116	-3	-985	0	4,434	-72	0	135,490
113,417	-9	7,571	0	16,670	-580	57	137,126
384,952	**-32**	**6,586**	**0**	**21,104**	**-652**	**57**	**412,015**
439,082	-9,206	95	0	15,200	-7,816	3,251	440,606
120,794	-2,543	-163	0	3,441	-4,989	777	117,317
242,705	-1,217	375	0	13,445	-5,144	1,515	251,679
9,387	-558	-1,075	0	28,746	-493	-5,600	30,407
811,968	**-13,524**	**-768**	**0**	**60,832**	**-18,442**	**-57**	**840,009**
39,905	1,856	746	0	8,454	0	0	50,961
9,491	0	0	0	300	-6	0	9,785
8	0	0	0	0	0	0	8
49,404	**1,856**	**746**	**0**	**8,754**	**-6**	**0**	**60,754**
1,246,324	**-11,700**	**6,564**	**0**	**90,690**	**-19,100**	**0**	**1,312,778**

					Net book Value	
Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2018	As at 31 Dec 2018	As at 31 Dec 2017
0	0	0	0	0	139,399	139,419
0	11,101	-71	0	118,552	16,938	23,605
0	9,489	-312	0	103,091	34,035	27,657
0	**20,590**	**-383**	**0**	**221,643**	**190,372**	**190,681**
0	16,742	-585	-1	142,953	297,653	311,868
0	8,519	-4,272	-36	78,025	39,292	46,627
0	17,878	-4,243	37	183,915	67,764	72,365
0	0	0	0	236	30,171	9,145
0	**43,139**	**-9,100**	**0**	**405,129**	**434,880**	**440,005**
0	0	0	0	-7,890	58,851	45,153
0	0	0	0	7,384	2,401	2,107
0	0	0	0	6	2	2
0	**0**	**0**	**0**	**-500**	**61,254**	**47,262**
0	**63,729**	**-9,483**	**0**	**626,272**	**686,506**	**677,948**

Consolidated Fixed Asset Movement Schedule

As at 31 December 2017 (Part of the notes)

D.06

ACQUISITION AND PRODUCTION COSTS

in € K
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
Equity-accounted investments
Other equity investments
Securities
Total fixed assets

DEPRECIATION

in € K	As at 1 Jan 2017	Difference from currency translation	Other changes
Intangible assets			
Goodwill	0	0	0
Assets arising from development	102,624	5	-2,259
Industrial property and similar rights	74,075	0	450
	176,699	**5**	**-1,809**
Tangible assets			
Land and buildings	139,088	-1,555	1
Technical equipment and machinery	61,648	-286	-237
Other equipment, factory and office equipment	159,120	-1,284	-14
Construction in progress	229	13	0
	360,085	**-3,112**	**-250**
Financial assets			
Equity-accounted investments	-3,763	0	-1,485
Other-equity investments	7,384	0	0
Securities	6	0	0
	3,627	**0**	**-1,485**
Total fixed assets	**540,411**	**-3,107**	**-3,544**

As at 1 Jan 2017	Difference from currency translation	Other changes	Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2017
135,417	-12	1	4,013	0	0	0	139,419
127,091	5	-2,259	0	6,430	0	849	132,116
109,467	6	450	927	3,584	-440	-577	113,417
371,975	**-1**	**-1,808**	**4,940**	**10,014**	**-440**	**272**	**384,952**
424,123	-10,395	1,462	-1,041	8,774	-33,196	49,355	439,082
115,836	-721	2,101	45	4,692	-3,072	1,913	120,794
237,091	-1,701	89	-960	10,071	-8,620	6,735	242,705
69,405	-1,423	-4,066	0	6,174	-2,428	-58,275	9,387
846,455	**-14,240**	**-414**	**-1,956**	**29,711**	**-47,316**	**-272**	**811,968**
42,325	-2,470	0	0	50	0	0	39,905
29,174	0	0	0	2,000	-21,683	0	9,491
8	0	0	0	0	0	0	8
71,507	**-2,470**	**0**	**0**	**2,050**	**-21,683**	**0**	**49,404**
1,289,937	**-16,711**	**-2,222**	**2,984**	**41,775**	**-69,439**	**0**	**1,246,324**

					Net book Value	
Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2017	As at 31 Dec 2017	As at 31 Dec 2016
0	0	0	0	0	139,419	135,417
0	8,141	0	0	108,511	23,605	24,467
-276	11,976	-414	-51	85,760	27,657	35,392
-276	**20,117**	**-414**	**-51**	**194,271**	**190,681**	**195,276**
-308	16,259	-26,269	-2	127,214	311,868	285,035
-17	16,121	-3,047	-15	74,167	46,627	54,188
-574	20,336	-7,312	68	170,340	72,365	77,971
0	0	0	0	242	9,145	69,176
-899	**52,716**	**-36,628**	**51**	**371,963**	**440,005**	**486,370**
0	0	0	0	-5,248	45,153	46,088
0	0	0	0	7,384	2,107	21,790
0	0	0	0	6	2	2
0	**0**	**0**	**0**	**2,142**	**47,262**	**67,880**
-1,175	**72,833**	**-37,042**	**0**	**568,376**	**677,948**	**749,526**

Segmental Reporting

In the Consolidated Financial Statements 2018 (Part of the notes)

D.07

SEGMENTATION BY BUSINESS SEGMENTS

in € K	"Machine Tools" 2018	2017	Changes against previous year		"Industrial Services" 2018	2017	Changes against previous year	
Sales revenues with other segments	1,093,591	984,603	108,988	11.1 %	60,014	65,146	-5,132	-7.9 %
Sales revenues with third parties	1,454,180	1,289,425	164,755	12.8 %	1,200,757	1,058,757	142,000	13.4 %
EBIT	126,832	114,873	11,959	10.4 %	120,211	95,244	24,967	26.2 %
Financial result	-1,546	-2,776	1,230	44.3 %	-6,519	-5,377	-1,142	-21.2 %
thereof interest income	2,325	2,243	82	3.7 %	3,491	2,740	751	27.4 %
thereof interest expenses	-3,813	-4,785	972	20.3 %	-6,959	-7,027	68	1.0 %
Share of profit for the period of at equity accounted investments	-94	0	-94	0.0 %	0	0	0	0.0 %
EBT	125,192	112,097	13,095	11.7 %	113,692	89,867	23,825	26.5 %
Carrying amount of at equity accounted investments	8,411	50	8,361	16,722.0 %	0	0	0	0.0 %
Segment assets	1,301,859	1,150,796	151,063	13.1 %	1,964,977	1,817,770	147,207	8.1 %
Investments	81,755	35,499	46,256	130.3 %	6,317	5,294	1,023	19.3 %
Depreciation	43,096	43,810	-714	-1.6 %	17,496	25,666	-8,170	-31.8 %
Employees	4,119	3,875	244	6.3 %	3,299	3,142	157	5.0 %

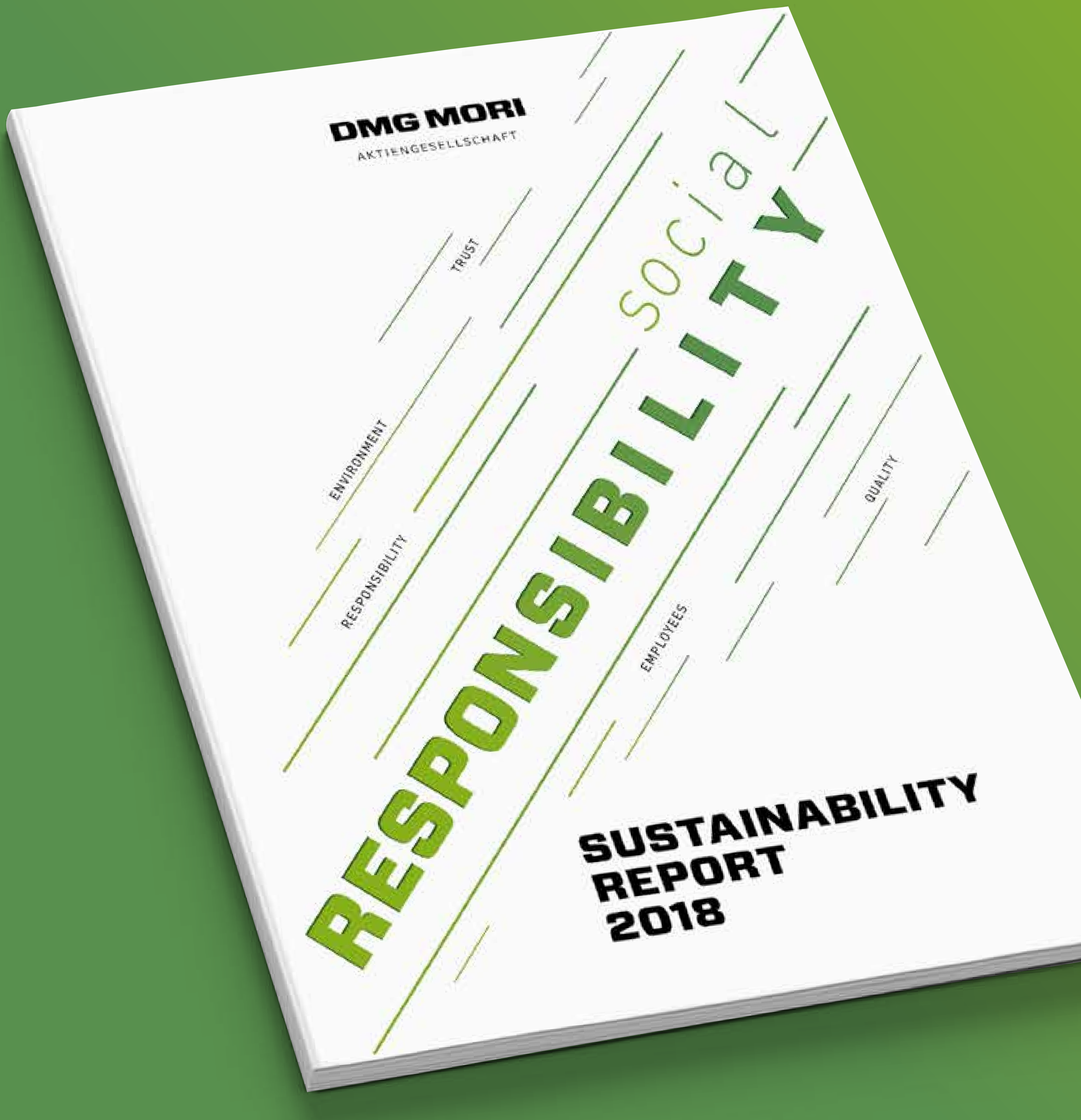
See accompanying explanations in notes under segmental reporting page 146 et seq,

INFORMATION ON GEOGRAPHICAL AREAS

in € K	Germany 2018	2017	Changes against previous year		Rest of Europe 2018	2017	Changes against previous year		North America 2018	2017	Changes against previous year	
Sales revenues with third parties	1,171,525	942,285	229,240	24.3 %	1,219,016	1,115,813	103,203	9.2 %	0	78,599	-78,599	-100.0 %
Long-term assets	281,202	277,993	3,209	1.2 %	340,180	347,045	-6,865	-2.0 %	0	0	0	0.0 %

"Corporate Services"		Changes against previous year		Transition		Group		Changes against previous year	
2018	2017			2018	2017	2018	2017		
14,707	16,323	-1,616	-9.9 %	-1,168,312	-1,066,072	0	0	0	0.0 %
191	269	-78	-29.0 %	0	0	2,655,128	2,348,451	306,677	13.1 %
-29,829	-30,578	749	2.4 %	-81	606	217,133	180,145	36,988	20.5 %
2,330	2,905	-575	-19.8 %	0	0	-5,735	-5,248	-487	-9.3 %
7,039	6,217	822	13.2 %	-8,575	-7,603	4,280	3,597	683	19.0 %
-5,188	-3,271	-1,917	-58.6 %	6,444	6,715	-9,516	-8,368	-1,148	-13.7 %
3,482	1,485	1,997	134.5 %	0	0	3,388	1,485	1,903	128.1 %
-24,017	-26,188	2,171	8.3 %	-81	606	214,786	176,382	38,404	21.8 %
50,440	45,103	5,337	11.8 %	0	0	58,851	45,153	13,698	30.3 %
1,862,875	1,763,717	99,158	5.6 %	-2,759,261	-2,553,736	2,370,450	2,178,547	191,903	8.8 %
2,617	982	1,635	166.5 %	0	0	90,689	41,775	48,914	117.1 %
3,137	3,357	-220	-6.6 %	0	0	63,729	72,833	-9,104	-12.5 %
85	84	1	1.2 %	0	0	7,503	7,101	402	5.7 %

Asia		Changes against previous year		Other		Changes against previous year		Transition		Group		Changes against previous year	
2018	2017			2018	2017			2018	2017	2018	2017		
264,587	211,754	52,833	25.0 %	0	0	0	0.0 %	0	0	2,655,128	2,348,451	306,677	13.1 %
9,731	10,240	-509	-5.0 %	0	0	0	0.0 %	-5,861	-4,592	625,252	630,686	-5,434	-0.9 %


DMG MORI
AKTIENGESELLSCHAFT
TRUST
ENVIRONMENT
RESPONSIBILITY
EMPLOYEES
QUALITY
social
RESPONSIBILITY
SUSTAINABILITY
REPORT
2018

DMG MORI ENERGY SAVING

We save energy in our companies with energy efficiency measures and the latest equipment and building technology.

DMG MORI GREENMODE

Highest efficiency with energy-optimized design and operation of our machines. CELOS apps ensure transparent and optimized energy consumption.

SUSTAINABILITY

Innovations for environment and society:

+ highest efficiency through integrated solutions
+ energy-saving measures and recycling options ex works
+ social projects and initiatives

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT FOR THE FINANCIAL YEAR 2018

Accounting principles applied in the Consolidated Financial Statements

1. APPLICATION OF REGULATIONS

The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT for the Financial Year 1 January 2018 to 31 December 2018 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, as applicable on the reporting date. The Notes to the Consolidated Financial Statement include further explanations pursuant to Section 315e of the German Commercial Code (HGB).

The following disclosures include statements and comments that, pursuant to the IFRS, must be included in the notes to the Consolidated Financial Statements along with the consolidated income statement, the consolidated statement of other comprehensive income for the reporting period, the balance sheet, the development of the group's equity and the cash flow statement.

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

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

DMG MORI AKTIENGESELLSCHAFT with its registered office in Bielefeld, Gildemeisterstrasse 60, is listed at the Bielefeld District Court, section B, under the number 7144 and is the parent company of 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, needs-based 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 2018 will be available through the electronic Federal Gazette (Bundesanzeiger), the Commercial Register as well as from our website → **en.dmgmori-ag.com.** DMG MORI COMPANY LIMITED, Nara (Japan) is the ultimate parent company of DMG MORI group. The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT are included in the Consolidated Financial Statements of DMG MORI COMPANY LIMITED, Nara (Japan). These Consolidated Financial Statements can be found online at → **www.dmgmori.co.jp.**

DMG MORI GmbH, a wholly owned subsidiary of DMG MORI COMPANY LIMITED, has concluded a domination and profit transfer agreement with DMG MORI AKTIENGESELLSCHAFT, pursuant to Sections 291 et seq. AktG (Stock Corporation Act), which entered into force following entry into the commercial register on 24 August 2016. With effect from 1 January 2017, a tax allocation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT.

The Executive Board of DMG MORI AKTIENGESELLSCHAFT released the Consolidated Financial Statements and the Group Management Report for publication on 11 March 2019.

2. CONSOLIDATION PRINCIPLES

The accounting for acquired subsidiaries applies the acquisition method, provided the group has obtained a controlling interest. Transactions under joint control are also accounted for using the purchase method.

The consideration transferred for the acquisition of such interests corresponds to the fair value of the exchanged assets and the liabilities incurred or assumed at the date of the acquisition. Furthermore, they include the fair value of any assets or liabilities recognised arising from a contingent consideration agreement. Subsequent adjustments to the fair value of the contingent consideration are recognised through profit or loss. Costs related to the acquisition are recognised as an expense at the time of their accrual. At the time of their initial consolidation, assets, liabilities and contingent liabilities that can be identified in the context of a merger will be measured at their fair values at the time of acquisition.

Each contingent consideration obligation is measured at fair value at the purchase date. If the contingent consideration is classified as equity, it is not remeasured, and settlement is recognised in equity. Otherwise, contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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 holds a right to such rates of return and is able to influence them utilising its control over the company.

If the group loses control over a subsidiary, it derecognises the subsidiary's assets and liabilities and all related noncontrolling interests and other components of equity. Any profit or loss generated is recognised through profit or loss.

The group decides on an individual basis with respect to the question if the non-controlling interests in the company acquired are to be recognised at their fair value or in the prorata amount of the net assets.

Goodwill is recognised at the value that arises from the surplus of the acquisition costs, from the amount of the non-controlling interests in the company acquired as well as from the fair value of any previously held equity interests as of the acquisition date above the equity interest of the group in the net assets above fair value. Should the acquisition costs be less than the acquired subsidiary's net asset value measured at fair value, the difference shall be re-evaluated and subsequently recognised in the income statement.

IFRS 3 "Business Combinations" and IAS 36 "Impairment of Assets" eliminate the schedule amortisation of goodwill and instead prescribe goodwill to be written-off only in the event of an impairment. Any equity interest in the subsidiaries, that the parent company is not entitled to, are recognised as non-controlling interests as part of equity.

Any reciprocal receivables and payables between the companies included in the Consolidated Financial Statements are offset from each other. Interim results from intragroup deliveries and services are eliminated; deferred tax assets and deferred tax liabilities from consolidation transactions affecting net income are recognised in the income statement. Intragroup sales revenues and other intragroup income is offset against the corresponding expenses not affecting income.

The applied consolidation methods remained unchanged from the previous year.

3. ACCOUNTING AND VALUATION PRINCIPLES

All annual financial statements of the companies that were included in the Consolidated Financial Statements have the same balance sheet dates as the Consolidated Financial Statements and are prepared in accordance with the uniform group accounting and valuation principles. For this purpose, those accounts that were prepared in accordance with local regulations were adjusted to the uniform group accounting and valuation principles of DMG MORI AKTIENGESELLSCHAFT. The Consolidated Financial Statements have been prepared on the basis of the historical cost of acquisition and production, with the exception that certain financial instruments have been accounted for at market value and pension obligations have been accounted for using the projected-unit-credit method.

The applied accounting and valuation methods are the same as those applied in the previous year.

Changes in accounting and valuation methods due to new standards

On 1 January 2018, DMG MORI group commenced application of the following new and revised IFRS and IFRIC standards bearing relevance for the Consolidated Financial Statements. [→ D.08]

The effects of these new standards on the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT are explained below. As expected, adoption of the new standards, IFRS 9 and IFRS 15, has been shown to have or to have had no major impact on the Consolidated Financial Statements of DMG MORI.

IFRS 9 – Financial Instruments

DMG MORI adopted IFRS 9 "Financial Instruments" for the first time on 1 January 2018. Due to the transition methods used by the group when adopting this standard, no comparative information in these Consolidated Financial Statements was restated to meet the requirements of the new standard, except for specific hedges, impairment losses on trade debtors presented separately and contract assets. Differences between the carrying amount of financial assets and financial liabilities caused the application of IFRS 9 to be categorically accounted for as retained earnings and other reserves as of 1 January 2018. The effects from first-time adoption of the standard are mainly due to the rise in impairment losses on financial assets.

IFRS 9 defines the requirements for the recognition and measurement of financial assets, financial liabilities and some contracts to buy or sell non-financial contracts. This standard replaces IAS 39 "Financial instruments: Recognition and Measurement".

Furthermore, DMG MORI made consequential amendments to IFRS 7 "Financial Instruments: Disclosures" with regard to the notes to the financial statements for financial year 2018. However, these amendments were not generally applied to comparative information.

The table below shows the effects after tax of the transition to IFRS 9 on the opening balances of trade debtors, other receivables, cash and cash equivalents, other reserves, retained earnings and non-controlling interests.

D.09

in € K	Additional impairment as at 1 January 2018
Trade debtors and other receivables (after tax)	-344
Cash and cash equivalents	-2
	-346

D.10

in € K	Adjustment to shareholders' equity as at 1 January 2018
Retained earnings and other reserves (after tax)	-345
Non-controlling interests	-1
Reduction of equity	**-346**

D.08

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
Amendments to IFRS 2	Classification and measurement of share-based payments
Amendments to IFRS 4	Application of IFRS 9 "Financial Instruments" in conjunction with IFRS 4 "Insurance Contracts"
Amendments to IFRS 15	Clarification concerning IFRS 15
Amendments to IAS 40	Investment Property holdings
IFRIC 22	Foreign currency transactions and the receipt or payment of advance consideration
Improvements to IFRS 2014-2016	Amendments to IFRS 1 and IAS 28

Classification and measurement of financial assets and liabilities

IFRS 9 contains three classification categories for financial assets: valued at amortised cost, at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Under IFRS 9, the classification of financial assets is based on the entity's business model for managing financial assets and the assets' contractual cash flow characteristics.

IFRS 9 contains a new classification and valuation approach for financial assets, which considers the business model employed for holding such assets as well as the characteristics of their cash flows.

The standard eliminates the existing categories of IAS 39: "held to maturity", "loans and receivables" as well as "available for sale".

IFRS 9 retains most of the existing requirements of IAS 39 for the classification of financial liabilities.

With regard to financial liabilities and derivatives, first-time adoption of IFRS 9 did not have any major impact on the group's accounting methods (see page 135 et seq.).

Please see page 106 et seq. for an explanation of the methods used by DMG MORI to classify and measure financial instruments and related gains and losses under IFRS 9.

The table below and the accompanying notes explain the reconciliation between the carrying amounts of financial assets in the original measurement category under IAS 39 and the carrying amounts of financial assets in the new measurement category under IFRS 9 as at 1 January 2018 for each class of financial assets and liabilities formed by the group. [→ D.11]

The effects from first-time adoption of IFRS 9 on the carrying amounts of financial assets on 1 January are solely due to new impairment recognition requirements.

Equity investments, allocated to the FVOCI measurement category under IFRS 9, constitute investments, which for strategic reasons, DMG MORI wishes to maintain in the long term. Under IFRS 9, the group designated these investments as FVOCI at the date of initial application of this standard. Unlike IAS 39, the cumulative reserve from changes in fair value is never reclassified to the income statement with these investments.

Under IFRS 9, trade debtors and other financial assets are always classified in the "measured at amortised cost" category. Impairments are recognised in profit or loss. Exceptions to this are trade debtors that are offered for sale as part of factoring and are therefore classified as FVOCI. They are measured at fair value. Changes in value are recognised in other comprehensive income. Under IAS 39, trade debtors, other receivables and other assets are classified as "loans and receivables" and carried at amortised cost less impairment losses.

D.11

in € K	Carrying amount 31 December 2017 (IAS 39)	Reclassification	Remeasurements	Carrying amount 1 January 2018 (IFRS 9)
IAS 39 – Loans and receivables				
Cash and cash equivalents	363,405	0	-2	363,403
Trade debtors	319,815	-235,481	-130	84,204
Other receivables	141,800	0	-5	141,795
Other financial assets	74,749	0	-36	74,713
At amortised cost	**899,769**	**-235,481**	**-173**	**664,115**
IAS 39 – Available-for-sale				
Financial assets	5,307	0	0	5,307
Reclassified from IAS 39 – loans and receivables				
Trade debtors	0	235,481	-292	235,189
At fair value through other comprehensive income (FVOCI)	**5,307**	**235,481**	**-292**	**240,496**
Derivatives (stand-alone)	611	0	0	611
At fair value through profit or loss (FVTPL)	**611**	**0**	**0**	**611**
Derivatives (hedge accounting)	110	0	0	110
Derivatives in hedge accounting	**110**	**0**	**0**	**110**
Total	**905,797**	**0**	**-465**	**905,332**

With the transition to IFRS 9, a € 463 K (before taxes) increase in allowances on trade debtors, other receivables and other assets was recognised in retained earnings as of 1 January.

As of 1 January 2018, within the scope of first-time adoption of IFRS 15, no additional trade debtors were recognised for which allowances were made.

Impairment – Financial assets and contractual assets
IFRS 9 replaces the model of the "incurred losses" prescribed by IAS 39 with a future-oriented model of "expected credit losses".

This requires considerable judgement as to how changes in economic factors will affect expected credit losses.

The new impairment model is applicable to financial assets valued at amortised acquisition cost or at FVOCI – with the exception of equity securities held as financial investments – as well as to contractual assets. Under IFRS 9, credit losses are recognised earlier than they would be under IAS 39 and increase or become more volatile – see page 122 et seq.

Based on the impairment methods described below, DMG MORI has found that the application of IFRS 9 impairment rules leads to the following additional impairment losses.

D.12 in € K	
Impairments as of 31 December 2017 under IAS 39	**15,324**
Additional impairment loss as of 1 January 2018 on:	
Trade debtors, other receivables and other assets	463
Cash and cash equivalents	2
Impairments as of 1 January 2018 under IFRS 9	**15,789**

The credit losses recognised for trade debtors are calculated based on experience with actual credit losses over the last three years. Credit risks within each group are broken down based on common default risk characteristics. For the companies, these are the credit risk assessment e. g. based on overdues and geographical location. The default rates used as a basis for DMG MORI, subject to the due date (not overdue and overdue) and the regional classification of trade debtors, are between 0.01 % and 1.37 %.

The impairments for other receivables using the "General Approach" was calculated based on ratings and default probabilities for a six-month period and reflects the short-term maturities.

Cash and cash equivalents are deposited at banks or financial institutes, which have been rated by the rating agency, S&P, with ratings between A-1 and A-2. The allowance for cash and cash equivalents was calculated on the basis of expected losses within a twelve-month period and reflects the short-term maturities.

Additional information on calculation of the group's impairments can be found in Note on page 122 et seq.

Accounting of hedging transactions
When an entity first applies IFRS 9, it may choose as its accounting policy choice to continue to apply the hedge accounting standards of IAS 39 instead of the requirements of IFRS 9.

The DMG MORI group decided to apply the new general hedge accounting model under IFRS 9 as of 1 January 2018 and continues to use it to date. This requires that DMG MORI ensures hedging relationships are in line with risk management goals and strategies and that a more qualitative and forward-looking approach is used to assess the effectiveness of hedges.

DMG MORI group uses forward exchange transactions to hedge against fluctuations of the cash flows caused by changes in the exchange rates for borrowings, receivables, sales as well as inventory purchases denominated in foreign currency.

The group recognised forward exchange transactions at fair value pursuant to IAS 39. Any changes in value were immediately been recognised in profit or loss, if no hedge accounting existed or in the case of effective cash flow hedges, in other comprehensive income.

Under IAS 39, the amounts recognised for all cash flow hedges in the cash flow hedge reserve were reclassified to profit or loss as reclassification adjustments in the same period in which the hedged expected future cash flows affect profit or loss.

With regard to cash flow hedges (for the foreign currency risk associated with the expected purchases of non-financial assets), IFRS 9 stipulates that the amounts accounted for in the cash flow hedge reserve and hedging cost reserve must be directly recognised in the acquisition costs of the non-financial assets at the time of the initial journal entry. Under IFRS 9, the same approach is also used for the amounts accumulated in the hedging cost reserve.

Essentially, the hedging relationships in hedge accounting under IAS 39 can also be continued under IFRS 9.

The DMG MORI group uses the "spot-to-spot" method. The effects from forward components are recognised in profit or loss. Overall, the application of IFRS 9 changes has no significant impact on hedge accounting at DMG MORI.

Please see page 135 et seq. for an explanation of the methods used by DMG MORI to perform hedge accounting under IFRS 9.

Transition
Changes to the accounting methods resulting from the application of IFRS 9 will categorically be applied retroactively.

DMG MORI has made use of the exemption to abstain from adjusting comparative information with respect to the changes to the classification and valuation (including impairment) for prior periods. Differences between the carrying amount of financial assets and financial liabilities caused the application of IFRS 9 will categorically be accounted for as retained earnings and other reserves as of 1 January 2018. In this respect, the information presented for 2017 does not generally meet IFRS 9 requirements, but rather complies with IAS 39 rules.

The assessments set out below are to be made based on the facts and circumstances existing on the date of initial application:

› Determination of business model as a framework for holding a financial asset
› Determination and revocation of previous regulations relating to specific financial assets and financial debts recognised as FVTPL
› Determination of specific equities held as financial assets, but not held for trading as FVOCI

Changes in hedge accounting approaches were applied prospectively.

All hedging relationships designated as at 31 December 2017 under IAS 39, met the criteria for hedge accounting under IFRS 9 as at 1 January 2018 and are therefore considered ongoing hedging relationships.

IFRS 15 – Revenue from Contracts with Customers
The group applied IFRS 15 "Revenue from Contracts with Customers" as of 1 January 2018. During its transition to IFRS 15, DMG MORI used the modified retrospective method to recognise cumulative adjustment amounts as of 1 January 2018. Consequently, comparative information for 2017 was not restated i. e. it was disclosed as previously under IAS 18, IAS 11 and in the applicable interpretations. Moreover, the disclosure requirements under IFRS 15 were not generally applied to comparative information.

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

Sale of goods
Revenue from the sale of machine tools was recognised under IAS 18 at the time of transfer of the significant risks and rewards. This was usually the date on which the goods were delivered and ownership of these goods was transferred to the customer. Revenue was recognised at this point in time, if revenue and costs could be measured reliably, it was probable that the group would collect the consideration and there was no other existing right to access the goods, preventing revenue recognition. Revenue from the sale of machine tools frequently comprises incidental services. Under IFRS 15, revenue is recognised when control of the goods is transferred to the customer.

Under IFRS 15, the entity must also identify its performance obligations. However, a single contract or the sum of contract combinations may have multiple performance obligations, which are subject to separate provisions regarding the timing of recognition.

The DMG MORI group has estimated that the contracts from the sale of machine tools rise to multiple performance obligations (sale of machine tools, transport, machine commissioning and training), which are subject to their own provisions on the principle of recognition. This means that revenue from the sale of machine tools is allocated to separate performance obligations. The revenue for these performance obligations and related costs are recognised on completion of the service. Any commission due upon conclusion of a contract is recognised as an expense when it originates, as the depreciation period that would have been set by DMG MORI would not exceed one year.

Based on the group's assessment, the fair values and standalone selling prices of separate performance obligations from the sale of goods are largely similar.

The effects of this amendment on other items in the Consolidated Financial Statements include a contract liability disclosure for performance obligations and a reduction in other provisions made as of 31 December 2017 for obligations for future performance, where these provisions were already recognised as revenue under IAS 18 as of 31 December 2017, when the machine tools were sold.

There are also changes regarding the disclosure of advance payments. Previously, advance payments from customers were often not recognised as a liability until receipt of payment. In the future, IFRS 15.105 et seqq. stipulates that the advance payment must be disclosed as a liability at the time the entity's unconditional right to receive consideration originates.

Provision of services

Revenue from services that do not fall within the scope of machine sales, such as e.g. service contracts, maintenance, repair and training services, were recognised under IAS 18, if the services had been rendered. Under IFRS 15, the total consideration for service contracts are allocated across all services, based on their stand-alone selling prices. The stand-alone selling prices are determined based on the prices at which the group offers its services in separate transactions. Based on the group's assessment, the fair values and stand-alone selling prices for services are largely similar.

Thus, there were no significant differences regarding the timing of revenue recognition for these services.

Application of IFRS 15 resulted in significant balance sheet adjustments as of 1 January 2018 shown below:

D.13

in € K	Effects from application of IFRS 15 as at 1 January 2018
Contract liabilities	12,659
Contract liability from down payment invoices	13,334
Trade receivables from down payment invoices	13,334
Group equity	-1,314
Other provisions	-4,483
Other short-term liabilities	-6,477

Application of IFRS 15 resulted in the following significant effects in financial year 2018 compared to IAS 18:

D.14

in € K	Effects from application of IFRS 15 as at 31 December 2018
Revenue	-8,904
Cost of materials	6,457
Earnings after tax	-1,715
Group equity	-3,030
Other provisions	-10,940
Contract liabilities	23,422
Trade receivables from down payment invoices	33,260
Contract liability from down payment invoices	33,260
Other short-term liabilities	-8,337

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments concern the consideration of vesting conditions in the context of the valuation of share-based payments with cash compensation, the classification of share-based payments that provide for a net compensation for taxes to be withheld as well as the accounting in the event of a change in the classification of the remuneration from "cash compensation" to "with compensation by equity instruments". The amendments do not result in significant ramifications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

The amendments concern the initial application of IFRS 9 for insurance companies. Without these adjustments, the circumstance that IFRS 9 and the new standard for insurance contracts (IFRS 17) enter into force at different dates would result in increased volatility for a transition period as well as duplicate conversion efforts. The amendments do not result in significant ramifications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Amendments to IFRS 15 – Clarifications to IFRS 15

See notes on IFRS 15.

Amendment to IAS 40 – Transfers of Investment Property

The amendment to IAS 40 is intended to clarify the cases in which the classification of real property as "real property held as a financial investment" begins and ends in the case of such real property still being under construction or in development. The previously conclusive list contained in IAS 40.57 meant that the classification of unfinished real property was hitherto not set out unambiguously. The list is now explicitly deemed to be non-exclusive, with the result that unfinished real property can now also be subsumed under that provision. The amendments do not have any impact on the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses a question concerning application of IAS 21 "Effects of changes in foreign exchange rates". It is being clarified which date is to be used for the exchange rate to be applied to the conversion of transactions in foreign currencies containing prepayments received or made. The exchange rate to be applied to the underlying asset, income or expense is determined by the point in time at which the asset resulting from such prepayment or liability is being recognised for the first time. The amendments do not result in significant ramifications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Improvements to IFRS 2014 – 2016 – Amendments to IFRS 1 and IAS 28

The "annual improvements to IFRSs (2014–2016)" contain three amendments to IFRSs. Of these, the amendments to IFRS 1 and IAS 28 were to be applied for the first time in 2018:

IAS 28 clarifies that the option available for the valuation of an interest in an associated company or a joint venture, which is held by a venture capital company or other qualifying company, can be exercised differently for each respective interest. Furthermore, short-term exemptions in IFRS 1 Appendix E (IFRS 1. E3-E7) were deleted for first-time adopters. The amendments do not result in significant ramifications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

a) These have already received EU endorsement

D.15	
IFRS 16	Leases
Amendments to IFRS 9	Prepayment features with negative compensation
IFRIC 23	Uncertainty over Income Tax Treatments

IFRS 16 – Leases

IFRS 16 introduces a uniform accounting model that prescribes the accounting of leases in the balance sheet of the lessee. A lessee recognises a right-of-use asset representing its right to the use of the underlying asset and a liability from the lease representing its liability to make lease payments. There are special exceptions for short-term leases and leases for low-value assets. The lessor's accounting is comparable with the current standard – meaning that the lessor continues to classify leases as either finance leases or operating leases.

IFRS 16 replaces the existing guidelines on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an agreement contains a lease", SIC-15 "Operating leases–incentives" and SIC-27 "Evaluating the substance of transactions in the legal form of a lease".

The standard is initially applicable in the first reporting period of a financial year commencing on or after 1 January 2019. Early application is permissible for companies applying IFRS 15 "Revenue from contracts with customers" at the time of or prior to the initial application of IFRS 16.

The DMG MORI group has almost completed analysis of the implementation project and assessed the estimated effects of first-time adoption of IFRS 16 on the Consolidated Financial Statements as shown below. The actual effects of applying this standard on 1 January 2019 may vary.

Leasing arrangements where the DMG MORI group is the lessee

The DMG MORI group will recognise new assets and liabilities for its operating leases. The nature of expenses related to these leases will change, as the group now recognises depreciation of right-of-use assets and interest expense on lease liabilities.

The group will make use of the simplified accounting option for short-term leases and low-value leases.

In the cash flow statement, cash flows for operating leases are currently recognised in cash flow from operating activities. In the future, interest and repayments for leases will be recognised in cash flow from financing activities.

Based on information currently available, the DMG MORI group expects to recognise additional assets and lease liabilities amounting to around € 65 to 70 million on 1 January 2019. This balance sheet extension will result in a marginal drop in the equity ratio. Other operating expenses will decrease while depreciation will increase. For financial year 2019, the DMG MORI group is expecting a rise in EBITDA between € 15 and € 20 million and a slight improvement in earnings from operating activities (EBIT). Cash flow from operating activities is expected to improve by € 15 to € 20 million as a result of the change in disclosure on cash flows for leases. Cash flow from financing activities will change by the same amount. The DMG MORI group expects an increase of € 10 to € 12 million for investments due to changes from the application of IFRS 16.

The DMG MORI group does not expect any significant impact on its financing leases.

Leasing arrangements where the DMG MORI group is the lessor

Based on information currently available, the group is not expecting any significant changes as at 1 January 2019.

Transition

The DMG MORI group is planning on initial adoption of IFRS 16 as at 1 January 2019 using the modified retrospective approach. Right of use is recognised at an amount equal to the lease liability. Comparative information will not be restated.

The group plans on using the simplified approach with regard to retaining the definition of a lease during transition. This means that the DMG MORI group will apply IFRS 16 to all agreements concluded prior to 1 January 2019 and identified as leases under IAS 17 and IFRIC 4.

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

The adjustments relate to a narrow-scope amendment to the evaluation criteria regarding the classification of financial assets. Under certain conditions, financial assets with a prepayment feature with negative compensation may be directly recognised in equity at amortised cost or fair value through other comprehensive income instead of at fair value in profit or loss. These amendments must be initially applied as of 1 January 2019.

DMG MORI currently expects no significant effects on the Consolidated Financial Statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

The tax treatment of specific tax matters and transactions may depend on future recognition by the tax authorities or jurisdiction of the tax courts. IAS 12 "Income Taxes" regulates accounting for actual and deferred taxes. IFRIC 23 is a supplement to the regulations in IAS 12 regarding the accounting of uncertainties over income tax treatments of tax matters and transactions.

The standard is initially applicable in the first reporting period of a financial year commencing on or after 1 January 2019. Earlier application is permitted. The group currently expects no significant effects on the Consolidated Financial Statements.

b) EU Endorsements are still pending

Furthermore, the following standards and interpretations were issued by IASB and not yet recognised by the European Union. [→ D.16]

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and thus, for the first time, specifies standard international requirements for the recognition, measurement, presentation and disclosure of and notes on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. The measurement model of IFRS 17 measures groups of insurance contracts, based on the expected value of discounted cash flows with an explicit risk adjustment for non-financial risks, as well as a contractual service margin, resulting in a profit corresponding to the provision of services. The amendments do not result in ramifications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Amendments to IFRS 3 – Definition of a Business

The IASB has issued this amendment to clarify that a business is a set of activities and assets that includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to produce outputs. Furthermore, with regard to output, focus is now placed on goods and services provided to customers – removing the reference to an ability to reduce costs. The new requirements also include an optional concentration test that is designed to permit a simplified assessment of a business. Subject to EU endorsement, the amendments must be applied to business combinations for which the acquisition date is on or after 1 January 2020. Early application is permitted.

D.16	
IFRS 17	Insurance Contracts
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and 8	Definition of material
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Framework	Amendments to References to the Conceptual Framework
Improvements to IFRS 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

DMG MORI currently expects no significant effects on the Consolidated Financial Statements.

Amendments to IAS 1 and IAS 8 – Definition of material
These amendments provide IFRSs with a more uniform and precisely defined concept of the materiality of financial statement disclosures, accompanied by illustrative examples. Thus, they help align the definitions used in the Conceptual Framework, IAS 1, IAS 8 and IFRS Practice Statement 2 "Making Materiality Judgements". The amendments are – subject to adoption into EU law – applicable from 1 January 2020 onwards. Early application is permitted. DMG MORI currently expects no significant effects on the Consolidated 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 is to recognise the full amount of the profit or loss from the sale of a subsidiary in the income statement. In contrast, the IAS 28.28 in current use demands that the disposal profit during sales transactions between an investor and an 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 business operations, then only a partial income recognition is allowed.

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

Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures
These amendments contain a clarification that IFRS 9 must be applied to long-term interests in associates and joint ventures that are not accounted for using the equity method. The amendments are – subject to adoption into EU law – applicable from 1 January 2019 onwards.

DMG MORI currently expects no significant effects on the Consolidated Financial Statements.

Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement
Under IAS 19, pension liabilities must be measured for plan amendments, curtailments and settlements based on updated assumptions. The amendment clarifies that after such an event, the current service cost and net interest for the remaining period must be recognised based on updated assumptions. The amendment is – subject to adoption into EU law – initially applicable in the first reporting period of a financial year commencing on or after 1 January 2019. Earlier application is permissible.

DMG MORI currently expects no significant effects on the Consolidated Financial Statements.

Amendments to References to the Conceptual Framework
The revised conceptual framework includes a new introduction on the "status and purpose of the conceptual framework" and eight complete chapters. They include chapters on "The reporting entity" and "Presentation and disclosure". The issue of "Derecognition" has been added to the chapter on "Recognition". The framework's contents have also been amended. For example, the distinction between "income with regard to revenue", on the one hand, and "gains", on the other hand has been abandoned. The amendments to the conceptual framework were also accompanied by amendments to references to the conceptual framework in various standards.

DMG MORI currently expects no significant effects on the Consolidated Financial Statements.

Improvements to IFRS 2015 – 2017
The "annual improvements to IFRSs (2015 – 2017)" amended four IFRSs.

IFRS 3 clarifies that if an entity obtains domination of a business, where it previously held an interest in a joint operation, the principles for successive business combinations must be applied. The interest previously held by the acquirer must be remeasured.

IFRS 11 stipulated that if a party obtains joint control of a business, where it previously held an interest in a joint operation, the interest previously held should not be remeasured.

The amendment to IAS 12 stipulates that all income tax consequences of dividends should be accounted for in the same way as the income on which the dividends are based.

IAS 23 also stipulates that when determining the borrowing cost method, if an entity has used general borrowings to acquire qualifying assets, the borrowing costs that are directly attributable to the acquisition of qualifying assets should not be recognised until the acquisition is completed.

The amendments are – subject to adoption into EU law – initially applicable in the first reporting period of a financial year commencing on or after 1 January 2019. Earlier application is permissible.

DMG MORI currently expects no significant effects on the Consolidated Financial Statements.

USE OF DISCRETIONARY DECISIONS AND ESTIMATES

The preparation of the Consolidated Financial Statements in accordance with IFRS necessitates discretionary decisions, estimates and assumptions concerning the application of accounting methods and the reported amounts of assets, debts, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recorded prospectively.

When using the 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 statements.

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 2018, the carrying amount of goodwill totalled € 139,399 K (previous year: € 139,419 K). The change compared to the previous year resulted from currency effects. More information about this can be found on pages 103 et seq.

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 2018, provisions for pensions amounted to € 37,828 K (previous year: € 44,580 K). More information about this can be found on pages 127 et seq.

Intangible assets arising from development

Intangible assets arising from development are capitalised according to the accounting and valuation methods presented on page 103 et seq. To determine the amounts to be capitalised, the company management must make assumptions as to the amount of expected future cash flow from intangible assets, the interest rates to be applied, and the period of accrual of expected future cash flow that the intangible assets generate. As of 31 December 2018, the carrying amount of intangible assets arising from development amounted to € 16,938 K according to the best possible assessment (previous year: € 23,605 K).

Discretionary decisions and estimations are additionally required for leases (see Note 35), allowances for doubtful debts (see Note 25) as well as for contingent liabilities (see Note 35), for determining the fair value of the consideration transferred for the acquisition of subsidiaries (see Note 4) and other provisions (see Note 31); moreover, they are required for determining the fair value of long-term fixed assets (see Note 20) and intangible assets (see Note 19), determining the net disposal value of inventories (see Note 24), as well as for the assessment of deferred taxes on tax losses carried forward (see Note 28).

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

In individual cases the actual values may differ from the assumptions and estimates made, requiring a significant adjustment in the carrying amount 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

D.17 | USEFUL ECONOMIC LIFE OF ASSETS	
Software and other intangible assets	1 to 5 years
Assets arising from development	2 to 10 years
Office and factory buildings	10 to 50 years
Technical equipment and machinery	2 to 30 years
Other fixed assets, factory and office equipment	1 to 23 years

There are no intangible assets with an indefinite useful life, except for the goodwill.

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 completion 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. Any resulting expenses are recognised under depreciation. 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 an impairment requirement is determined, goodwill is depreciated.

Tangible assets were evaluated at acquisition or production costs, reduced by scheduled depreciation. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled (see page 111 "Borrowing costs"). Depreciation was carried out using the straight-line method in accordance with useful life. A re-evaluation 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 production-related overheads. This includes production-related depreciation, prorated administration costs and prorated costs of social contributions. Borrowing costs are recognised as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled. Costs of repair are immediately recognised as expense.

Leases

Leases, for which a significant share of the risks and opportunities that are associated with the lease asset remain with the lessor, are classified as operating leases. In connection with an operating lease, payments are recognised on a straight-line basis for the period of the lease agreement in the income statement.

The group leases certain tangible fixed asset (lease asset). Lease agreements for tangible fixed assets for which the group bears the significant risks and the benefits from the ownership in the lease asset 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 asset 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. The interest portion of the lease payment is recognised as an expense in the income statement. Tangible fixed assets 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 leasing agreements.

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 every balance sheet day. If such signs exist, the fair value of the assets will be estimated and, if required, depreciated accordingly in profit or loss. 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 2018. 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.

DMG MORI tests the impairment of goodwill in accordance with the value in use on the basis of estimated future cash flows, which are derived from the DMG MORI group's three-year plan approved by the responsible committees. The assumptions made with regard to the essential planning parameters reflect the past experiences. 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 (see forecast report, page 72 et seq). The expenses are planned according to the expected increase in costs.

Planning is based on a detailed planning period extending up to the financial year 2021. DMG MORI assumed steady sales growth when estimating the value in use. A slight increase in EBIT margins were assumed for both cash generating units between 2019 and 2021. 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 € 57,073 K (previous year: € 57,073 K) and the cash-generating unit "Industrial Services" was allocated goodwill in an amount of € 82,326 K (previous year: € 82,346 K).

The cash flows determined were discounted at pre-tax weighted cost of capital rates (WACC) of 13.0 % (previous year: 12.1 %) for the cash-generating unit "Machine Tools" and 12.5 % (previous year: 11.6 %) 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 2018 there was no need for impairment. The impairment tests included sensitivity analyses of key assumptions. The findings showed that no change in key assumptions deemed possible by the Executive Board would have led to an 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 purchase 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 carrying amount of the 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 sheet 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 carrying amount and the recoverable amount is determined to be an impairment and recognised in the income statement item "Results of equity valued companies".

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

Joint ventures are likewise accounted for at equity pursuant to IFRS 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.

Prior to 1 January 2018, equity investments for which a quoted market price exists, were classified as "available-for-sale"and measured at this value. Equity investments for which no active market exists were classified as available-for-sale and measured using standard market procedures (measurement methods) based on market parameters for specific instruments. In exceptional cases, it was assumed that the carrying amount corresponds to the fair value.

As of 1 January 2018, equity instruments not held for trading are measured at fair value. At initial recognition, the entity may elect to present any subsequent changes in the investment's fair value in other comprehensive income. This election is made for each investment on an instrument-by-instrument basis. DMG MORI exercises this option.

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 (see page 111 "Borrowing costs"). 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 reversal will be made.

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

Financial instruments – Approach before 1 January 2018

The accounting of financial instruments took place pursuant to IAS 39 "Financial Instruments: Recognition and Measurement". Financial instruments were recognised in principle as soon as DMG MORI group became a contractual partner in the financial instrument arrangement. Within the group, cash transactions were accounted for as of the settlement date irrespective of their classification. Derivative financial instruments were accounted for as of the trading date. Financial instruments entered as financial assets and financial liabilities were only balanced insofar as an offset claim existed and the company intended to settle on a net basis.

Financial assets were initially measured at fair value. Thus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that were directly attributable to the acquisition of the asset had to be accounted for.

In accounting, IAS 39 differentiated 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, was once again subdivided into the subcategories "held for trading" and "for initial recognition to be measured at fair value through profit and loss" (the so-called "fair value option"). No use was made of this option either for financial assets or liabilities.

Non-derivative financial assets with a fixed or defined payment and a fixed term that the company intended to and was able to hold until maturity, were assigned to the category "held to maturity"; these were measured at amortised cost.

The "available for sale" category represented for the DMG MORI group the residual amount of original financial assets which fell under the application of IAS 39 and were not assigned to any other category. Measurement was generally made at fair value. Any gains or losses from measuring at fair value were recognised in equity in other comprehensive income. The "loans and receivables" category of the DMG MORI group included trade debtors, other original financial assets, and cash and cash equivalents. In principle, assets in this category were measured applying the effective interest method at amortised cost. Non-interest-bearing receivables are discounted on their cash value.

Assets "held for trading" were measured at fair value. This mainly includes derivative financial instruments, which are not part of an effective hedging relationship according to IAS 39 "Financial instruments: Recognition and Measurement" and thus had to be classified as "held for trading". Any profit or loss resulting from subsequent measurement was recognised in the income statement.

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 were discounted. Impairments in the form of individual value adjustments made adequate allowance for the expected non-payment risks. Specific credit losses led to derecognition of the respective receivables. Within the scope of individual value adjustments, receivables, for which there was a potential devaluation requirement, were tested for impairment and, if necessary, adjusted. The calculation of allowances for doubtful receivables was based to a large extent on estimates and assessments of individual receivables, which, in addition to credit worthiness and delay in payment of the respective customer, also took into account current economic development and credit default history. In some cases, impairments of trade debtors were made using allowance accounts.

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

Financial debts were recognised at amortised cost by applying the effective interest rate method. Transaction costs were 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.

Financial instruments – Approach as of 1 January 2018

A financial instrument is an agreement, which also gives rise to a financial asset for one company and a financial liability or equity instrument for another company. Financial assets include in particular cash and cash equivalents, trade debtors and other originated loans and receivables as well as 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, promissory note bonds and other securitised liabilities, liabilities to banks, trade creditors, liabilities from financial leasing arrangements and other original and derivative financial instruments.

Initial recognition and measurement

Trade debtors are recognised as of the date they originate. All other financial assets and liabilities are initially recognised on their trade date, if DMG MORI becomes a contracting party as stipulated by the financial instrument's contractual provisions.

A financial asset (except for a trade debtor without a significant financing component) or financial liability is initially measured at fair value (FV). Transaction costs that are directly attributable to acquisition or issue of the asset are recognised for any item that is not measured at fair value through profit or loss (FVTPL). Trade debtors without a significant financing component are initially measured at their transaction price (this usually corresponds to acquisition cost).

Classification and subsequent measurement

At initial recognition, a financial asset is classified and measured as follows:

› At amortised cost

› Debt instruments that are measured at fair value with value changes recognised in other comprehensive income (FVOCI debt instruments)

› Equity instruments that are measured at fair value with value changes recognised in other comprehensive income (FVOCI equity instruments)

› At fair value with value changes recognised in profit or loss (FVTPL)

Financial assets are not reclassified after initial recognition, unless the DMG MORI group changes its business model for managing financial assets. In such a case, all financial assets affected are reclassified on the first day of the reporting period after the change in business model.

A financial asset is measured at amortised cost, if both of the following conditions are met and the asset has not been designated as measured at FVTPL:

› It is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows and

› the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is designated as measured at FVOCI, if both of the following conditions are met and it has not been classified as FVTPL:

› It is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets and

› its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Any financial assets that are not measured at amortised cost or FVOCI, are measured at fair value through profit or loss (FVTPL). This includes all derivative financial assets (see Note 36). At initial recognition, the entity can irrevocably elect to designate financial assets, that otherwise meet the criteria for measurement at amortised cost or FVOCI, as measured at FVTPL, if doing so eliminates or significantly reduces accounting mismatches that would otherwise arise.

Business Model Test

DMG MORI assesses the objectives of the business model within which the financial asset is held at a portfolio level, as this best reflects the way in which business is managed and information passed on to management. The information the group needs to consider includes:

› The guidelines and targets for the portfolio and implementation of these guidelines in practice. This includes, whether the management's strategy is focused on collecting contractual interest income, maintaining a particular interest rate profile, matching the duration of a financial asset to the duration of its liability or to its expected cash outflows or realising cash flows through the sale of assets.

› How portfolio performance is assessed and reported to group management

› The risks that affect the performance of the business model (and the financial assets held in this business model) and how these risks are managed

› How managers are compensated – for example, whether compensation is based on the fair value of the assets being managed or the contractual cash flows that are collected – and

› The frequency, volume and timing of sales of financial assets in prior periods and expectations about future sales activities.

Financial asset transfers to an independent third party through transfers that do not result in derecognition continue to be accounted for by the group and are therefore not treated as sales.

Financial assets held or managed for trading and their performance assessed on a fair value basis, are measured at FVTPL.

SPPI (Solely Payments of Principal and Interest) test

For the purpose of this test, the "principal amount" is defined as the fair value of the financial asset at initial recognition. "Interest" is defined as being compensation for the time value of money and default risk associated with the outstanding principal amount over a specific period, as well as being compensation for other basic credit risks, costs (e. g. liquidity risk and administrative costs) and a profit margin.

When testing whether the contractual cash flows are solely payments of principal and interest on the principal amount, the group considers the instrument's contractual terms. This includes testing whether the financial asset contains contractual terms, which could change the timing or amount of contractual cash flows, so that they no longer continue to meet these criteria. During its assessment, the group considers:

› Specific events that would change the amount or timing of the cash flows

› Circumstances that would adjust the interest rate, including variable interest rates

› Prepayment or renewal options and

› Circumstances that limit the group's claim to the cash flows from a specified asset (e. g. no right of rescission).

A prepayment option matches the criterion of solely payments of principal and interest, if the prepayment amount substantially represents unpaid amounts of principal and interest on the outstanding principal amount. This may also contain reasonable additional compensation for the early termination of the contract.

Moreover, a term for a financial asset that permits or requires prepayment of an amount, which substantially represents the contractual par amount plus accrued (but unpaid) contractual interest, is considered to match the SPPI criterion, if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement

Financial assets at FVTPL (Fair Value through profit and loss): These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives designated as hedging instruments, please see Note 36.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. Impairment losses are deducted from amortised cost. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. A gain or loss is recognised in profit or loss when an asset is derecognised.

Debt instruments at FVOCI (Fair value through other comprehensive income): These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. On derecognition, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Equity investments at FVOCI (Fair value through other comprehensive income): These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss, unless they clearly represent recovery of a part of the investment costs. Other net gains and losses are recognised in other comprehensive income and thus, never reclassified to profit or loss.

In financial year 2018 and in the previous year, financial asset conditions were not renegotiated.

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 mix. As of 31 December 2018, factoring agreements were concluded, as in the previous year, with a total volume of € 167.5 million. As of the balance sheet date, receivables with a volume of € 116.1 million (previous year: € 118.6 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 buyer and the transmission of the cash flows related to those receivables is assured.

Impairment

IFRS 9 replaces the "incurred losses" model of IAS 39 with a forward-looking "expected credit loss" model.

Assets must be measured using the full lifetime expected credit loss method, if a financial asset's credit risk on the reporting date has increased significantly since initial recognition. Otherwise, the asset must be measured using the 12-month credit loss method. However, the full lifetime expected credit loss method must always be used to measure trade debtors and contract assets without significant financing components. There is also an option to use this method for trade debtors and contract assets with a significant financing component. DMG MORI has decided to use the full lifetime expected credit loss method for all trade debtors and contract assets ("simplified approach").

The new impairment model must be used for financial assets measured at amortised cost or FVOCI – with the exception of equity securities held as financial assets – and for contract assets. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Impairments in the form of individual value adjustments make adequate allowance for the expected credit risks. Specific credit losses lead to de-recognition of the respective receivables. Within the scope of individual value adjustments, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, adjusted. The calculation of specific allowances for doubtful accounts / debts is largely based on estimates and measurements of individual receivables, which not only take account of the creditworthiness and default of the respective customer, but also of current economic trends and historical default experience. A default of 30 days is no indication of an increase of the expected credit risk. Impairments of trade debtors are carried out in some cases using value adjustment accounts. The decision to account for non-payment risks using a value adjustment account or by directly reducing the receivable will depend on the reliability of the risk assessment.

This requires considerable judgment when assessing the impact of changes in economic factors on expected credit losses. The credit losses recognised for trade debtors are calculated based on experience with actual credit losses over the past three years. Credit risks within each group are segmented by common default risk characteristics. For entities, this is the credit risk assessment, e.g. based on past due dates and geographical location. The default rates used for DMG MORI, depending on the maturity (not overdue and overdue) and geographic distribution of trade debtors, are between 0.01 % and 1.37 %.

Using the general approach, the allowance for other receivables was calculated based on ratings and probabilities of default for a six-month period and reflects the short maturities.

Cash and cash equivalents are deposited at banks or financial institutions rated A-1 to A-2 by the S&P rating agency. The allowance for cash and cash equivalents was calculated based on 12-month expected losses and reflects the short maturities.

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 transactions. The hedging covers financial risks of scheduled underlying transactions and, in the case of currency risks, also risks from pending supply and service transactions.

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 measured 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.

Cash flow 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 statement of comprehensive income as soon as the hedged underlying transaction affects the income.

Forward exchange transactions are used to hedge future cash flows from expected incoming payments on the basis of present order intake. In the main, 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 preconditions for a cash flow hedge are not fulfilled.

Assets held for sale or disposal groups held for sale

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

Cash and cash equivalents

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.

Deferred taxes

DMG MORI GmbH, a wholly owned subsidiary of DMG MORI COMPANY LIMITED, has concluded a domination and profit transfer agreement with DMG MORI AKTIENGESELLSCHAFT, pursuant to Sections 291 et seqq. AktG (Stock Corporation Act), which entered into force following entry into the commercial register on 24 August 2016.

Through the resulting entry of DMG MORI AKTIENGESELLSCHAFT and that of the domestic companies previously belonging to the DMG MORI AKTIENGESELLSCHAFT tax group into the income tax group of DMG MORI GmbH, the income tax liability of DMG MORI AKTIENGESELLSCHAFT expired as of 31 December 2016. Any earnings from the domestic tax group are now legally subject to taxation at DMG MORI GmbH, which is not included in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT. With effect from 1 January 2017, a tax allocation agreement was entered into between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT with the objective of fair and reasonable tax allocation.

IAS 12 requirements do not contain any explicit rules for the recognition of tax expense incurred by domestic subsidiaries of the DMG MORI group. Deferred taxes have been recognised in the Consolidated Financial Statements based on an economic perspective. As a tax allocation agreement exists with effect from 1 January 2017, the stand-alone taxpayer approach was used to determine deferred taxes. This approach assumes that the tax allocation is determined on the basis of the taxable income of the controlled company, DMG MORI AKTIENGESELLSCHAFT, irrespective of the actual tax payable by the parent company, DMG MORI GmbH.

Thus, during preparation of the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT, all tax expenditures by domestic taxable entities within the group were accounted for in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT, irrespective of the actual tax liability. Thus, all the tax consequences of these entities were accounted for in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT. They include the recognition of current and deferred taxes, the consideration of tax risks and possibly tax arrears or refunds for previous periods and their effects on deferred tax items.

Income taxes include current and deferred taxes, which are accounted for in the Consolidated Income Statement, unless they are for items immediately recognised in equity. In this case, the corresponding taxes are also recognised in equity and not in profit or loss.

Current income taxes are the taxes expected to be paid for the year based on the tax rates applicable for that year, as well as all tax adjustments for previous years.

Pursuant to IAS 12 "Income Taxes", deferred taxes are assessed using the liability method. For this purpose, deferred tax assets and liabilities were generally recognised for all temporary accounting and valuation differences between the IFRS statement of financial position valuations for group purposes and the tax valuations (temporary differences), and with respect to consolidation procedures recognised in profit or loss. 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 offset. 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 only offset, if allowed by law. Deferred tax assets and liabilities were not discounted in accordance with the provisions contained in IAS 12 "Income Taxes".

Pursuant to Section 16 of the Corporation Tax Act, the taxable compensation amount paid by DMG MORI GmbH to minority shareholders of DMG MORI AKTEINGESELLSCHAFT and charged to DMG MORI AKTIENGESELLSCHAFT as the controlled company, also results in other taxes. These taxes must be estimated for the duration of the domination and profit transfer agreement (DPTA), which also applies to any compensation payments made during this period and recognised in equity under "other non-financial liability" as a decrease in capital reserves. Thus, in financial year 2017, an amount of € 14,477 K was recognised under other provision for the duration of the domination and profit transfer agreement. As at 31 December 2018, this provision amounted to € 10,854 K.

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 balance sheet 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 recognised on the balance sheet correspond to the cash value of the defined benefit obligation (DBO) at the balance sheet 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. Past service cost is immediately recognised in 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 private pension plans. The DMG MORI group has no further payment obligations beyond the payment of these 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 provision amount was recognised. The calculation is carried out using the best estimate of the amount required to settle the obligation at the balance sheet date. The provision amount 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 was determined, until 31.12.2016, initially at fair value at the date of granting and is re-valuated at the balance sheet date. Any expense or revenue resulting from this is recognised as employee expense and is spread over the term of the programme and recognised as provisions. On the basis of the domination and profit transfer agreement concluded in 2016, the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT passed a resolution to ensure a stable calculation base for LTI tranches. For the current LTI tranches 2015 – 2018 and 2016 – 2019, fixed imputed values were determined for previous variable parameters of earnings after taxes (EAT) and the share price. These obligations are valued at the amount of the estimated expenses due.

Selected suppliers of the DMG MORI group finance trade debtors from 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 liabilities nor to another type of liabilities, as due to the contractual arrangement, no novations exist under the law of obligations. As of 31 December 2018, a total of € 17,717 K (previous year: € 19,207 K) trade liabilities had been purchased through the respective factoring company.

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 so-called qualified assets exist, 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 2018 that arose from the development assets amounted to € 7 K (previous year: € 25 K) and from property, plant and equipment amounted to € 0 K (previous year: € 13 K), which can be directly attributed to the acquisition, construction or production of a qualifying asset. As in the previous year, a borrowing cost rate of 1% was used. Other borrowing costs were therefore directly recognised as expense in the period.

Revenues from Contracts with Customers

The group applies IFRS 15 "Revenue from Contracts with Customers" as of 1 January 2018. For the transition to IFRS 15, DMG MORI is using the modified retrospective method to recognise cumulative adjustment amounts as of 1 January 2018. IFRS 15 establishes a comprehensive framework for determining whether to recognise revenue, when to recognise it and how much revenue to recognise. It replaces previously existing guidelines to recognise revenue, including IAS 18 "Revenue", IAS 11 "Construction contracts" and IFRIC 13 "Customer loyalty programmes". Sales revenues from the sale of machine tools in the DMG MORI group normally include supplementary works. The payment terms normally include an advance payment after receipt of the order confirmation, a payment after delivery of the machine and a final payment after the machine has been commissioned.

DMG MORI uses the practical expedient in IFRS 15.63 and does not adjust the amount of the promised consideration by the effects of a significant financing component, if, at contract inception, it expects the period between the transfer of a promised good or service to the customer and the payment of this good or service by the customer to be one year or less. As a rule, therefore, contracts with customers do not include a financing component.

Under IFRS 15, revenue is recognised when control of the goods is passed to the customer. IFRS 15 also specifies that the entity must identify its performance obligations. The following applies: A contract or the total of the aggregate contracts may include multiple performance obligations, each of them subject to individual rules in relation to the time of realisation. The DMG MORI group is of the view that several performance obligations (sale of machine tools, transport, machine commissioning and training) are attributable to contracts from the sale of machine tools and that these obligations have their own rules regarding the realisation principle. This results in revenue from the sale of machine tools being allocated to individual performance obligations. The revenue from these performance obligations and related costs are recognised upon completion of performance. With regard to the revenue recognition date, no significant differences resulted from the provision of services, such as e.g. service contracts, maintenance, repairs and training services, outside the scope of machine sales.

Under IFRS 15.94, DMG MORI recognises, at contract inception, incremental costs of obtaining a contract as an expense, if the amortisation period that DMG MORI would otherwise have recognised is one year or less.

In accordance with the criteria in IAS 18 "Revenue", revenue from the sale of goods was recognised as of 31 December 2017 at the time the significant risks and rewards of ownership were transferred and if a price had been agreed or could be determined and its collectability could be reliably assumed. Revenue from the sale of goods was frequently recognised at the time of delivery and transfer of risk to the customer. Moreover, the DMG MORI group was required to reliably determine the amount of revenue and be able to assume the collectability of the receivable. Worldwide deliveries of goods were made by group companies with different Incoterms. This determined the transfer of significant risks and rewards and thus also the timing of revenue recognition. Sales revenues from services were recognised when the services were rendered. There was no recognition in accordance with the percentage of completion method under IAS 11. Interest income was recognised on a specific period of time basis taking into account the effective interest rate. Dividends were recognised at the point in time when the right to receive payment occurs. Interest and dividends were 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

D.18 | NUMBER OF FULLY CONSOLIDATED COMPANIES	31 Dec 2018	31 Dec 2017
National	32	33
International	49	48
Total	**81**	**81**

At the balance sheet date, the DMG MORI group, including the DMG MORI AKTIENGESELLSCHAFT, comprised 87 companies (previous year: 86). In addition to DMG MORI AKTIENGESELLSCHAFT 80 subsidiaries (previous year: 80) were included in the Consolidated Financial Statements as part of the full consolidation process. Six companies (previous year: five) 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.

Since the end of financial year 2017, the companies,

› INTECH DMLS Pvt. Ltd., Bangalore (India) and
› GILDEMEISTER ENERGY Services UK Ltd., Manchester (Great Britain),

have been added to the consolidation group.

On 6 December 2018, GILDEMEISTER Beteiligungen GmbH acquired a 30 % interest in INTECH DMLS Pvt. Ltd., Bangalore (India) at a selling price of € 8,004 K. This interest in the Indian software developer provides DMG MORI with access to key software and technology expertise for generative production in the ADDITIVE MANUFACTURING field. Share capital amounts to € 769 K.

INTECH DMLS Pvt. Ltd., Bangalore (India), has been classified as an associated company and consolidated at equity since the date of acquisition.

In financial year 2018, GILDEMEISTER energy solutions GmbH, Würzburg, established GILDEMEISTER ENERGY Services UK Ltd., Manchester (Great Britain) as a full subsidiary. Share capital amounts to GBP 1 (€ 1). It will be active in the service business for solar projects.

With effect from 6 February 2017, the group acquired a 50.1 % interest in REALIZER GmbH, Borchen. Between 2018 and 2020, three contractually agreed fixed payments are made in return for the acquisition of the remaining 49.9 % interest. Moreover, variable consideration has been agreed, subject to the fulfilment of contractual terms. The fair value of the consideration recognised (for a 100 % interest) on the acquisition date totalled € 14,687 K and is provided in cash. This comprises a fixed consideration of € 10,113 K and contingent consideration of € 4,574 K.

DMG MORI must pay the contingent consideration to the selling shareholders within a four-year period, if specific key earnings figures (number of machines sold) and technological targets are met.

In January 2018, the group increased its interest in REALIZER GmbH to 75.1 %. The fixed consideration for purchase of the shares amounted to € 1,500 K and was paid in 2018.

In the fourth quarter 2018, there was a change in the fair value measurement for a contingent consideration. The fair value of a contingent consideration amounting to € 1,500 K fell by € 700 K and was recognised in other operating income.

Moreover, as of 31 December 2018, there was no change in fair value measurements for contingent consideration.

Although the group holds less than half of the shares and voting rights in sixteen project companies in Spain, it was established that the group controls these companies via signed agreements.

The main activities of the project companies are mostly predefined in agreements (financing, distribution of earnings) and the group primarily engages in the risks and opportunities associated with the project companies.

Due to reasons of materiality, the project companies were not fully consolidated as at 31 December 2018. As of 31 December 2018, total assets for these companies amount to € 60 K and earnings before tax is € -87 K. No sales revenue was realised.

DMG MORI Hamburg GmbH, Hamburg, has not been included in the consolidation group since the end of financial year 2017. As of 1 January 2018, it was merged retroactively with DMG MORI Berlin Hamburg GmbH, Bielefeld.

The companies listed below were also classified as joint ventures in the previous year under IFRS 11. Pursuant to IFRS 11.24, the interests were included in the Consolidated Financial Statements “at equity” from the date of their acquisition:

- Magnescale Co. Ltd., Kanagawa (Japan),
- Magnescale Europe GmbH, Wernau,
- Magnescale Americas, Inc., Davis (USA),
- DMG MORI Finance GmbH, Wernau,
- DMG MORI HEITEC GmbH, Erlangen.

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 2017, the results of operations, net worth and financial position were not significantly affected in this regard.

A general overview of all companies within the DMG MORI group can be found on pages 151 et seqq.

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 in Euro at the average rate of exchange as of the balance sheet date, and revenue and expenses pursuant to IAS 21.40 at the transaction exchange rate – as far as reasonably approximated by average annual rates. The translation differences arising from items being translated at different rates in the balance sheet and income statement were recognised in equity. 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.

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 foreign business operations and was translated at the exchange rates at the closing date.

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 follows: [→ D.19]

D.19 | CURRENCIES

		Exchange rate on reporting date = € 1		Average exchange rate = € 1	
	ISO-Code	31 Dec 2018	31 Dec 2017	2018	2017
Australian dollars	AUD	1.62200	1.53460	1.57941	1.47749
Canadian dollars	CAD	1.56050	1.50390	1.53108	1.46774
Swiss franc	CHF	1.12690	1.17020	1.15292	1.11288
Chinese renminbi	CNY	7.87510	7.80440	7.81262	7.62977
Czech crowns	CZK	25.72400	25.53500	25.67031	26.34354
British pound	GBP	0.89453	0.88723	0.88591	0.87432
Indian rupees	INR	79.72980	76.60550	80.28468	73.61906
Japanese yen	JPY	125.85000	135.01000	130.34692	126.99077
Polish zloty	PLN	4.30140	4.17700	4.26195	4.25557
Russian rubles	RUB	79.71530	69.39200	73.78871	65.97698
Singapore dollars	SGD	1.55910	1.60240	1.59062	1.55832
US dollars	USD	1.14500	1.19930	1.18034	1.13045

Sources: 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:

D.20 in € K	2018	2017
Germany	821,500	712,094
EU (excluding Germany)	973,778	933,916
USA	25,735	81,564
Asia	614,081	447,272
Other countries	220,034	173,605
	2,655,128	**2,348,451**

A breakdown and explanation of the sales revenues from the sale of goods and provision of services are given in segment reporting on page 88 et seq. and in the "Segment Report" chapter of the Group Management Report on page 54 et seq.

The table on page 115 shows a reconciliation of sales revenue for 2018 by sales area, key product and service lines as per reporting segment. [→ D.21]

Our core service business mainly comprises LifeCycle Services for our machines (spare parts, maintenance, repairs and training etc.)

Contract balances
The following table provides information on contract balances from contracts with customers. [→ D.22]

Payments received mainly include payments received from customers for machines. Contract liabilities mainly include commissioning and training services that have already been invoiced but not yet rendered.

Receivables from down payment invoices or contract liability from down payment invoices are mainly due but unpaid advance invoices for which an unconditional right to the payment exists. There are no contract assets.

The amount of € 313,174 K included in the payments received, contract liability and contract liability from down payment invoices at the beginning of the period was recognised as revenue in the financial year 2018 in the amount of € 312,246 K.

The group expects services amounting to € 397,367 K that were allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period, to result in sales revenue in the year after the reporting year. The group has applied the practical expedient in IFRS 15.121 and thus has not presented these services separately.

The group expects € 1,890 K in revenues from training, extended warranty periods, tool packages and maintenance contracts to result in sales revenue from 2020 to 2022.

7. OWN WORK CAPITALISED

The capitalised own work primarily results from the developed intangible assets for machine tools 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 INCOME

On balance, exchange rate and currency gains occurred in the financial year 2018 in the amount of € 3,539 K (previous year: Exchange rate and currency loss: € -649 K).

Other income includes € 73 K (previous year: € 307 K) of income from subletting arrangements where DMG MORI group is the lessor. [→ D.23]

9. COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10. PERSONNEL COSTS

In financial year 2018, the total remuneration of the Executive Board from direct and indirect remuneration amounted to € 10,078 K (previous year: € 8,659 K). Direct remuneration of Executive Board members accounted for € 9,278 K (previous year: € 8,059 K), of which the fixed remuneration accounted for € 2,478 K (previous year: € 2,100 K) and STI accounted for € 3,349 K (previous year: € 2,880 K). The individual performance remuneration was € 2,063 K (previous year: € 1,750 K). The value of the LTI amounted to € 1,283 K (previous year: € 1,272 K). Benefits in kind accounted for € 105 K (previous year: € 57 K). In addition to direct remuneration, indirect remuneration in the form of pension commitments amounting to € 800 K (previous year: € 600 K) was spent.

D.21 in € K	Machine Tools 2018	Industrial Services 2018	Corporate Services 2018	Group 2018
Sales Area				
Germany	467,695	353,614	0	821,309
EU (excluding Germany)	479,662	494,116	0	973,778
USA	18,463	7,272	0	25,735
Asia	365,798	248,283	0	614,081
Other countries	122,562	97,472	0	220,034
Total	**1,454,180**	**1,200,757**	**0**	**2,654,937**
Key product / services lines				
Machine Tool sales	1,454,180	0	0	1,454,180
Trading volume with DMG MORI CO. Ltd. products	0	559,268	0	559,268
Core service business	0	539,413	0	539,413
Other	0	102,076	0	102,076
Total	**1,454,180**	**1,200,757**	**0**	**2,654,937**
Revenue from contracts with customers	**1,454,180**	**1,200,757**	**0**	**2,654,937**
Other sales revenue	**0**	**0**	**191**	**191**
External sales revenue	**1,454,180**	**1,200,757**	**191**	**2,655,128**

D.22 in € K	Note	Carrying amount as of 31 December 2018	Carrying amount as of 1 January 2018
Trade debtors from third parties	25	228,252	238,242
Receivables from at equity accounted companies	25	21,244	15,957
Receivables from other related companies	25	480,705	206,961
Receivables from associated companies	25	47	28
Receivables from down payment invoices		33,260	13,334
Total		**763,508**	**474,522**
Payments received		342,575	287,181
Contract liability		23,422	12,659
Contract liability from down payment invoices		33,260	13,334
Total		**399,257**	**313,174**

D.23 **INCOME UNRELATED TO ACCOUNTING PERIOD** in € K	2018	2017
Release of provisions	3,656	9,415
Profit on asset disposals	2,185	2,542
Receipt of payments for written off receivables	84	26
Other income unrelated to accounting period	3,385	2,891
	9,310	14,874
OTHER OPERATING INCOME		
Gains on currency and exchange rates	35,308	30,439
Refund of expenses and on-debiting	14,017	10,345
Compensation for damages	1,023	1,256
Bonuses and allowances	511	343
Letting and leasing	468	481
Reduction in impairment losses	2,754	3,005
Others	10,791	20,421
	64,872	63,285
Total	**74,182**	**84,169**

Former members of the Executive Board and their surviving dependants received € 1,271 K (previous year: € 1,339 K). Pension provisions for former members of the Executive Board and their surviving dependants have been formed in the amount of € 31,655 K (previous year: € 34,829 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained on pages 28 et seq. of the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out on pages 29 et seqq. of the remuneration report.

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.

In the financial year 2018, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 28,165 K (previous year: € 26,957 K). This includes employers' contributions to statutory pension insurance amounting to € 26,247 K (previous year: € 24,264 K).

In comparison with the previous year, the number of employees has changed as follows: [→ D.24]

11. DEPRECIATION

A distribution of depreciation of intangible assets and tangible assets is provided in the fixed asset movement schedule on page 84 et seq. Depreciation includes impairments of € 5,654 K (previous year: € 14,628 K) for intangible assets and plant, property and equipment.

12. OTHER OPERATING EXPENSES

Expenses for corporate communication, trade fairs and other advertising expenses have fallen compared to the previous year. This includes expenses for product marketing and our marketing activities. [→ D.25]

Exchange rate and currency losses in connection with exchange rate and currency gains can be seen in other operating income. On balance, exchange rate and currency gains occurred in an amount of € 3,539 K (previous year: exchange rate and currency losses: € -649 K).

The additions to provisions resulted primarily from expenses for warranties. Sales commissions dropped from the previous year and are related to sales, as well as to the nature, amount and region where these sales are generated. The remaining other expenses contained losses in the previous year from the disposal of subsidiaries in the amount of € 2,433 K.

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

In the financial year 2018, € 1,091 K (previous year: € 1,498 K) accrued for the total remuneration of the Supervisory Board; this was recognised under other external services. An individual and detailed presentation of Supervisory Board remuneration in the financial year is set out on pages 28 seqq. of the Remuneration Report.

13. FINANCIAL INCOME

Interest earned and other income of the DMG MORI group amounted to € 4,450 K (previous year: € 3,767 K). This also includes interest earned in an amount of € 2,457 K (previous year: € 1,200 K) from the loan to DMG MORI GmbH.

14. FINANCIAL EXPENSES

Interest expenses of € 8,969 K (previous year: € 7,381 K) are related primarily to interest expenses for group financial debts and factoring. This includes € 577 K (previous year: € 308 K) in interest expenses calculated in the financial year by DMG MORI GmbH.

Financial expenses include an interest component of € 456 K (previous year: € 508 K) from allocations to pension provisions. In addition, € 91 K (previous year: € 479 K) from the interest accrued on long-term other provisions have been taken into account.

D.24

in € K	Average number		At the balance sheet date	
	2018	2017	31 Dec 2018	31. Dec 2017
Wage earners	1,902	1,821	1,932	1,885
Salary earners	5,031	4,816	5,175	4,857
Trainees	362	309	396	359

D.25
EXPENSES UNRELATED TO ACCOUNTING PERIOD
in € K

	2018	2017
Losses from the disposal of fixed assets	1,589	1,172
Other taxes	348	243
Other expenses unrelated to accounting period	2,242	3,128
	4,179	4,543
OTHER OPERATIONAL EXPENSES		
Freight out, packaging	58,191	54,381
Travelling and entertainment expenses	40,348	37,759
Other external services	35,451	32,427
Corporate communication, trade fairs and other advertising expenses	33,112	45,208
Exchange rate and currency losses	31,769	31,088
Rental and leases	30,117	29,784
Expenses for temporary employment and contractors	29,515	25,605
Sales commissions	17,933	23,238
Other personnel costs	15,298	15,574
Cost of preparation of accounts, legal and consultancy fees	14,124	18,518
Additions to provisions	12,969	7,846
Stationery, post and telecommunication expenses	8,767	8,637
Impairment on receivables	8,078	8,244
Insurance	6,091	6,604
Other taxes	4,776	4,266
Licences and trademarks	2,596	2,583
Monetary transactions and capital procurement	2,121	1,996
Investor and Public Relations	992	1,098
Others	28,829	22,437
	381,077	377,293
Total	**385,256**	**381,836**

As in the previous year, the expense amounting to € 633 K is disclosed under other financial expenses from the scheduled amortisation of transaction costs for the new syndicated credit line of DMG MORI AKTIENGESELLSCHAFT in 2016.

15. SHARE OF PROFITS AND LOSSES FROM COMPANIES ACCOUNTED FOR AT EQUITY

Profits from companies accounted for at equity amount to € 3,388 K (previous year: € 1,485 K). This mainly includes the income generated in financial year 2018 from the pro rata earnings in the year under review for Magnescale Co. Ltd., Kanagawa (Japan) amounting to € 2,950 K (previous year: € 1,183 K) and the pro rata income from the interest in DMG MORI Finance GmbH in an amount of € 532 K (previous year: € 302 K).

16. INCOME TAXES

Under this item, current and deferred tax expenses and income from the tax allocation are disclosed as follows:

D.26
in € K

	2018	2017
Current taxes	**71,665**	**52,081**
Tax expense for the current financial year	71,379	49,865
Tax income for previous periods	-697	-261
Tax expense for previous periods	983	2,477
Deferred taxes	**-6,409**	**5,938**
Losses carried forward	-2,151	3,304
Temporary differences	-4,321	2,621
Tax rate reduction	63	13
	65,256	**58,019**

The item current taxes recognises corporate income tax and trade tax (including solidarity surcharge) in the case of domestic companies and comparable income taxes in the case of foreign companies. The assessment was performed in accordance with the tax regulation applicable to the individual companies.

Tax expenses for the current financial year includes € 43,467 K (previous year: € 30,017 K) in current taxes debited by DMG MORI GmbH, Bielefeld, due to tax group. An amount of € 697 K (previous year: € 261 K) resulted from ongoing tax income for previous years. This additionally includes current tax expenses in the amount of € 983 K (previous year: € 2,477 K) relating to previous years.

The deferred taxes are assessed on the basis of the tax rates applicable or expected in the individual countries on the basis of the current statutory regulation. For the 2018 financial year, the domestic corporate income tax rate was 15 % plus 5.5 % solidarity surcharge. This results in an effective corporate income tax rate of 15.8 %. Taking account of the trade tax of 14 % (previous year: 14 %), the overall tax rate was 29.8 % (previous year: 29.8 %). The result is the tax rate applicable for the valuation of deferred taxes for domestic companies. The tax rates applicable in foreign countries are between 16 % and 33 %.

Deferred tax assets resulting from first-time adoption of IFRS 9 and IFRS 15 amounted to € 119 K or € 385 K in the financial year. The net amount of income tax on other comprehensive income is € 1,588 K (previous year: € 671 K) and relates to changes in the fair values of derivative financial instruments included in other comprehensive income and the revaluation of defined benefit plans, as well as foreign exchange effects.

The difference between current and expected income tax expenditure is due to the following: [→ D.27]

The reported income tax expense for the 2018 financial year of € 65,256 K (previous year: € 58,019 K) is € 1,250 K higher (previous year: € 5,457 K) than the expected income tax expense of € 64,006 K (previous year: € 52,562 K), which would theoretically result from applying the domestic tax rate of 29.8 % for the 2018 financial year (previous year: 29.8 %) at group level.

The change in tax loss carried forwards mainly relates to the non-recognition of deferred tax assets for current losses in an amount of € 2,076 K (previous year: € 4,010 K). On the other side, deferred taxes previously not recognised on losses carried forward in the amount of € 2,533 K (previous year: € 1,656 K) could be capitalised or utilised.

17. ANNUAL PROFIT ATTRIBUTED TO NON-CONTROLLING INTERESTS

A pro rata annual profit of € 1,273 K (previous year: € 921 K) is attributed to non-controlling interests. The item primarily includes the pro rata earnings from non-controlling interests in GILDEMEISTER LSG Solar RUS OOO, Moscow (Russia).

18. EARNINGS PER SHARE

On accordance with IAS 33 "Earnings per Share", the undiluted earnings per share ("Basic earnings per share") are determided by dividing the consolidated profit – excluding profit shares of other owners – by the average weighted number of shares outstanding, as follows:

D.28	2018	2017
Group result excluding annual net income attributable to non-controlling interests	€ 148,257 K	€ 117,442 K
Average weighted number of shares (pieces)	78,817,994	78,817,994
Earnings per share	€ 1.88	€ 1.49

Earnings solely result from continued business. Group earnings after tax of € 149,530 K was reduced by the result of

D.27 in € K	2018	2017
Earnings before taxes	214,786	176,382
DMG MORI AKTIENGESELLSCHAFT income tax rate in percent	29.8	29.8
Expected tax income / expenditure	64,006	52,562
Tax consequences of the following effects		
Adjustment due to different tax rate	-5,436	-1,318
Effects from the changes in tax rate	63	13
Tax reduction due to the revenues exempt from taxation	-1,010	-3,244
Tax loss carried forward	-457	2,354
Non-recognition of temporary differences / deferred taxes previous years	1,080	233
Tax increase due to non-deductible expenses	6,201	6,013
Tax income or expenditure for prior years	286	2,216
Other adjustments	523	-810
Income taxes	**65,256**	**58,019**

non-controlling interests in the amount of € 1,273 K. Earnings per share (undiluted) were € 1.88 in the reporting year (previous year: € 1.49). As in the previous year, there were no dilutive effects.

NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

19. INTANGIBLE ASSETS

The goodwill amounts to € 139,399 K (previous year: € 139,419 K).

The changes result from the conversion of goodwill denominated in foreign currency into the group's currency Euro.

Intangible assets arising from development relate to new machine tool projects in domestic and international production companies, to service products and to specific software solutions. Intangible assets arising out of development recognised at the end of the financial year amounted to € 16,938 K (previous year: € 23,605 K). Research and development costs are immediately recognised as an expense and amounted to € 53,425 K in the financial year 2018 (previous year: € 43,983 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 data processing software.

In financial year 2018, an impairment was recognised for intangible assets in an amount of € 843 K (previous year: € 1,504 K) and allocated to the item "amortisation" and accounted for in the "Machine Tools" segment. This impairment was for internally generated IT process know-how, which the group decided to stop using. The recoverable amount is € 0.

A write-up on the previous year's impairment was not required, as the recoverable amount was € 0.

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 the Group Management Report on page 50.

20. TANGIBLE ASSETS

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 the Group Management Report on page 50.

In the financial year, impairments amounting to € 4,811 K (previous year: € 13,124 K) were recognised in depreciation. There were no reversals of impairments recognised in the previous year.

DMG MORI identified an impairment of a power generating facility due to the expectation of changed productivity and changed market prices. A review of the recoverable amount resulted in the recognition of an impairment loss of € 1,449 K (previous year: € 4,465 K), which was allocated to depreciation and recognised under the "Industrial Services" segment. The discount rate used to determine the value in use after taxes was 5.14 %. As of 31 December 2018, the recoverable amount of this tangible asset was € 3,057 K.

The recoverable amount was equal to the value in use. The calculation of the value in use is based on the assumption concerning future productivity and the development of market prices, which have been derived from past experiences. The assessment of the fair value less costs of disposal was observed pursuant to IFRS 13.

During the current financial year, an impairment was identified for a building with technical equipment, factory and office equipment, resulting from a change in the purpose of the building and vacancies. In the future, the building will no longer be used to the extent it has been in previous years. A review of the recoverable amount resulted in the recognition of an impairment loss of € 3,362 K (previous year: € 7,198 K), which was allocated to depreciation and recognised under the "Industrial Services" segment. The key assumptions for determining the fair value were the discount factor used (4 %) and different income and expenses from renting the building including investments and vacancies. The assessment of the fair value less costs of disposal has been observed pursuant to IFRS 13. As of 31 December 2018, the building's recoverable amount was € 33,397 K.

Tangible assets include leased assets to the value of € 592 K (previous year: € 1,265 K) that must be charged to the respective group company as the beneficial owner ("finance lease") due to the structuring of the underlying leasing agreements. The carrying amounts of capitalised lease items are broken down as follows:

D.29 in € K	31 Dec 2018	31 Dec 2017
Land and buildings	0	0
Technical equipment and machinery	271	567
Other fixed assets, factory and office equipment	321	698
	592	**1,265**

21. EQUITY INVESTMENTS

The development of group investments is shown in the consolidated fixed asset movement schedule.

Equity investments are accounted for at fair value and designated as at FVOCI. At initial recognition, DMG MORI exercised the option under IFRS 9.4.1 to recognise subsequent changes in the fair value of equity investments in other comprehensive income.

In financial year 2018, another partner joined the strategic alliance of ADAMOS GmbH. Since then, the interest held by GILDEMEISTER Beteiligungen GmbH has amounted to 14.28 % (previous year: 16.7 %). The fair value as of 31 December 2018 amounts to € 2,000 K. DMG MORI does not exercise any significant influence over the business activities of ADAMOS GmbH. There were no dividend payouts during the financial year.

In November 2018, GILDEMEISTER Beteiligungen GmbH acquired a 5 % interest in STBO GmbH, Bielefeld. As of 31 December 2018, the fair value of the investment amounts to € 300 K. With its acquisition of these shares in the Schüco-Arena, Bielefeld, DMG MORI has sent a clear message to the "Bündnis OWL" and Arminia Bielefeld's youth development programme.

These investments also include shares in Pro-Micron GmbH & Co. KG Modular System with a fair value of € 80 K and a 40 % interest held by GILDEMEISTER energy solutions GmbH in Sonnenstromalpha GmbH & Co. KG, Hamburg. As at the reporting date, they had a fair value of € 21 K as in the previous year.

The DMG MORI group does not exercise any significant influence over these companies.

As in the previous year, no impairment on equity investments was recorded in the reporting year.

An overview of all DMG MORI group companies and information on registered offices, equity and equity interests in financial year 2018 are shown on pages 151 et seqq.

22. EQUITY-ACCOUNTED INVESTMENTS

The following overview shows aggregated key financial figures for companies accounted for at equity included in the Consolidated Financial Statements. The figures refer to equity interests, carrying amounts and notes on the balance sheet as well as to sales revenues, other income and expenses:

D.30	31 Dec 2018		31 Dec 2017	
	Equity interest %	Carrying amount € K	Equity interest %	Carrying amount € K
DMG MORI Finance GmbH	42.6	10,650	42.6	10,118
Magnescale Co. Ltd.	44.1	39,790	44.1	34,985
DMG MORI HEITEC GmbH	50.0	503	50.0	50
INTECH DMLS PRIVATE LIMITED	30.0	7,908	0.0	0
		58,851		**45,153**

The equity interests of the at equity accounted companies correspond to the voting rights. Magnescale Co. Ltd. and DMG MORI Finance GmbH are classified as associated companies. Details of the results from at equity accounted companies are presented in the explanatory notes to the individual items on the income statement under "Share of profits and losses of at equity-accounted investments" on page 117.

In financial year 2018, GILDEMEISTER Beteiligungen GmbH participated in capital increases for the joint venture, DMG MORI HEITEC GmbH, Erlangen, in accordance with the articles of association. GILDEMEISTER Beteiligungen GmbH holds a 50 % interest in the company. The carrying amount at the reporting date amounts to € 503 K. DMG MORI HEITEC GmbH, Erlangen, was classified as an associated company and has been consolidated at equity since the date of acquisition.

We consider the 44.1 % interest held in Magnescale Co. Ltd., Kanagawa (Japan), a subsidiary of DMG MORI COMPANY LIMITED, Nara (Japan), and a manufacturer of high-precision technologies for position measurement, with its fully owned subsidiaries Magnescale Europe GmbH, Wernau, and Magnescale Americas, Inc., Davis (USA), as being a significant interest. Impairment tests were conducted based on the future cash flows, which were derived from company planning.This plan was based on a marginal increase in sales revenues and EBIT margins. The cash flow calculated was discounted using a WACC rate of 9.52 %. In financial year 2018, the company's annual result amounted to € 6,685 K.

The most significant items to the balance sheet and the income statement have been combined for all three companies and presented in the following table. [→ D.31]

Besides annual net profit, a currency effect of € 4,206 K (previous year: € -5,599 K) was recognised on a pro rata basis in other comprehensive income. This results in total earnings of € 10,891 K (pro rata € 4,805 K) (previous year: € -2,917 K, pro rata € -1,287 K).

D.31 | MAGNESCALE CO. LTD. in € K	31 Dec 2018	31 Dec 2017
Short-term assets	46,228	34,375
Long-term assets	51,784	51,681
Short-term liabilities	14,970	11,525
Long-term liabilities	9,549	11,929
Net carrying amount	**73,493**	**62,602**
Sales revenues	100,004	82,762
Net income for the year	6,685	2,682

The values of the other associated company, DMG MORI Finance GmbH, are also summarised in the following table.

D.32 | DMG MORI FINANCE GMBH in € K	31 Dec 2018	31 Dec 2017
Short-term assets	222,705	210,619
Long-term assets	301,106	217,199
Short-term liabilities	175,047	154,313
Long-term liabilities	323,734	249,726
Net carrying amount	**25,030**	**23,779**
Sales revenues	137,031	126,291
Net income for the year	1,251	710

The reconciliation of the carrying amounts at the reporting date is as follows:

D.33 | MAGNESCALE CO. LTD. in € K	31 Dec 2018	31 Dec 2017
Net carrying amount at 1 January	62,602	65,519
Results after taxes	6,685	2,682
Other comprehensive income	4,206	-5,599
Net carrying amount at 31 December	73,493	62,602
Proportional equity	32,425	27,620
Consolidation / other	7,365	7,365
Carrying amount at equity accounted interests	**39,790**	**34,985**

D.34 | DMG MORI FINANCE GMBH in € K	31 Dec 2018	31 Dec 2017
Net carrying amount at 1 January	23,779	23,069
Results after taxes	1,251	710
Net carrying amount at 31 December	25,030	23,779
Proportional equity	10,650	10,118
Carrying amount at equity accounted interests	**10,650**	**10,118**

23. LONG-TERM RECEIVABLES AND OTHER ASSETS

D.35 in € K	31 Dec 2018	31 Dec 2017
Trade debtors	1,263	849
Other long-term financial assets	11,963	5,906
Other long-term assets	2,757	2,426
	15,983	**9,181**

Trade debtors are to be assigned to financial assets. As in the previous year, there were no receivables from associated companies included in the long-term trade debtors.

Other long-term financial assets include the following items:

D.36 in € K	31 Dec 2018	31 Dec 2017
Security deposits and other security payments	1,826	427
Fair market values of derivative financial instruments	0	13
Other assets	10,137	5,466
	11,963	**5,906**

Other financial assets include the fair value of an option for purchasing shares in a company amounting to € 3,233 K (previous year: € 3,200 K). During the financial year, a write-up was made in an amount of € 33 K (previous year: € 195 K) which was reported in the financial result.

Other long-term assets include the following items:

D.37 in € K	31 Dec 2018	31 Dec 2017
Tax refund claims	1,462	1,648
Other assets	1,295	778
	2,757	**2,426**

The tax refund claims do not contain receivables for income taxes.

24. INVENTORIES

Inventories are made up as follows:

D.38 in € K	31 Dec 2018	31 Dec 2017
Raw materials and consumables	282,909	207,771
Work in progress	164,107	144,983
Finished goods and goods for resale	167,357	181,870
Payments on account	11,008	13,038
	625,381	**547,662**

Finished goods and goods for resale include machines in an amount of € 54,528 K (previous year: € 54,734 K) acquired from DMG MORI COMPANY LIMITED for trading purposes. Of inventories shown in the balance sheet on 31 December 2018, € 109,038 K (previous year: € 117,553 K) were recognised at their net realisable value. In the financial year; impairment of inventories in an amount of € 23,430 K (previous year: € 14,432 K) were recognised as cost of materials.

In the financial year, revaluations amounting to € 3,423 K (previous year: € 2,975 K) arose primarily resulting from the increase in net realisable values; they also were recognised as cost of materials.

25. SHORT-TERM RECEIVABLES

Trade receivables from other related parties include receivables from DMG MORI COMPANY LIMITED amounting to € 91,314 K (previous year: € 53,584 K). In addition, as in the previous year, other receivables from related parties include receivables from DMG MORI GmbH from the issue of a loan amounting to € 370,000 K (previous year: € 120,000 K) and from accrued interest in an amount of € 644 K (previous year: € 400 K) less the impairment from using the "general approach" method in an amount of € 9 K. The loan bears interest at market rates. [→ D.39]

In the reporting year, DMG MORI group has continued the unchanged use of factoring programmes. As in the previous year, these agreements enabled domestic receivables in the amount of up to € 90,000 K and foreign receivables in the amount of up to € 77,500 K be sold. As of the balance sheet date, German receivables with a value of € 65,999 K (previous year: € 59,693 K) and foreign receivables with a value of € 50,140 K (previous year: € 58,862 K) were sold without recourse and were thus no longer part of the receivables at the reporting date.

The gross carrying amounts of trade debtors by geographical region, including receivables amounting to € 358,552 K for which no specific allowance has been made, are broken down as follows:

D.40 in € K	31 Dec 2018
Germany	94,629
Europe	139,020
Asia	33,823
America	251
DMG MORI CO. Group	110,676
Total	**378,399**

Under IAS 39, the analysis of the recoverability of long and short-term trade debtors and other receivables that are not past due or impaired in financial year 2017 is shown below. [→ D.41]

Allowances for trade debtors have developed as follows:

C.42 in € K	2018
Allowances as of 1 January under IAS 39	**15,324**
Adjustment from initial application of IFRS 9	422
Allowances as of 1 January under IFRS 9	**15,746**
Write-offs	-2,285
Net remeasurement in financial year	5,325
Allowances as of 31 December	**18,786**

D.39 in € K	31 Dec 2018	31 Dec 2017
Trade receivables		
from third parties	226,989	237,796
from at equity accounted companies	21,244	15,970
from other related companies	110,070	65,172
from associated companies	47	28
Total trade debtors	**358,350**	**318,966**
Other receivables from other related companies	370,635	141,800
Total	**728,985**	**460,766**

D.41 Under IAS 39 in € K	Carrying amount	of which neither impaired nor past due on the reporting date	of which not impaired at the reporting date and past due in the following time periods: Up to 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 1 year
Receivables						
31 Dec 2017	**461,615**	**428,720**	**19,160**	**2,769**	**2,815**	**3,549**

D.43
Under IAS 39

in € K	2017
Allowances on 1 January	15,477
Additions (loss allowance expenses)	4,170
Consumption	-1,318
Dissolution	-3,005
Allowances as of 31 December	**15,324**

A separate statement of impairments on trade receivables and other assets in accordance to IAS 1.82 (ba) was not included in the income statement due to the immateriality of the items.

Derecognition of trade receivables is made when it can be assumed with hig probability that the debtors will not meet their payment obligations in the foreseeable future.

At the end of financial year 2018, trade debtors with a contract value of € 3,759 K existed and were written off, as they were subject to enforcement proceedings.

Expenses relating to allowances and write-offs of trade debtors are reported under other operating expenses. These concern a large number of individual cases.

Please see note 37 for information on the calculation of impairment and credit risks.

26. OTHER ASSETS

Other assets include the following items:

D.44

in € K	31 Dec 2018	31 Dec 2017
Other short-term financial assets	60,241	72,764
Other short-term assets	81,272	58,050
	141,513	**130,814**

Other short-term financial assets include the following items: [→ D.45]

As in the previous year, no financial assets were provided as securities in the reporting year.

In 2017, the analysis of the impairment for other long-term and short-term financial assets, which are neither past due nor impaired, was as follows: [→ D.46]

Other short-term assets include the following items:

D.47

in € K	31 Dec 2018	31 Dec 2017
Prepayments	32,982	4,936
Tax refund claims	28,109	35,300
Other assets	20,181	17,814
	81,272	**58,050**

Tax refund claims primarily include receivables from value added tax.

D.45

in € K	31 Dec 2018	31 Dec 2017
Discounted customers' bills	25,760	20,507
Receivables from factoring	7,305	8,945
Creditors with debit balances	6,899	26,840
Security deposits and other security payments	6,613	4,797
Fair market value of derivative financial instruments	1,964	708
Receivables from employees and former employees	754	543
Loans to third parties	11	401
Purchase price receivables from asset disposal	0	2,680
Other short-term financial assets	10,935	7,343
	60,241	**72,764**

D.46
Under IAS 39

	Carrying amount	of which neither impaired nor past due on the reporting date	of which not impaired at the reporting date and past due in the following time periods			
in € K			Up to 3 months	Between 3 and 6 months	Between 6 and 12 months	More than 1 year
Other financial assets						
31 Dec 2017	**78,670**	**77,722**	**177**	**54**	**587**	**119**

27. CASH AND CASH EQUIVALENTS

At the reporting date, bank credit balances amounted to € 152,681 K (previous year: € 363,405 K). Information on the calculation and recognition of impairments can be found under note 37.

The development of cash and cash equivalents constituting the financial fund pursuant to IAS 7 "Cash Flow Statement" is illustrated in the Consolidated Cash Flow Statement on page 79.

28. DEFERRED TAXES

Deferred tax assets and liabilities and deferred tax expenses are allocated to the following items: [→ D.48 | D.49]

The deferred taxes are assessed on the basis of the tax rates applicable or expected in the individual countries based on their current statutory regulations. Taking into account the trade income tax as well as the corporate income tax and the solidarity surcharge, a tax rate of 29.8 % is calculated for deferred taxes of domestic companies (previous year: 29.8 %).

A key factor when determining the recoverability of deferred tax assets, is the assessment of the probability of sufficient future taxable income. 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 of 31 December 2018, deferred tax assets on losses carried forward amounted to € 5,153 K (previous year: € 3,002 K) and were allocated as follows: as in the previous year, for the German tax group there were no German corporate tax and trade tax loss carry forwards or interest carry forwards due to the German interest barrier. Domestic companies outside of the tax group reported deferred tax assets on losses carried forward in the amount of € 1,036 K (previous year: € 0 K). Deferred tax assets on losses carried forward of € 4,117 K (previous year: € 3,002 K) are attributable to foreign subsidiaries. In the reporting year, deferred tax assets on losses carried forward amounting € 3,000 K (previous year: € 231 K) were capitalised and € 849 K (previous year: € 3,031 K) have been offset with current taxable income. Deferred tax assets on tax losses carried forward were recognised in an amount of € 1,918 K for a foreign subsidiary that generates positive tax income, as there is now reasonable certainty that the tax losses carried forward from corporate restructuring can be utilised.

D.48

in € K	31 Dec 2018		31 Dec 2017	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	17,897	7,921	19,380	8,810
Tangible assets	10,449	4,326	8,060	3,069
Financial assets	296	0	44	0
Inventories	12,622	2,030	11,441	2,174
Receivables and other assets	10,991	2,391	9,850	5,319
Provisions	12,337	7,004	11,362	2,977
Liabilities	9,004	1,976	10,142	2,788
Tax loss carried forward	5,153	–	3,002	–
	78,749	25,648	73,281	25,137
Balancing	-23,143	-23,143	-23,350	-23,350
Total	**55,606**	**2,505**	**49,931**	**1,787**

D.49

in € K	2018 Deferred tax expense/-income	2017 Deferred tax expense/-income
Intangible assets	517	-2,552
Tangible assets	-1,179	-928
Financial assets	-254	-53
Inventories	-1,407	6,454
Receivables and other assets	-4,016	437
Provisions	1,485	-3,226
Liabilities	596	2,502
Tax loss carried forward	-2,151	3,304
Total	**-6,409**	**5,938**

The tax losses carried forward amount to a total of € 102,501 K (previous year: € 95,119 K), of which € 80,940 K (previous year: € 82,255 K) were not recognised. Out of the unrecognised tax losses brought forward, € 24,639 K (previous year: € 23,115 K) are available for utilisation for an indefinite period, while € 43,463 K (previous year: € 29,964 K) must be used within the next five years. Moreover, the rest of the tax loss carry forwards not recognised in an amount of € 12,838 K (previous year: € 29,176 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 assets amounting to € 1,419 K (previous year: € 5,571 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, tax planning and tax planning opportunities, there will be sufficient positive taxable income available to realise the tax assets. In this respect, € 1,036 K in deferred tax assets on tax losses carried forward and € 9 K in temporary differences were recognised for a production plant. Due to the production plant's focus on the future-oriented field, ADDITIVE MANUFACTURING, and positive earnings forecasts, we expect the company to generate sufficient taxable income in the future.

For passive temporary differences associated with interest in subsidiaries in the amount of € 18,506 K (previous year: € 17,399 K), no deferred taxes have been recognised because the requirements of IAS 12.39 are met.

The deferred tax assets recognised directly in equity reduced by € 1,588 K to € 9,051 K as of the reporting date (previous year: € 10,638 K). These break down into deferred tax assets amounting to € 9,043 K (previous year: € 10,569 K) on actuarial gains and losses recognised in equity, as well as € 8 K relating to the valuation of financial instruments in equity (previous year: € 69 K).

29. EQUITY

The movement of individual components in group equity for the financial years 2018 and 2017 is illustrated in the Development of Group Equity on page 82 et seq. 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 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 May 2017).

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 % 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 % 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 2018, the capital reserves were unchanged at € 498,485,269. The group's capital reserve includes the premiums for the issue of shares of DMG MORI AKTIENGESELLSCHAFT in the previous years.

The transaction costs directly attributable for capital procurement, reduced by the related income tax benefits, have each been deducted from the capital reserve.

RETAINED EARNINGS AND OTHER RESERVES

Statutory provision

The disclosure does not affect the statutory reserve of DMG MORI AKTIENGESELLSCHAFT in an amount of € 680,530.

Retained earnings

Retained earnings include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Retained earnings also include the offset of liabilities-side differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS rules. Additionally, this item contains the changes from the revaluation of defined benefit 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 recognised directly in equity amount to € 8 K as of 31 December 2018 (previous year: € 69 K).

A detailed overview on the composition of, or changes in, other reserves in the financial year 2018 and in the previous year is included in the Development of Group Equity statement.

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.

Between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT exists a domination and profit transfer agreement, which was approved by the Annual General Meeting on 15 July 2016. The agreement entered into force on 24 August 2016, following entry into the commercial register.

The 2018 financial year of DMG MORI AKTIENGESELLSCHAFT closes with a result pre-profit transfer of € 99,325,615 (previous year: € 89,865,288). The entire profits will be transferred to DMG MORI GmbH. According to IFRS regulations, this is a transaction with equity providers.

As at 31 December 2018, no retained earnings as stipulated by the German Commercial Code are recognised by DMG MORI AKTIENGESELLSCHAFT.

Non-controlling equity interests

Non-controlling equity interests include the minority interests in the consolidated equity of the companies included in the annual accounts and, as at 31 December 2018, amount to € 4,453 K (previous year: € 3,111 K). The change from the previous year is mainly due to profit shares.

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. As of 31 December 2018, the syndicated credit line had not been used and there was no financial debt. The syndicated credit line requires that the group complies with a customary covenant that stipulates a defined financial ratio. The covenant had been complied with as of 31 December 2018.

The domination and profit transfer agreement between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT means it is no longer possible for the company to actively shape the DMG MORI group's equity base via a dividend policy.

Surplus funds are determined as the sum of financial debt less cash and cash equivalents:

D.50		31 Dec 2018	31 Dec 2017
Cash and cash equivalents	€ K	152,681	363,405
Financial debt	€ K	0	46,490
Surplus fund	€ K	152,681	316,915
Total Equity	€ K	1,197,688	1,164,618
Equity ratio	%	49.1	52.0
Gearing		–	–

Total equity has increased in absolute terms by € 33,070 K. The equity ratio as of 31. December 2018 declined to 49.1% (previous year: 52.0%).

30. PROVISIONS FOR PENSIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the DMG MORI 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 defined contribution plans or defined benefit plans.

In the case of defined contribution plans the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. The associated expenses in the 2018 financial year amounted to € 1,918 K (previous year: € 2,693 K).

In the case of defined benefit plans, it is the company's obligation to pay the promised benefits to active and former employees, 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. In addition to this, 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. In Germany, Klaus Heubeck's "2018G guideline tables" were used as a biometric accounting basis. In Switzerland, the "BVG 2015 technical principles, generation tables" were used to calculate values. They are based on the latest available observations of mortality rates, mostly by private pension funds, and take into account future changes in mortality rates over time.

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:

D.51	Germany	Rest of the world	Germany	Rest of the world
in %	2018	2018	2017	2017
Discount interest rate	1.51	0.78	1.19	0.59
Salary trend	0.00	2.90	0.00	1.20
Pension trend	2.00	0.00	2.00	0.00

D.52 in € K		31 Dec 2018		31 Dec 2017	
		Germany	Rest of the world	Germany	Rest of the world
	Cash value of pension commitments not financed by funds	32,167	1,243	35,364	1,179
+	Cash value of funded pension commitments	18,267	15,090	19,577	17,070
–	Current value of pension plan assets	-16,305	-12,634	-16,370	-12,240
=	**Net value of amounts shown in the balance sheet on the reporting date**	**34,129**	**3,699**	**38,571**	**6,009**
	of which pensions	37,828		44,580	
	of which assets (-)	0		0	

D.53	2018		2017	
	in € K	in %	in € K	in %
Not stock exchange listed				
Qualifying insurance policies (Life insurance)	16,305	56.34	16,370	57.22
Other	12,634	43.66	12,240	42.78
Total plan assets	**28,939**	**100.00**	**28,610**	**100.00**

D.54	Defined benefit obligation		Fair value of plan assets		Net debt (net asset) from defined benefit plans	
	2018	2018	2018	2018	2018	2018
in € K	Germany	Rest of the world	Germany	Rest of the world	Germany	Rest of the world
As at 1 January	**54,941**	**18,249**	**-16,370**	**-12,240**	**38,571**	**6,009**
Included in profit and loss						
Current service cost	0	1,092	0	0	0	1,092
Past service cost	547	0	0	0	547	0
Interest expense (income)	632	111	-191	-78	441	33
Exchange rate changes	0	653	0	-472	0	181
	1,179	**1,856**	**-191**	**-550**	**988**	**1,306**
Included in other comprehensive income Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	-1,996	-899	0	0	-1,996	-899
– experience adjustments	-1,288	-1,035	0	0	-1,288	-1,035
– demographic adjustments	663	-198	0	0	663	-198
Effects on plan assets excluding interest income	0	0	-316	-887	-316	-887
	-2,621	**-2,132**	**-316**	**-887**	**-2,937**	**-3,019**
Other						
Contributions paid by the employer	0	0	-2,341	-1,195	-2,341	-1,195
Pension payments made	-3,065	-1,640	2,913	2,238	-152	598
	-3,065	**-1,640**	**572**	**1,043**	**-2,493**	**-597**
As at 31 December	**50,434**	**16,333**	**-16,305**	**-12,634**	**34,129**	**3,699**

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 date of high-quality, fixed-interest industrial 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. A future average salary increase of 2.9 % was taken into account for our foreign companies. 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 defined benefit obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the following: [→ D.52]

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. It is composed of the following values: [→ D.53]

The calculation of the typological interest of the plan assets is made in the amount of the discount interest rate of the pension obligations at the beginning of the period. Actual income for plan assets amounts to € 1,472 K (previous year: expenses € 86 K).

Payments from insurance companies are accounted for as benefits received and the benefits actually granted are disclosed as benefits paid. Pension provisions for former members of the Executive Board and their surviving dependants have been formed in the amount of € 31,655 K (previous year: € 34,829 K).

The following table shows the reconciliation of the opening balance to the final balance for the net debt (net assets) from the defined benefit pension plans and their components. [→ D.54 | D.55]

D.55	Defined benefit obligation		Fair value of plan assets		Net debt (net asset) from defined benefit plans	
	2017	2017	2017	2017	2017	2017
in € K	Germany	Rest of the world	Germany	Rest of the world	Germany	Rest of the world
As at 1 January	**56,898**	**28,206**	**-16,429**	**-19,803**	**40,469**	**8,403**
Included in profit and loss						
Current service cost	0	1,173	0	0	0	1,173
Past service cost	393	-85	0	0	393	-85
Interest expense (income)	697	109	-203	-82	494	27
Exchange rate changes	0	-1,671	0	1,280	0	-391
	1,090	**-474**	**-203**	**1,198**	**887**	**724**
Included in other comprehensive income Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	473	-692	0	0	473	-692
– experience adjustments	-338	-1,081	0	0	-338	-1,081
Effects on plan assets excluding interest income	0	0	-305	676	-305	676
	135	**-1,773**	**-305**	**676**	**-170**	**-1,097**
Other						
Contributions paid by the employer	0	0	-2,476	-1,301	-2,476	-1,301
Pension payments made	-3,182	-2,272	3,043	2,921	-139	649
Other (derecognition of actuarial reserves for pensioners)	0	-3,621	0	3,621	0	0
Effects from business combinations/disposals/transfers	0	-1,817	0	448	0	-1,369
	-3,182	**-7,710**	**567**	**5,689**	**-2,615**	**-2,021**
As at 31 December	**54,941**	**18,249**	**-16,370**	**-12,240**	**38,571**	**6,009**

D.56 in € K	2018	2017	2016	2015	2014
Cash value of all pension commitments	66,767	73,190	85,104	75,412	69,692
Current value of the pension plan assets of all funds	-28,939	-28,610	-36,232	-34,626	-21,887
Funding status	37,828	44,580	48,872	40,786	47,805

Over the past five years, the funded status, consisting of the cash value of all pension commitments and the fair value of plan assets, has changed as follows: [→ D.56]

Payments to beneficiaries from pension plans not financed by funds in 2019 are expected in an amount of € 2,361 K (previous year for 2018: € 3,096 K), while payments to funded pension plans in the financial year 2019 are estimated to amount to about € 521 K (previous year for 2018: € 641 K).

The average weighted duration of pension obligations in Germany is around twelve years and in Switzerland between nineteen and twenty years.

Key assumptions for calculating the pension obligation were based on sensitivity analyses. The discount factor, assumed value of wage trends and life expectancy were reduced or increased by a fixed % rate respectively one year.

Under unchanged other assumptions, the changes that would reasonably have been possible at the balance sheet date in the event of a significant actuarial assumption would have impacted on the defined benefit obligation in the following amounts.

The effects on the entitlement present value are as follows:

D.57	Effects on the entitlements at 31 Dec 2018	
	in € K	in %
Cash value of the entitlement obligations	**66,767**	
In the case of		
reduction of the discount rate by 0.25 %-points	68,901	3.20
increase of the discount rate by 0.25 %-points	64,741	-3.03
reduction of the pension trend by 0.25 %-points	65,341	-2.14
increase of the pension trend by 0.25 %-points	68,227	2.19
reduction of the life expectancy by 1 year	63,975	-4.18
increase of the life expectancy by 1 year	69,573	4.20

In the presented sensitivities, it should be taken into account that due to actuarial 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.

31. OTHER PROVISIONS

The following lists the major contents of provisions: [→ D.58]

Tax provisions include current taxes on income and earnings of € 8,896 K (previous year: € 8,218 K), 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 € 49,369 K (previous year: € 43,242 K), part-time retirement payments of € 4,592 K (previous year: € 2,762 K), holiday pay of € 16,911 K (previous year: € 15,761 K) and anniversary payments of € 10,893 K (previous year: € 10,364 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 a 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 2018, liquid assets of € 3,113 K (previous year: € 2,895 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 and taking into account possible price increases on the balance sheet 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.

D.58 in € K	31 Dec 2018 Total	31 Dec 2018 of which short-term	31 Dec 2017 Total	31 Dec 2017 of which short-term
Tax provisions	**17,850**	**17,850**	**15,174**	**15,174**
Obligations arising from personnel	112,599	83,233	99,288	76,009
Risks arising from warranties and retrofitting	52,097	43,406	39,786	32,578
Obligation arising from sales	40,826	39,626	35,859	33,835
Legal and consultancy fees and costs of preparation of accounts	4,785	4,785	4,449	4,449
Other	57,118	38,195	47,063	36,328
Other provisions	**267,425**	**209,245**	**226,445**	**183,199**
Total	**285,275**	**227,095**	**241,619**	**198,373**

The other provisions primarily include risks from legal disputes, obligations for commissioning 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. The risk of further outflows beyond these provisions is considered unlikely as of 31 December 2018. For the short-term provisions, it can be assumed that a significant part of the obligations will be fulfilled in financial year 2019.

The movement in the other provisions is illustrated in the breakdown of provisions: [→ D.59]

Provisions as of 1 January 2018 include total adjustments of € 4,483 K from initial application of IFRS 15.

The other changes include currency adjustments and book transfers. Obligations arising from personnel include provisions for the long-term incentive, a remuneration component with a long-term incentive effect, totalling € 4,855 K (previous year: € 7,620 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter of the Group Management Report on page 28.

32. FINANCIAL DEBTS

As of 31 December 2018, DMG MORI AKTIENGESELLSCHAT has no financial debts.

Details of the previous year's short-term and long-term financial debts are shown in the following table: [→ D.60]

During financial year 2018, all long-term loans were fully repaid. The discounted customers' bills of exchange were completely recouped.

D.59 in € K	1 Jan 2018	Transfers	Used	Retransfers	Other changes	31 Dec 2018
Tax provisions	**15,174**	**15,786**	**11,983**	**968**	**-159**	**17,850**
Obligations arising from personnel	99,288	78,413	58,046	6,099	-957	112,599
Risks arising from warranties and retrofitting	39,736	24,761	10,503	1,434	-463	52,097
Obligation arising from sales	33,691	24,816	13,469	3,852	-360	40,826
Legal and consultancy fees and costs of preparation of accounts	4,449	3,947	2,949	719	57	4,785
Other	44,798	30,447	15,856	2,284	13	57,118
Other provisions	**221,962**	**162,384**	**100,823**	**14,388**	**-1,710**	**267,425**
Total	**237,136**	**178,170**	**112,806**	**15,356**	**-1,869**	**285,275**

D.60 in € K	31 Dec 2017	of which due within 1 year	of which due within 1 to 5 years	of which due after 5 years
Bank loans and overdrafts 1)	36,567	1,530	35,037	0
Discounted customers' bills of exchange	9,923	9,923	0	0
	46,490	**11,453**	**35,037**	**0**

1) of which secured by mortgages: € 15,202 K

Short and medium-term working capital requirements for DMG MORI AKTIENGESELLSCHAFT and, within the scope of intercompany cash management, for the majority of domestic subsidiaries, are covered by operating cash flow and short and long-term loans. Approved credit lines amount to € 802.4 million (previous year: € 849.2 million). This mainly comprises a syndicated credit line amounting to € 500.0 million (previous year: € 500.0 million), guarantee credit lines amounting to € 129.0 million (previous year: € 138.7 million) and factoring agreements, another part of the financing mix, amounting to € 167.5 million as in the previous year.

In addition to the syndicated credit there are still some short-term bilateral financing commitments to individual subsidiaries of a total volume of € 5.9 million (previous year: € 43.1 million). As of 31 December 2017, several long-term loans still existed in an amount of € 36.6 million.

As in the previous year, short-term financing commitments were not utilised as of the reporting date. As of 31 December 2017, the international share in liabilities to banks was about 98 %. The average cost of borrowing amounts to 1.0 % (previous year: 1.3 %).

Set out below are the major liabilities to credit institutions in the previous year: [→ D.61]

Since 31 December 2018, the DMG MORI group has had access to a syndicated credit line with a total volume of € 500.0 million and due in February 2022. It comprises a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures. The syndicated credit line also requires the DMG MORI group to comply with a customary covenant, which provides a defined financial ratio. We complied with the covenant as of 31 December 2018. The syndicated loan is classified as short-term as it can only be drawn down over a maximum period of six months. As in the previous year, there were no drawdowns as of 31 December 2018.

For the financing of the syndicated credit line, the lending banks have completely waived the right to collateral. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG MORI Spare Parts GmbH, SAUER GmbH, GILDEMEISTER energy solutions GmbH, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z o.o. and GILDEMEISTER Italiana S.p.A. continue to be guarantors for the credit line.

As at the balance sheet date, open credit lines amounted to € 415.1 million (previous year: € 437.4 million). These comprise free cash lines of € 205.9 million (previous year: € 206.5 million) and additional open lines of credit (bank guarantees, bills of exchange, factoring) of € 209.1 million (previous year: € 230.9 million).

33. TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term liabilities are shown as follows:

D.62 in € K	31 Dec 2018	31 Dec 2017
Other long-term financial liabilities	8,205	9,505
Other long-term liabilities	2,649	3,856
	10,854	**13,361**

Other long-term financial liabilities include the following items:

D.63 in € K	31 Dec 2018	31 Dec 2017
Liabilities from finance lease arrangements	138	720
Fair value of derivative financial instruments	7	0
Debtors with credit balance	0	8
Other long-term financial liabilities	8,060	8,777
	8,205	**9,505**

D.61	31 Dec 2018				31 Dec 2017			
	Currency	Carrying amount	Remaining period in years	Effective interest rate	Currency	Carrying amount	Remaining period in years	Effective interest rate
		€ K		%		€ K		%
Loan	EUR	0	–	–	EUR	673	up to 1	6.25
Loan	CHF	0	–	–	CHF	35,894	up to 2	1.25 – 1.90
		0				**36,567**		

Liabilities arising from finance leases amount to € 138 K (previous year: € 720 K) and show the discounted value of future payments from finance leases.

Other long-term financial liabilities include € 7,995 K in consideration not yet paid for the purchase of shares in REALIZER GmbH.

In other long-term financial liabilities, the fair value of long-term liabilities corresponds to the values shown on the balance sheet.

D.64 in € K	31 Dec 2018	31 Dec 2017
Deferred income	2,400	2,570
Liabilities relating to social insurance	249	188
Tax liabilities	0	379
Other long-term liabilities	0	719
	2,649	**3,856**

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 € 2,400 K (previous year: € 2,570 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 2018. Deferred income will be amortised in accordance with the depreciation procedure for subsidised capital assets and recognised in the income statement.

34. TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Short-term financial liabilities are shown as follows:

D.65 in € K	31 Dec 2018	31 Dec 2017
Trade creditors		
to third parties	195,393	169,759
to at equity accounted companies	2,266	2,310
to other related companies	89,727	87,251
to associated companies	0	0
Total trade creditors	**287,386**	**259,320**
Other liabilities to other related companies	146,886	119,881
Other short-term financial liabilities	31,124	10,722
	465,396	**389,923**

Liabilities to other related companies arise from goods and services supplied as part of the business relationship to DMG MORI COMPANY LIMITED and its affiliated companies. These include liabilities to DMG MORI COMPANY LIMITED in an amount of € 78,317 K. The transfer of profits and the tax compensation agreement to DMG MORI GmbH resulted in a liability in the amount of € 142,792 K.

All information and notes on contract liabilities and contract liabilities from down payment invoices can be found in the section on Revenue.

Other short-term financial liabilities are shown as follows:

D.66 in € K	31 Dec 2018	31 Dec 2017
Debtors with credit balance	8,882	3,355
Factoring liabilities	5,137	47
Fair market values of derivative financial instruments	2,223	1,380
Liabilities from finance lease arrangements	616	694
Other short-term financial liabilities	14,266	5,246
	31,124	**10,722**

The fair value of derivative financial instruments involves the fair value for forward exchange transactions amounting to € 2,223 K (previous year: € 1,380 K) in particular in USD, GBP and JPY. Other financial liabilities include liabilities from bills of exchange amounting to € 11,880 K (previous year: € 1,252 K). Liabilities arising from finance leases amounted to € 616 K (previous year: € 694 K) and show the discounted value of future payments from finance leases. These are primarily liabilities from finance lease arrangements for technical facilities, machines and office equipment.

Short-term liabilities arising from finance leases are recognised without consideration of future interest payable.

All future payments arising from finance leases amount to € 830 K (previous year: € 1,536 K).

The minimum lease payments for the respective lease agreements are as follows:

D.67 in € K	31 Dec 2018	31 Dec 2017
TOTAL FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	690	756
Due within one and five years	140	780
Due in more than five years	0	0
	830	**1,536**
INTEREST PORTION INCLUDED IN FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	74	62
Due within one and five years	2	60
Due in more than five years	0	0
	76	**122**
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS		
Due within one year	616	694
Due within one and five years	138	720
Due in more than five years	0	0
	754	**1,414**

During the 2018 financial year, DMG MORI group acted as a lessor in the context of finance lease contracts. The minimum lease payments for 2019 from these subleases amount to € 175 K; the payments due in the following years amount to € 175 K. These agreements mainly cover the leasing of machine tools.

Other short-term liabilities include the following items:

D.68 in € K	31 Dec 2018	31 Dec 2017
Tax liabilities	25,869	28,796
Liabilities relating to social insurance	5,473	5,679
Deferred income	5,255	10,719
Payroll account liabilities	3,338	2,858
Other liabilities	1,761	687
	41,696	**48,739**

Tax liabilities refer to liabilities arising from value added tax amounting to € 10,112 K (previous year: € 11,888 K) as well as liabilities arising from wage and church tax in the amount of € 10,125 K (previous year: € 8,940 K).

35. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

No provisions were set up for the following contingent liabilities, as the risk of utilisation is considered relatively improbable:

D.69 | CONTINGENCIES in € K	31 Dec 2018	31 Dec 2017
Warranties	2,610	1,177
Guarantees	50	1,701
Other contingencies	3,382	4,790
	6,042	**7,668**

The guarantees primarily include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, guarantees for framework agreements and contract performance guarantees.

During financial year 2018, DMG MORI group concluded agreements on the purchase of property, plant and equipment in 2019 worth € 33.7 million (previous year for 2018: € 7.7 million).

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 are broken down below by due dates. The agreements have terms from two to thirty-three years and some include options to extend or purchase options.

D.70 | TOTAL FACE VALUE OF FUTURE MINIMUM LEASE PAYMENTS in € K	31 Dec 2018	31 Dec 2017
Due within one year	23,804	22,951
Due within one and five years	33,648	27,921
Due in more than five years	10,210	3,659
	67,662	**54,531**

Of which operating lease arrangements account for:

D.71 | TOTAL FACE VALUE OF FUTURE MINIMUM LEASE PAYMENTS in € K	31 Dec 2018	31 Dec 2017
Due within one year	23,114	22,195
Due within one and five years	33,508	27,141
Due in more than five years	10,210	3,659
	66,832	**52,995**

Operating lease agreements relating to the financing of buildings exist for DECKEL MAHO Pfronten GmbH in an amount of € 12.1 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.

DMG MORI has other operating lease agreements amounting to € 0.9 million for machines at DECKEL MAHO Pfronten GmbH. The agreements contain purchase options upon expiry of the basic rental period.

At other group companies, lease agreements exist, especially for vehicle fleets, for a total of € 23.5 million. Lease agreements have also been concluded for machines, as well as for other equipment, factory and office 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 fifteen years.

There are no permanent subtenancy 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.

36. FINANCIAL INSTRUMENTS

At the balance sheet date, forward exchange contracts were held by the DMG MORI group primarily in USD, GBP, RUB and JPY. The nominal and fair values of derivative financial instruments existing at the balance sheet date are set out below: [→ D.72]

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 balance sheet 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.

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.

Since 1 January 2018, DMG MORI has been applying IFRS 9 to hedge accounting. In general, all hedging relationships in hedge accounting under IAS 39 can be continued under IFRS 9.

The DMG MORI group uses the "spot-to-spot" method. The effects from forward components are recognised in profit or loss. The application of IFRS 9 amendments only has immaterial effects on hedge accounting at DMG MORI.

On the reporting date, the DMG MORI group also had forward exchange contracts that do not meet the strict requirements of hedge accounting under IFRS 9, but effectively contribute towards hedging the financial risk in accordance with the principles of risk management. In order to hedge the foreign currency risks of monetary assets and liabilities recognised in the balance sheet, the DMG MORI group does not use any hedge accounting, as the underlying transactions gains and losses from the currency translation to be recognised in profit or loss under IAS 21 are disclosed in the income statement together with the gains and losses from the derivatives used as hedging instruments.

In the event that third parties do not fulfill their obligations arising from forward exchange contracts, as at the reporting date, the DMG MORI group had a deficit risk amounting to € 1,964 K (previous year: € 721 K).

As of the balance sheet date, existing forward exchange contracts in cash flow hedges with a nominal volume of € 27,123 K have a residual term of up to one year (previous year: € 25,214 K). The cash flows from these forward exchange contracts will eventuate within the next twelve months. For the most part, it must be assumed that these will be recognised as income in the profit and loss statement within the next twelve months. As of the balance sheet date, forward exchange contracts in cash flow hedges with a nominal volume of € 545 K had a remaining term of over one year (previous year: forward exchange contracts in cash flow hedges of € 461 K).

D.72	31 Dec 2018				31 Dec 2017	
in € K	Nominal value	Asset	Debt	Fair market value Total	Nominal value	Fair market value
Forward exchange contracts as cash flow hedges	27,668	238	318	-80	25,675	-232
Forward exchange contracts held for trading purposes	215,134	1,726	1,912	-186	172,741	-427
	242,802	**1,964**	**2,230**	**-266**	**198,416**	**-659**

In financial year 2018, expenses arising from the fair value recognition of financial instruments attributable to cash flow hedges in an amount of € -377 K (previous year: € 233 K) were allocated to equity and not recognised in the income statement and an amount of € 585 K (previous year: € 991 K) was removed from equity and recognised in revenue. Stand-alone forward exchange contracts were recognised in the income statement as exchange rate and currency profits or exchange rate and currency losses. During the financial year, forward exchange contracts did not lead to any hedge ineffectiveness (previous year: € -3 K). To measure the ineffectiveness underlying transactions in an amount of € 231 K (previous year: € 232 K) and hedging transactions in an amount of € 231 K (previous year: € 235 K) were used.

D.73 in € K	€ K
As of 1 January 2018 (before tax)	**-235**
Change in value of forward exchange contracts recognised in other comprehensive income	-377
Amount reclassified from hedging reserve to profit or loss (recycling)	585
As of 31 December 2018 (before tax)	**-27**

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 rivals. 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. [→ D.74 | D.75]

37. 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 on pages 64 seqq. in the 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 statements. In the DMG MORI group, both purchases

D.74 in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2018	Potential offsetting assets subject to global netting agreements 31 Dec 2018	Net amount 31 Dec 2018
Financial assets			
Forward exchange contracts	1,964	1,711	253
Financial liabilities			
Forward exchange contracts	2,230	1,711	519

D.75 in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2017	Potential offsetting assets subject to global netting agreements 31 Dec 2017	Net amount 31 Dec 2017
Financial assets			
Forward exchange contracts	721	721	0
Financial liabilities			
Forward exchange contracts	1,380	721	659

and sales are made in foreign currencies. To hedge currency risks arising from these activities within the DMG MORI group, forward exchange transactions are used. Derivative financial instruments are concluded and handled, based on binding internal guidelines defining scope, responsibilities, reporting and controls.

The group hedges at least 90 % of its estimated foreign exchange risks from contracted orders and expected acquisitions and disposals over the next 12 months. To hedge against the foreign exchange risk, forward exchange transactions with a maturity of less than one year from the date of the financial statement are used predominantly. Hedging transactions are only permitted with specified counterparties.

DMG MORI defines the existence of an economic relationship between the hedging instrument and the hedged item based on the currency, amount and timing of their respective cash flows. The hypothetical derivative method is used to assess whether the derivative designated in the hedging relationship is expected to be effective or has been effective with regard to changes in the hedged item's cash flows.

The main causes of ineffectiveness in these hedges are defaults on receivables, changes in the timing of hedged items or changes in hedged cash flows.

In the financial year, the following average hedging rates for our main currencies were used for derivatives in hedge accounting:

D.76 in €	Average hedging rates in 2018	Average hedging rates in 2017
USD	1.19	1.20
JPY	128.50	132.80
GBP	0.89	0.89

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 transactions. The fair values of the underlying transactions 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 net currency risk from transactions in € K for major currencies as at 31 December 2018 and 2017: [→ D.77]

The following table presents the possible impact of financial instruments on the reserve for derivatives or the other reserves in equity as well as the impact on earnings as of 31 December 2018 or 31 December 2017. The reserve for derivatives or the other reserves in equity and the fair value of forward exchange transactions with a hedge relationship would have been € 1,053 K higher (lower) (previous year: € 477 K higher (lower)), in the case the Euro had appreciated (depreciated) against the other significant currencies USD, GBP, RUB and JPY by 10 %. The results and fair value of forward exchange transactions without a hedging relationship would have been € 4,135 K lower (higher) (previous year: € 9,852 K higher (lower)). [→ D.78]

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 CFO.

As of 31 December 2018, the DMG MORI group has no net deficit, so that interest rate increases would present an opportunity for higher interest income. A 1% increase in interest rates pertaining to the portfolio at the reporting date would result in an increase in interest income of € 0.4 million (previous year: € 2.1 million). As this mainly relates to interest on current account overdrafts, we do not expect any material

D.77 | CURRENCY in € K	31.12.2018			31.12.2017		
	USD	JPY	GBP	USD	JPY	GBP
Currency risk from balance sheet items	1,716	-6,172	4,021	7,682	-1,791	3,168
Currency risk from pending transactions	9,084	-6,938	12,406	9,394	-6,872	5,375
Transaction-related currency items	10,800	-13,110	16,427	17,076	-8,663	8,543
Financially hedged item through derivatives	-10,819	10,892	-14,912	-16,226	8,165	-8,358
Open currency items	-19	-2,218	1,515	850	-498	185

D.78 in € K	Profit or loss		Net equity	
	Increase	Decrease	Increase	Decrease
31 December 2018				
USD (10 % change)	-3,571	3,571	291	-291
JPY (10 % change)	2,031	-2,031	-236	236
GBP (10 % change)	-117	117	926	-926
RUB (10 % change)	-2,478	2,478	72	-72
	-4,135	**4,135**	**1,053**	**-1,053**
31 December 2017				
USD (10 % change)	6,665	-6,665	644	-644
JPY (10 % change)	2,550	-2,550	-793	793
GBP (10 % change)	-239	239	475	-475
RUB (10 % change)	876	-876	151	-151
	9,852	**-9,852**	**477**	**-477**

effects on the portfolio at the reporting date, if the interest rate level continues to fall. Interest income would have fallen by € 106 K in the previous year, if the interest rate had fallen by 5 base points. As in the previous year, there would be no equity effects. The following table shows the nominal volumes of fixed and variable rate financial instruments:

D.79 in € K	Nominal volume	
	31 Dec 2018	31 Dec 2017
Fixed-rate instruments		
Financial assets	378,587	153,619
Financial liabilities	0	-36,567
	378,587	**117,052**
Variable-rate instruments		
Financial assets	152,681	329,786
Financial liabilities	-116,140	-118,555
	36,541	**211,231**

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. As this is not the case, fixed-rate instruments are not subject to interest-change risks as defined by IFRS 7. The fair value of forward exchange contracts is not altered significantly by changes in the interest rate.

The interest sensitivities are shown below:

D.80 in € K	Profit or loss	
	Increase by 100 base points	Decrease by 5 base points
31 December 2018		
Variable-rate instruments	365	0
Profit sensitivity (net)	**365**	**0**
31. Dezember 2017		
Variable-rate instruments	2,112	-106
Profit sensitivity (net)	**2,112**	**-106**

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 € 500.0 million with various banks as well as bilateral stand-by credits of € 5.9 million (previous year: € 43.1 million). The syndicated credit line is due in February 2022. Loan facilities have not been cancelled either in financial year 2018 or in the previous year. The financing agreements for the syndicated loan obligate the DMG MORI group to comply with customary covenants. We complied with the covenant as of 31 December 2018.

As of 31 December 2018, DMG MORI group has access to cash and cash equivalents amounting to € 152.7 million (previous year: € 363.4 million) and available lines of credit in the amount of € 209.9 million (previous year: € 206.5 million) and additional available credit lines (bank guarantees, bills of exchange and factoring) in the amount of € 205.1 million (previous year: € 230.9 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: [→ D.81]

This includes all instruments that were held as at 31 December 2018 and 31 December 2017 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 2018 and 31 December 2017 respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date. For the proportion of the financial assets from derivatives in the amount of € 238 K (previous year: € 110 K) as well as the proportion of liabilities from derivatives in the amount of € 318 K (previous year: € 342 K), which have been classified as cash flow hedges, it must be generally assumed that they will be recognised in the income statement in the next twelve months and thus will affect net income. [→ D.82]

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 debtors 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

D.81

in € K	Carrying amount 31 Dec 2018	Cash flows 2019		Cash flows 2020 – 2023		Cash flows 2024 et seq.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Liabilities to banks	0	0	0	0	0	0	0
Liabilities arising from lease arrangements	754	74	616	2	138	0	0
Discounted customers' bills of exchange	0	0	0	0	0	0	0
Trade creditors	434,272	0	434,272	0	0	0	0
Other financial liabilities	36,345	0	28,285	0	8,047	0	13
Subtotal	**471,371**	**74**	**463,173**	**2**	**8,185**	**0**	**13**
Liabilities from derivatives	2,230	0	2,223	0	7	0	0
	473,601	**74**	**465,396**	**2**	**8,192**	**0**	**13**

D.82

in € K	Carrying amount 31 Dec 2017	Cash flows 2018		Cash flows 2019 – 2022		Cash flows 2023 et seq.	
		Interest	Repayment	Interest	Repayment	Interest	Repayment
Liabilities to banks	36,567	576	1,530	519	35,037	0	0
Liabilities arising from lease arrangements	1,414	62	694	60	720	0	0
Discounted customers' bills of exchange	9,923	0	9,923	0	0	0	0
Trade creditors	379,201	0	379,201	0	0	0	0
Other financial liabilities	17,433	0	8,648	0	8,764	0	21
Subtotal	**444,538**	**638**	**399,996**	**579**	**44,521**	**0**	**21**
Liabilities from derivatives	1,380	0	1,380	0	0	0	0
	445,918	**638**	**401,376**	**579**	**44,521**	**0**	**21**

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.

The credit losses recognised for trade debtors are calculated based on experience with actual credit losses over the past three years. Credit risks within each group are segmented based on common default risk characteristics. For the companies, these are, for example, the credit risk assessment, e.g. based on overdue items and the geographical location.

Historical actual credit losses have been adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the group's view of the economic conditions over the expected life of the receivables. The scaling factors are based on historical trends and forecasts of gross domestic product (GDP), country risks and the long-term interest rate/base rate trend.

The underlying default rates for DMG MORI depending on the maturity (not overdue and overdue) of the trade debtors for which no specific allowances have been made and with no impaired credit history are shown in the table below: [→ D.83]

With regard to impairment, trade debtors from the DMG MORI CO. group are viewed as a separate item. In order to calculate impairment, the group uses the rating of DMG MORI COMPANY LIMITED and the maturities of the receivables.

In the financial year, expenses for the complete write-off of receivables totalled € 2,285 K (previous year: € 4,074 K). Further details on financial risk assessment can be found in the section "Opportunities and risk report" of the Group Management Report on page 64 et seq.

The expected credit losses, which may occur within twelve months of the reporting date resulting from possible loss events, are used to measure the impairments of other financial assets. Generally, other financial assets in the DMG MORI group have a low credit risk on the reporting date.

Cash and cash equivalents are deposited at banks or financial institutions, which have been rated A-1 to A-2 by the S&P rating agency. The allowance for cash and cash equivalents was calculated based on 12-month expected losses and reflects the short maturities.

At initial adoption of IFRS 9 on 1 January 2018, DMG MORI had recognised an impairment of € 2 K. As of 31 December 2018, this impairment amounted to € 1 K.

Within the DMG MORI group, cash deposits are managed and coordinated centrally by DMG MORI AKTIENGESELLSCHAFT. Financial contracts are only entered into with banks that have been 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.

No securities received or other credit enhancements existed in the financial year or previous year.

38. OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

The carrying amounts and fair value of financial assets and liabilities are shown in the table below [→ D.84]. The impact of initial adoption of IFRS 9 on the Consolidated Financial Statements is explained on page 94 seqq. of the Notes. Due to the group's decision to exercise the conversion option, comparative information has not been restated.

The table does not contain any information about the fair value of financial assets and liabilities that have not been measured at fair value, if the carrying amount is a reasonable

D.83

in € K	Default rate in %	Gross carrying amount of trade debtors	Impairment	Impaired credit history
Not overdue	0.01 – 0.10	330,911	164	no
Overdue	0.01 – 1.37	27,641	243	no
Total		**358,552**	**407**	

D.84

in € K	At amortised cost	At fair value through other comprehensive income (FVOCI)	At fair value through profit or loss (FVTPL)	No measurement category specified by IFRS 9 [2]	Total	Fair value 31 Dec 2018
	Valuation and fair value in accordance with IFRS 9					
Assets						
Financial assets [1]		5,636			5,636	5,636
Cash and cash equivalents	152,681				152,681	152,681
Trade debtors	94,467	265,146			359,613	359,613
Receivables from down payment invoices	33,260				33,260	33,260
Other receivables from related companies	370,635				370,635	370,635
Receivables from factoring	7,305				7,305	7,305
Other financial assets [3]	59,702				59,702	59,702
Derivative financial assets			1,726	238	1,964	1,964
	718,050	**270,782**	**1,726**	**238**	**990,796**	**990,796**
Equity and Liabilities						
Contract liability				23,422	23,422	23,422
Contract liability from down payment invoices				33,260	33,260	33,260
Trade creditors	287,386				287,386	287,386
Other financial liabilities to other related companies	146,886				146,886	146,886
Contingent consideration			3,882		3,882	3,882
Factoring liabilities	5,137				5,137	5,137
Liabilities from finance lease arrangements				754	754	754
Other financial liabilities	27,326				27,326	27,326
Derivative financial liabilities			1,912	318	2,230	2,230
	466,735	**0**	**5,794**	**57,754**	**530,283**	**530,283**

1) On the balance sheet, € 2,403 K is reported under investments and € 3,233 K under other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting, liabilities from finance lease arrangements, contract liability and contract liability from down payment invoices.
3) An explanation of the breakdown of other financial assets can be found on pages 121 et seqq.

approximation of fair value. Financial assets include investments classified as "available-for-sale" under IAS 39. Under IFRS 9, they are classified as "measured at fair value with changes in value recognised in other comprehensive income" (FVOCI). Trade debtors include receivables from third parties, other related parties, companies accounted for using the equity method and associated companies. Other receivables from other related parties are shown separately. The same disclosure applies to trade creditors (see page 133 et seqq.). Information on other financial assets and liabilities is shown in the tables on page 121 et seqq. as well as 132 et seqq.

For financial instruments accounted at fair value, the fair value is generally 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.

Financial assets are measured at fair value.

Fair value is determined using the discounted cash flow method, using estimated cash flows, 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.

Other financial assets include the fair value of an option on the purchase of shares in a company operating a solar park. The valuation model takes into account the cash value of expected payments, discounted at the risk-adjusted discount rate (WACC). The expected payments are determined by taking into account the possible scenarios for planned sales revenues (as a function of the market prices for electricity) and the EBIT. The main unobservable input factors used in 2018 are the risk-adjusted discount rate of 5.13 % (previous year: 4.60 %) and the expected annual sales revenue (between € 830 K and € 1,000 K) based on market prices for electricity and productivity (output).The estimated fair value would rise (fall), if the annual sales revenue (based on market prices) rose (fell); if the risk-adjusted discount rate was lower (higher); if the degradation was lower (higher).

D.85	Classifications and recognition on balance sheet under IAS 39				
in € K	Carrying amount 31 Dec 2017	Amortised cost	Fair value recognised in equity	Fair value through profit and lost	Fair value at 31 Dec 2017
Assets					
Financial assets	2,107	2,107			n/a
Cash and cash equivalents	363,405	363,405			363,405
Trade debtors	319,815	319,815			319,815
Other receivables	141,800	141,800			141,800
Receivables from factoring	8,945	8,945			8,945
Other financial assets	65,804	65,804			65,804
Other financial assets in the category					
Available for sale	3,200		3,200		3,200
Derivative financial assets					
Derivatives without hedge relation	611			611	611
Derivatives with hedge relation	110		110		110
Equity and Liabilities					
Liabilities to banks	36,567	36,567			37,187
Discounted customers' bills	9,923	9,923			9,923
Trade creditors	379,201	379,201			379,201
Factoring liabilities	47	47			47
Liabilities from finance leases	1,414	1,414			1,414
Other financial liabilities	17,386	17,386			17,386
Derivative financial liabilities					
Derivatives without hedge relation	1,038			1,038	1,038
Derivatives with hedge relation	342		342		342
Of which aggregated in measurement categories acc. to IAS 39:					
Loans and receivables	899,769	899,769			899,769
Assets in the category					
Available for sale	5,307	2,107	3,200		3,200
Derivatives held for trading	611			611	611
Derivatives in cash flow hedge	110		110		110
Liabilities in the category					
Measured at amortised cost	444,538	444,538			445,158
Derivatives held for trading	1,038			1,038	1,038
Derivatives in cash flow hedge	342		342		342

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 creditors 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 surcharge.

Fair Value Hierarchy

As of 31 December 2018, the group held the financial assets and liabilities presented in the following table and measured at fair value. [→ D.86]

The measurement and disclosure 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: Input data 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).

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. Financial assets include the fair value of an option to purchase shares in a company. The carrying amount was € 3,233 K (previous year: € 3,200 K). In the financial year, a net change in fair value was recognised in an amount of € 33 K (previous year: € 195 K) in other comprehensive income. Under IFRS 9, the group has classified the option to purchase shares in a company as FVOCI and allocated it to Level 3 (see page 140 for information on the valuation method). Under IAS 39, it was classified as "available-for-sale" and allocated to Level 3.

D.86 in € K	31 Dec 2018			31 Dec 2017		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Measured at fair value						
Financial assets (recognised in equity) [1]			5,636			
Trade debtors in FVOCI category [2]		263,979	1,436			
Other financial assets						3,200
Derivatives with hedge relationship (recognised in equity)		238			110	
Derivatives without hedge relationship (recognised in P&L)		1,726			611	
Financial liabilities						
Measured at fair value						
Financial debts					37,187	
Contingent consideration			3,882			4,573
Derivatives with hedge relationship (recognised in equity)		318			342	
Derivatives without hedge relationship (recognised in P&L)		1,912			1,038	

1) An amount of € 2,403 K is recognised on the balance sheet in investments and an amount of € 3,233 K (previous year: € 3,200 K) in other long-term financial assets.
2) Trade debtors in the FVOCI category that were classified at Level 3 are based on individual allowances.

With regard to the fair value of the contingent consideration of € 3,882 K (prior year: € 4,573 K), an increase / decrease of 1 % in the risk-adjusted discount rate would have resulted in a loss / gain of approximately € 100 K respectively. Fulfillment of the contingent consideration depends on defined key earnings figures (number of machines sold) and technological targets. If the contractual condition is met, payment is made in full; if the condition is not met, no payment is made. The net change in the fair value for the financial year amounts to € 691 K. Of this amount € 700 K was realised as income and a net change of € -9 K resulted in an unrealised net change.

A change considered possible for one of the key, non-observable input factors would, while retaining the other input factors, result in the following changes to the fair value of the option to purchase shares in a company:

D.87 | PROFIT OR LOSS
in € K

	Increase	Decrease
31 December 2018		
WACC (1.00 % change)	-469	557
Degradation (0.50 % change)	-292	303
Market price for electricity (0.50 % change)	272	-252

D.88 | PROFIT OR LOSS
in € K

	Increase	Decrease
31 December 2017		
WACC (1.00 % change)	-519	630
Degradation (0.50 % change)	-315	328
Market price for electricity (0.50 % change)	303	-276

The net income from financial instruments is shown below by measurement categories under IFRS 9: [→ D.89]

Net income from financial instruments by measurement categories was as follows for the previous year under IAS 39: [→ D.90]

Interests from financial instruments are recognised in interest results.

Value adjustments on trade debtors is recognised in other operating expenses. Interest results from financial liabilities in the measurement category "liabilities measured at amortised cost" mainly result from expenses for commission on guarantees and commitment fees.

NOTES ON THE CASH FLOW STATEMENT

39. CASH FLOW STATEMENT

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.

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 debtors and creditors, 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 2018, nor in the previous year.

The reconciliation between the change in liabilities from financing activities and in cash flow from financing activities is shown in the table below: [→ D.91]

Other changes in liabilities to related parties are mainly due to the profit transfer not yet paid to DMG MORI GmbH for financial year 2018 (€ 99,326 K) and tax allocation paid to DMG MORI GmbH in 2018 for financial year 2017 in an amount of € 30,017 K and also taxes charged to DMG MORI GmbH but not yet paid for financial year 2018 (€ 43,467 K) as a result of the tax allocation agreement. The other change (€ 3,971 K) was due to the increase in liabilities to related parties from operating activities.

The profit and loss transfer to DMG MORI GmbH for financial year 2017 resulted in a cash outflow of € 89,865 K in 2018, recognised in cash flow from financing activities.

D.89

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	From subsequent measurement: Allowance	2018
Assets in the category:					
At amortised cost	4,263	0	25,448	-418	29,293
Debt instruments – at fair value through other comprehensive income (FVOCI)			-2,292	-2,622	-4,914
Equity instruments – at fair value through other comprehensive income (FVOCI)		33			33
At fair value through profit or loss (FVTPL)		1,115			1,115
Liabilities in the category:					
At amortised cost	-6,592		-19,858		-26,450
At fair value through profit or loss (FVTPL)		-183			-183
Total	**-2,329**	**965**	**3,298**	**-3,040**	**-1,106**

D.90
IAS 39

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	From subsequent measurement: Allowance	From disposal	2017
Loans and receivables	3,597		10,517	-5,214	363	9,263
Assets in the category						
Available for sale		195			-15	180
Held for trading		-17				-17
Liabilities in the category						
Measured at amortised cost	-6,283		-14,180			-20,463
Held for trading		3,031				3,031
Total	**-2,686**	**3,209**	**-3,663**	**-5,214**	**348**	**-8,006**

D.91

in € K	Liabilities to banks	Liabilities from financial leasing arrangements	Liabilities to other related companies	Total
As at 01 January 2018	**36,567**	**1,414**	**207,132**	**245,113**
Changes in cash flow from financing activities				
Payments for repayment / borrowings of financial debts	-37,105	-660		-37,765
Transfer of profit to DMG MORI GmbH			-89,865	-89,865
Amounts received from changes in interests in subsidiaries			4,094	4,094
Total changes in cash flow from financing activities	**-37,105**	**-660**	**-85,771**	**-123,536**
Effects of changes in foreign exchange rates	538		-1,494	-956
Other changes			116,746	116,746
As at 31 December 2018	**0**	**754**	**236,613**	**237,367**

The profit and loss transfer to DMG MORI GmbH for financial year 2018 in an amount of € 99,326 K did not result in a cash outflow in 2018.

During the previous year, DMG MORI acquired a 50.1% interest in REALIZER GmbH. Between 2018 and 2020, three fixed and contractually agreed payments were made in return for the acquisition of the remaining 49.9% interest. The compensation for the acquisition of 100% of the shares amounted to € 14,687 K, € 4,500 K of which was paid in 2017. A cash amount of € 45 K was acquired and recognised in cash flow from investment activities in 2017. In January 2018, DMG MORI increased its interest in REALIZER GmbH to 75.1%. The purchase price for the acquisition of the additional shares in the amount of € 1,500 K was paid in 2018 and recognised in cash flow from investment activities.

The sale of the 19% interest in DMG MORI Manufacturing USA, Inc., to DMG MORI COMPANY LIMITED at a selling price of € 21,400 K in 2017 resulted in a cash inflow in 2018, which was recognised in cash flow from investment activities.

In financial year 2018, the € 120,000 K loan granted to DMG MORI GmbH by DMG MORI AKTIENGESELLSCHAFT in 2016 was increased by € 250,000 K to € 370,000 K. This loan increase was paid out in full in 2018 and recognised in cash flow from investment activities.

On 6 December 2018, GILDEMEISTER Beteiligungen GmbH acquired a 30% interest in INTECH DMLS Pvt. Ltd., Bangalore (India) at a selling price of € 8,004 K. This payment was recognised in cash flow from investment activities.

In financial year 2018, GILDEMEISTER Beteiligungen GmbH participated in the capital increases of the joint venture, DMG MORI HEITEC GmbH, Erlangen, in accordance with the articles of association. These payments in the amount of € 450 K were recognised in cash flow from investment activities.

In November 2018, GILDEMEISTER Beteiligungen GmbH acquired a 5% interest in STBO GmbH. This payment in the amount of € 300 K was recognised in cash flow from investment activities.

The payments from changes in ownership interests in subsidiaries relate to the planned sale of a 49% interest in DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China, to DMG MORI CO. Ltd., which is planned for financial year 2019 and which is under reservation of approval.

Joint ventures are 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

40. EXPLANATORY NOTES ON THE SEGMENTS

Within the scope of segment reporting, pursuant to the IFRS 8 regulations, the business activities of the DMG MORI group are categorised into the business segments of "Machine Tools", "Industrial Services" and "Corporate Services". Essential in the differentiation between the business segments is the information that the so-called "chief decisionmaker" 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 EBIT.

A tabular presentation as part of the notes can be found on page 88 et seq.

The "Machine Tools" segment includes the group's new machine business and consists of the Turning, Milling, Advanced Technologies (ULTRASONIC / LASERTEC / ADDITIVE MANUFACTURING) and Digital Solutions (previously Software Solutions). The growing importance and expansion of our digital competencies are reflected in this business unit's change of name.

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,
- 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,
- DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
- ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the ULTRASONIC- and LASERTEC-Machines of Advanced Technologies
- SAUER GmbH, Idar-Oberstein / Kempten,
- REALIZER GmbH, Borchen

and the products of
- DMG MORI SOFTWARE SOLUTIONS GmbH, Pfronten,
- ISTOS GmbH, Bielefeld,
- WERKBLIQ GmbH, Bielefeld.

All machines produced are classified as cutting machine tools, and all business segments are highly concurrent with each other. GILDEMEISTER Beteiligungen GmbH as the parent company of all production plants, and along with GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy, is also part of this segment. Additionally, the group's uniform IT is concentrated here.

The "Industrial Services" segment comprises both the Services and Energy Solutions segments.

The Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business operations of DMG MORI Vertriebs und Service GmbH , Bielefeld and its subsidiaries, as well as DMG MORI Management GmbH, Bielefeld, the operating management company of the group's Sales and Service sites. DMG MORI AKTIENGESELLSCHAFT manages the domestic market Germany, the EMEA region (Europe, Middle East, Africa) as well as the markets China and India. DMG MORI COMPANY LIMITED is responsible for its domestic market Japan, the USA and the other regions in Asia and the Americas.

In the Services division we combine our marketing activities and LifeCycle services for both our machines and DMG MORI COMPANY LIMITED. DMG MORI LifeCycle Services help our customers to optimise 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. Another area is the key accounting for major international customers, which is concentrated cross-region and cross-product.

The Energy Solutions division includes the business activities of GILDEMEISTER energy solutions GmbH and the companies responsible for sales and service in Italy and Spain. In this area, we focus on the following business sectors: Energy Efficiency and Service.

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.

41. EXPLANATORY NOTES ON SEGMENT DATA

The definition of terms used in individual segment information is in line with the management principle for the value-oriented corporate management of the DMG MORI 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. In order to assess the profitability of group segments, pro rata revenue for brokerage and consulting activities from the sale of machine tools are reclassified from the "Machine Tool" segment to the "Industrial Services" segment. Sales between the segments are made at standard market transfer prices.

Pursuant IFRS 3 "Business Combinations", existing goodwill was allocated to the segments as follows: goodwill is attributed to the "Machine Tools" segment amounting to € 57,073 K (previous year: € 57,073 K), to the "Industrial Services" segment in an amount of € 82,326 K (previous year: € 82,346 K), and to the "Corporate Services" segment in an amount of € 0 K as in the previous year. As in the previous year, no impairment of goodwill was recorded for the financial year.

Investments include additions to intangible assets, tangible fixed assets 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 reversal of provisions amounting to € 1,222 K (previous year: € 2,757 K) and impairment in the amount of € 843 K (previous year: € 2,965 K). EBT for the "Industrial Services" segment includes in the financial year income from the reversal of provisions amounting to € 1,840 K (previous year: € 5,084 K). Depreciation includes impairments of € 4,811 K (previous year: € 11,663 K), mainly relating to buildings. In the previous year, € 228 K in electricity income from solar parks was reported under revenue and € 1,682 K under other operating income. The "Corporate Services" segment includes € 633 K (previous year: € 633 K) in expenses from the scheduled amortisation of transaction costs for the syndicated credit line of DMG MORI AKTIENGESELLSCHAFT.

There were no significant non-cash expenses in the other two segments.

In financial year 2018 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. 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 2018, the region of "Rest of Europe" contains long-term assets in Italy in an amount of € 116,354 K (previous year: € 122,740 K) as well as in Russia in the amount of € 75,528 K (previous year: € 95,837 K). In the region of Europe, sales revenues with third parties were generated in an amount of € 257,682 K (previous year: € 251,872 K) as well as in Russia in the amount of € 129,988 K (previous year: € 64,628 K).

OTHER EXPLANATORY NOTES

42. AUDITOR'S FEES AND SERVICES

The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was commissioned to audit the Annual and the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT and the companies included in the Consolidated Financial Statements.

The fees and charges for the services provided by the annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, recognised as expenses in financial year 2018, relate to € 1,750 K (previous year: € 1,520 K) for annual audit services and other assurance services of € 273 K (previous year: € 174 K). These also include tax advisory services amounting to € 175 K (previous year: € 153 K) and other services amounting to € 253 K (previous year: € 748 K).

Only services that are consistent with the engagement as auditor of the Annual and the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT were provided.

The auditing services mainly related to audits of the Annual and Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT and various annual and IFRS Reporting Package audits of its subsidiaries for inclusion in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT, including statutory extensions and audit focus areas agreed with the Supervisory Board.

The audit also included audit reviews of quarterly and half-year reports and project-related, accounting ICS and IT audits. Other assurance services relate to the audit of the Compliance Management System and statutory or contractual audits, such as e.g. confirmation of compliance with covenants or the EMIR audit in accordance with Section 20 WpHG (Securities Trading Act). Tax advisory services included support services relating to transfer pricing system issues and VAT advice on individual tax matters. Other services relate to training on current accounting developments, advisory services regarding initial application of new accounting standards and quality assurance support services. Project-related quality assurance services mainly relate to internal control system documentation prepared by DMG MORI AKTIENGESELLSCHAFT in accordance with J-SOX and to the Tax Compliance System.

43. EVENTS OCCURRING AFTER THE REPORTING DATE

No significant events occurred after the reporting date. With effect from 1 April 2019, Dr. Maurice Eschweiler will leave the Executive Board and take up his position as Chief Representative of DMG MORI AKTIENGESELLSCHAFT. No other events occurred before the financial statements were authorised for issue by the Executive Board on 11 March 2019.

44. RELATED PARTY DISCLOSURES

Related companies and 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 remuneration and pension plans, these related parties were not involved in any significant or unusual transactions with companies of the DMG MORI group. All transactions with related companies have been carried out under normal market conditions, as between external third parties.

DMG MORI Finance GmbH and Magnescale Co. Ltd. are considered as associates. The financial year of Magnescale Co. Ltd. and its subsidiaries is, as is the case for the other significant consolidated companies of DMG MORI COMPANY LIMITED, in line with the reporting period of 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 DMG MORI COMPANY LIMITED, Nara (Japan), the ultimate parent company within the DMG MORI group.

In financial year 2018, the € 120,000 K loan granted to DMG MORI GmbH by DMG MORI AKTIENGESELLSCHAFT in 2016 was increased by € 250,000 K to € 370,000 K. This loan increase was paid out in full in 2018. Interest is charged at a market rate of 1.00 %.

A domination and profit transfer agreement exists between DMG MORI GmbH, Bielefeld, a wholly owned subsidiary of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT and became effective on 24 August 2016. Furthermore, with effect from 1 January 2017, a tax allocation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The profit transfer to DMG MORI GmbH for financial year 2018 amounted to € 99,326 K (previous year: € 89,865 K). The tax debited by DMG MORI GmbH as a result of the tax allocation agreement amounted to € 43,467 K (previous year € 30,017 K).

In the reporting year, allowances and provisions were made for doubtful accounts relating to outstanding balances with other related parties in an amount of € 615 K (previous year: € 683 K). In financial year 2018, expenses were recognised for uncollectible or doubtful accounts from other related parties and persons in an amount of € 8 K (previous year: € 470 K). No expenses were recognised for uncollectible or doubtful accounts from jointly controlled companies.

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 using the straight-line method from the date of being put to use.

The following transactions were carried out with related companies:

D.92 | GOODS AND SERVICES RENDERED in € K	2018	2017
Associates	116,402	107,287
DMG MORI COMPANY LIMITED	315,313	147,107
Other related companies	25,925	113,409

D.93 | GOODS AND SERVICES RECEIVED in € K	2018	2017
Associates	10,319	8,958
DMG MORI COMPANY LIMITED	310,184	259,288
Other related companies	86,886	108,783

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 related companies is shown under the corresponding notes on the balance sheet items. The balances are normally settled within a three month period. No guarantees and securities were granted to or received by related companies.

Detailed disclosures on the remuneration structure for members of the Executive and Supervisory Boards can be found in the remuneration report on pages 28 seqq. of the Management Report. The management in key positions comprises the members of the Executive and Supervisory Boards.

Remuneration is explained in the section on employee expenses (page 114 et seq.); note that indirect remuneration includes benefits after the end of the employment relationship, LTI and other long-term benefits and all other remuneration components include short-term benefits.

45. STATUTORY 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.

46. CORPORATE GOVERNANCE

The declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and the Corporate Governance Report was made in November 2018 and has been made permanently accessible on our website at:

→ **en.dmgmori-ag.com/corporate-communications/corporate-governance**

47. SHAREHOLDER STRUCTURE

As per its last voting right notification on 6 April 2016, DMG MORI COMPANY LIMITED, Nara (Japan) held an indirect voting share of 76.03 % in the share capital of DMG MORI AKTIENGESELLSCHAFT. In addition, Paul Singer held 8.11 % of share capital through affiliated companies as per their last voting rights notification on 4 January 2019.

DMG MORI Group Companies

D.94 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,866	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			83,427	100.0
SAUER GmbH, Stipshausen/Idar-Oberstein [3/4/7/8]			12,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			2,629	100.0
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			28	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/5/6]			24,000	100.0
GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy [5]			92,130	100.0
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			37,252	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			36,311	100.0
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			2,162	100.0
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [9]			10,179	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			43,000	100.0
DMG MORI Software Solutions GmbH, Pfronten [3/4/5/6]			1,100	100.0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0
ISTOS GmbH, Bielefeld [3/5/6]			1,000	85.0
Ulyanovsk Machine Tools ooo, Ulyanovsk, Russia [5]	RUB K	7,626,367	95,670	100.0
REALIZER GmbH, Borchen [3/4/5]			-261	75.1
WERKBLiQ GmbH, Bielefeld [3/5/6]			-1,180	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			287	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			174	100.0
DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3]			398,646	100.0
DMG MORI Management GmbH, Bielefeld [3/4/10/11]			24	100.0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0
DMG MORI München GmbH, Munich [3/4/12/13]			5,000	100.0
DMG MORI Hilden GmbH, Hilden [3/4/12/13]			4,200	100.0
DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13]			2,800	100.0
DMG MORI Berlin Hamburg GmbH, Bielefeld [3/4/12/13]			5,500	100.0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13]			2,700	100.0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13]			7,000	100.0
DMG MORI Services GmbH, Bielefeld [3/10/11]			29,635	100.0
DMG MORI Global Service Turning GmbH, Bielefeld [3/4/14/15]			1,700	100.0
DMG MORI Global Service Milling GmbH, Pfronten [3/4/14/15]			3,500	100.0
DMG MORI Academy GmbH, Bielefeld [3/4/14/15]			4,000	100.0
DMG MORI Used Machines GmbH, Geretsried [3/4/14/15]			17,517	100.0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10]			566,630	100.0
antiquitas Verwaltungsgesellschaft mbH, Klaus, Austria [16]			8,495	100.0
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [16]	CHF K	534,842	474,613	100.0
DMG MORI Europe AG, Winterthur, Switzerland [17]			106,316	100.0
DMG MORI Schweiz AG, Winterthur, Switzerland [18]	CHF K	33,705	29,910	100.0
DMG MORI Balkan GmbH, Klaus, Austria [17]			1,994	100.0
DMG MORI Austria GmbH, Klaus, Austria [19]			16,744	100.0

D.94 | PPRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota
			in € K	in %
DMG MORI Netherlands B.V., Veenendaal, Netherlands [17]			7,085	100.0
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [17]			4,205	100.0
DMG MORI Czech s.r.o., Brno, Czech Republic [17]	CZK K	308,123	11,978	100.0
DMG MORI DENMARK ApS, Copenhagen, Denmark [17]	DKK K	22,121	2,962	100.0
DMG MORI FRANCE SAS, Paris, France [17]			18,268	100.0
DMG MORI Hungary Kft., Budapest, Hungary [17]			7,510	100.0
DMG MORI IBERICA S.L., Ripollet, Spain [17]			13,313	100.0
DMG MORI Italia S.r.l., Milan, Italy [17]			47,261	100.0
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [17]	AED K	10,174	2,419	100.0
DMG MORI Israel Ltd., Tel Aviv, Israel [17]	ILS K	0	0	100.0
DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [17]	PLN K	56,487	13,132	100.0
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [17]			808	100.0
DMG MORI Sweden AB, Gothenburg, Sweden [17]	SEK K	101,884	9,935	100.0
DMG MORI NORWAY AS, Langhus, Norway [17]	NOK K	10,640	1,069	100.0
DMG MORI Finland Oy Ab, Tampere, Finland [17]			2,794	100.0
DMG MORI UK Limited, Luton, Great Britain [17]	GBP K	24,359	27,231	100.0
DMG MORI ROMANIA S.R.L., Bukarest, Romania [17]	RON K	24,298	5,210	100.0
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [17]	BGN K	1,192	609	100.0
DMG MORI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [17]	TRY K	23,777	3,924	100.0
DMG MORI Rus ooo, Moscow, Russia [17]	RUB K	3,483,489	43,699	100.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	10	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	10	100.0
DMG MORI Africa for Trading in Machines & Services (S.A.E.), Cairo, Egypt [20]	EGP K	12,709	620	100.0
DMG America Inc., Itasca, USA [17]	USD K	42,002	36,683	100.0
DMG MORI Asia Pte. Ltd., Singapore [17]			24,392	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [17]	CNY K	41,452	5,264	100.0
DMG MORI India Private Limited, Bangalore, India [17]	INR K	460,795	5,779	51.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [17]	CNY K	82,932	10,518	100.0
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [17]	PLN K	480,163	111,630	100.0
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	74,044	9,402	100.0

D.94 | PPRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
GILDEMEISTER energy solutions GmbH, Würzburg [3/4/10/11]			9,100	100.0
GILDEMEISTER energy efficiency GmbH, Stuttgart [21]			-847	60.0
GILDEMEISTER ENERGY SERVICES IBERICA, S.L., Madrid, Spain [21]			-280	100.0
GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [21]	TRY K	665	110	100.0
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [21]			10	51.0
GILDEMEISTER LSG Solar Australia Pty Ltd., Brisbane, Australia [22]	AUD K	4,318	2,662	100.0
GILDEMEISTER LSG Solar RUS OOO, Moscow, Russia [22]	RUB K	270,626	3,395	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [21]			1,913	100.0
GILDEMEISTER ENERGY Services UK Ltd., Manchester, Great Britain [21]	GBP K	7	8	100.0
Associates				
DMG MORI HEITEC GmbH, Erlangen [5]			737	50.0
DMG MORI Finance GmbH, Wernau			23,124	42.6
INTECH DMLS Pvt. Ltd., Bangalore, India [5]	INR K	-114,338	-1,434	30.0
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	8,081,000	312,611	44.1
Magnescale Europe GmbH, Wernau [23]			2,800	44.1
Magnescale Americas, Inc., Davis, USA [23]	USD K	1,080	943	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) with profit and loss transfer and control agreement with DMG MORI AKTIENGESELLSCHAFT
3) T he 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) with profit and loss transfer and control agreement with GILDEMEISTER Beteiligungen GmbH
7) equity investment of DECKEL MAHO Pfronten GmbH
8) with profit and loss transfer and control agreement with DECKEL MAHO Pfronten GmbH
9) equity investment of GILDEMEISTER Partecipazioni S.r.l.
10) equity investment of DMG MORI Vertriebs und Service GmbH
11) with profit and loss transfer and control agreement with DMG MORI Vertriebs und Service GmbH
12) equity investment of DMG MORI Deutschland GmbH
13) with profit and loss transfer and control agreement with DMG MORI Deutschland GmbH
14) equity investment of DMG MORI Services GmbH
15) with profit and loss transfer and control 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 Balkan GmbH
20) subsidiary of DMG Egypt for Trading in Machines Manufactured LLC (51 %), DMG MORI Sales and Service Holding AG (47.7 %) and Mori Seiki Egypt for Trading in Machines & Equipments LLC (1.3 %)
21) equity investment of GILDEMEISTER energy solutions GmbH
22) equity investment of GILDEMEISTER LSG Beteiligungs GmbH
23) subsidiary of Magnescale Co. Ltd.

Corporate Directory

Supervisory Board

Dr. Eng. Masahiko Mori
Nara, born 1961
Chairman (as of 4 May 2018),
President of DMG MORI
COMPANY LIMITED, Nara

Mario Krainhöfner
(Employee representative)
Pfronten, born 1964
1st Deputy Chairman (as of 4 May 2018),
Head of Idea Management at
DECKEL MAHO Pfronten GmbH

Ulrich Hocker
Düsseldorf, born 1950
Deputy Chairman,
Attorney and President of Deutsche
Schutzvereinigung für Wertpapierbesitz e.V.,
› FERI AG, Bad Homburg, Deputy Chairman of the Supervisory Board
• Phoenix Mecano AG, Stein am Rhein, Switzerland, Member of the Board of Directors, Independent Lead Director

Stefan Stetter
(Employee representative)
Pfronten, born 1968
Deputy Chairman (as of 4 May 2018),
(Member since 4 May 2018)
Division Manager Controlling of
DECKEL MAHO Pfronten GmbH
Senior Executives' representative

Irene Bader
Feldafing, born 1979
Director Global Marketing at
DMG MORI Global Marketing GmbH, Wernau
Executive Officer of
DMG MORI COMPANY LIMITED, Nara

Prof. Dr.-Ing. Berend Denkena
Wedemark, born 1959,
Managing Director of the Institute of
Production Engineering and Machine
Tools (IFW) at Leibniz University Hanover

Tanja Fondel
(Employee representative)
Frankfurt/Main, born 1976
(Member since 19 January 2018)
Union Secretary, IG Metall
Management Board, Frankfurt/Main
› GRAMMER AG, Amberg, Member of the Supervisory Board

Dietmar Jansen
(Employee representative)
Memmingen, born 1965
1st Director (Managing Director)
and Treasurer of the IG Metall office Allgäu
• AGCO GmbH, Marktoberdorf, Deputy Chairman of the Supervisory Board
› ENGIE Deutschland AG, Berlin, Member of the Supervisory Board

Prof. Dr. Annette G. Köhler, M.A.
Düsseldorf, born 1967
Professor & Chair of the Accounting,
Auditing & Controlling Department at the
University of Duisburg-Essen
› UniCredit Bank AG, Munich, Member of the Supervisory Board
› Villeroy & Boch AG, Mettlach, Member of the Supervisory Board
• DKSH Holding AG, Zurich, Member of the Board of Directors

James Victor Nudo
Illinois (USA), born 1954
(Member since 4 May 2018)
President of DMG MORI USA INC., Chicago
Executive Officer of
DMG MORI COMPANY LIMITED, Tokyo

Larissa Schikowski
(Employee representative)
Pfronten, born 1969
(Member since 4 May 2018)
Chairwoman of the General Works Council
of DMG MORI Global Service Milling GmbH,
Service Development employee of
DMG MORI Global Service Milling GmbH

Michaela Schroll
(Employee representative)
Bielefeld, born 1976
(Member since 4 May 2018)
Member of the Works Council of
GILDEMEISTER Drehmaschinen GmbH
Electrician in the Installation Department at
GILDEMEISTER Drehmaschinen GmbH

Former Supervisory Board Members:

Prof. Dr.-Ing. Raimund Klinkner
Gräfelfing, born 1965
(Chairman until 4 May 2018)
Managing Partner of the
INSTITUTE FOR MANAGEMENT
EXCELLENCE GmbH
› Koenig & Bauer AG, Würzburg, Member of the Supervisory Board
• Terex Corporation, Westport, Connecticut, USA, Member of the Board of Directors
• ebm-pabst Mulfingen GmbH & Co. KG, Mulfingen, Member of the Advisory Board

Hermann Lochbihler
(Employee representative;
1st Deputy Chairman and Senior Executives'
representative until 4 May 2018)
Vils, born 1956
Director of Purchasing Special Projects
of DECKEL MAHO Pfronten GmbH
(until 31 May 2018)

Matthias Pfuhl
(Employee representative;
member until 4 May 2018)
Schmerbach, born 1960
Supply technician,
Member of the Works Council of
DECKEL MAHO Seebach GmbH
(until 13 April 2018)

Peter Reinoss
(Employee representative;
member until 4 May 2018)
Bergisch Gladbach, born 1958
Service technician electronics,
Chairman of the Joint Works Council of
DMG MORI Services GmbH and
DMG MORI Deutschland GmbH,
Chairman of the General Works Council
of DMG MORI Academy GmbH

› Supervisory mandate as per § 100 AktG
• Membership in comparable domestic and foreign control bodies of business enterprises

Executive Board

Dipl.-Kfm. Christian Thönes
Bielefeld
Chairman

Dipl.-Kfm. Björn Biermann
Bielefeld

Dipl.-Kfm. Dr. Maurice Eschweiler
Bielefeld

Michael Horn, M.B.A.
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 results of operations, financial position and net worth of the group, and the group business 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, 11 March 2019
DMG MORI AKTIENGESELLSCHAFT
The Executive Board

Dipl.-Kfm. Christian Thönes | Dipl.-Kfm. Björn Biermann | Dipl.-Kfm. Dr. Maurice Eschweiler | Michael Horn, M.B.A.

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To DMG MORI AKTIENGESELLSCHAFT, Bielefeld

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2018, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, for the financial year from January 1 to December 31, 2018. In accordance with German legal requirements we have not audited the content of the Group's corporate governance statement, which is included in the "Group Business Profile" section of the group management report and marked as unaudited.

In our opinion, on the basis of the knowledge obtained in the audit,

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and

› the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the group corporate governance statement mentioned above.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

› **Revenue recognition cut-off**

For information on the accounting principles applied, please see the disclosures in Section 3 "Accounting and valuation principles" and Section 6 "Revenue" in the notes to the consolidated financial statements.

The Financial Statement Risk

DMG MORI AKTIENGESELLSCHAFT recognized revenue of EUR 2,655.1 million in the consolidated income statement. Revenue is a significant financial and performance indicator. Revenue is generated mainly from the sale of goods and the provision of services.

In the DMG MORI AG Group, revenue is recognized when it fulfils a performance obligation through the transfer of a promised asset to a customer. An asset is considered transferred at the time when the customer obtains control of that asset. In line with the transfer of control, revenue is to be recognized either at a point in time or over time in the amount to which DMG MORI AG expects to be entitled.

DMG MORI AG has determined based on the following indicators that the performance obligation is fulfilled at the time the goods are transferred to the customer, and thus that revenue is recognized at a point in time:

› DMG MORI AG has a current entitlement to receive payment for the asset,

› The customer has legal title to the asset,

› DMG MORI AG has transferred physical possession of the asset,

› The significant risks and rewards of ownership of the asset have been transferred to the customer.

› The customer has accepted the asset.

› The Group's key markets are in Germany and Europe.

For global supplies of goods, agreements are made by the group entities with customers, with some of these agreements containing complex contractual provisions.

Owing to the use of varied contractual provisions in the different markets and the judgments involved in determining and assessing the indicators to evaluate the time at which control is transferred, there is the risk for the financial statements that revenue is incorrectly recognized as of the reporting date.

Our Audit Approach

In order to assess whether revenue is recognized on an accrual basis, we assessed the design, setup and effectiveness of internal controls relating to order acceptance, outgoing goods and invoicing, in particular the determination and verification of the correct or actual transfer of control.

Owing to the initial application of IFRS 15, a focus for our audit was defined as the evaluation of management's interpretation and weighting of indicators to assess the time at which control is transferred. To this end, we assessed the requirements of the group-wide accounting policy. Based on a representative selected sample of contracts and a risk-based selection of contracts, we assessed the proper implementation of the accounting policy.

Furthermore, by means of control-based and substantive procedures, we assessed revenue recognition cut-off through methods including reconciling invoices with the related orders, external delivery or performance records and incoming payments. We also inspected revenue entries for a fixed period before the closing date that are based on complex international trade clauses and thus constitute a greater risk as concerns revenue recognition cut-off. The agreed-upon procedures focused on revenue entered in the period from January 1 to December 31, 2018, as well as for a specific period after the reporting date, selected based on a statistical technique either randomly or according to risk criteria.

Revenue recognition cut-off was also assessed by obtaining third-party confirmations. This assessment focused on trade receivables as of December 31, 2018, selected based on a statistical technique either randomly or according to risk criteria, and thus also the associated revenue for financial year 2018.

Our Observations

DMG MORI Group's procedure for revenue recognition cut-off is appropriate.

› Impairment testing of goodwill

Please refer to Section 3 of the notes to the consolidated financial statements for information on the accounting and valuation principles applied and the assumptions used. Disclosures on the amount of goodwill can be found under Section 3 of the notes and information on the economic development of the Machine Tools and Industrial Services operating segments can be found in Section 40 of the group management report.

The Financial Statement Risk

Goodwill amounted to EUR 139.4 million in total as of December 31, 2018, representing 12 % of Group equity and thus having a quite significant influence on the Company's financial position.

Impairment of goodwill is tested annually at the level of the Machine Tools and Industrial Services business segments. For this purpose, the carrying amount of goodwill for the respective business segment is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount of the respective goodwill, there is a need for impairment. The recoverable amount is the higher of fair value less costs to sell and value in use of the business segment. The reporting date for the impairment test is December 31, 2018.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgment. These include the expected business and earnings development of the business segments for the next three years, the assumed long-term growth rates and the discount rate used.

According to the German Machine Tool Builders' Association (VDW) and British economic research institute Oxford Economics, the global market for machine tools was positive overall in 2018. Adjusted for currency effects, global consumption of machine tools increased by +5.2 % on a euro basis, but displayed the first signs of a slowing momentum (April forecast: +6.1 %). Growth for the global machine tool market in 2019 is again expected to be significantly weaker than the prior year, with an increase of +3.6 %.

Based on the impairment tests conducted, DMG MORI AG did not identify any need to recognize impairment losses. The Company's sensitivity analysis showed that a reasonably possible change in the discount rate, earnings performance or the long-term growth rates would not cause impairment in any business segment, as the carrying amount of the respective goodwill is below the respective recoverable amount even in the respective scenarios analyzed.

There is the risk for the consolidated financial statements that impairment existing as at the reporting date was not identified. There is also the risk that the related disclosures in the notes on IAS 36 are not appropriate.

Our Audit Approach

With the involvement of our valuation experts, we assessed the appropriateness of the key assumptions and calculation methods of the Company, among other things. For this purpose, we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts and the budget prepared by the Executive Board and approved by the Supervisory Board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations. We compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing these with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate. This also included an assessment of the appropriateness of disclosures in the notes in accordance with IAS 36.134(f) on sensitivity in the event of a reasonably possible change in key assumptions used for measurement.

Our Observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and parameters used for measurement are appropriate.

The related disclosures in the notes are appropriate.

› Impairment of shares in equity-accounted investees

For information on the accounting policies applied, please refer to Section 3 "Accounting and valuation principles" in the notes to the consolidated financial statements. The assumptions underlying measurement are described in Section 22 of the notes to the consolidated financial statements, "Shares in equity-accounted investees".

The Financial Statement Risk

DMG MORI AKTIENGESELLSCHAFT recognizes shares in equity-accounted investees amounting to EUR 58.9 million in the consolidated financial statements as of December 31, 2018. No impairment losses on the shares in equity-accounted investees of DMG MORI AKTIENGESELLSCHAFT were recognized in financial year 2018.

DMG MORI AKTIENGESELLSCHAFT examines whether there are any indications of impairment at each reporting date and, if such an indication is identified, determines the potential impairment loss. To test for a potential need for impairment, the recoverable amount for the equity-accounted investees is determined by DMG MORI AKTIENGESELLSCHAFT. The identification of indications of impairment and the determination of the recoverable amount are complex and subject to judgments. The recoverable amount is determined based on budgeted future earnings development of the respective equity-accounted investees. Projecting future earnings involves assumptions being made about the anticipated future price and volume increases to generate income as well as the development of expenses. Arriving at an appropriate assessment of assumptions and their consideration for the determination of the recoverable amount is therefore subject to risk. Moreover, future earnings are discounted proportionally to the reporting date. Various assumptions and parameters are incorporated into the discount rate. Arriving at an appropriate determination of the assumptions and parameters for an appropriate discount rate is thus also subject to risk.

There is an overall risk for the financial statements that shares in equity-accounted investees are impaired.

Our Audit Approach

We initially referred to explanations of employees of the accounting and tax department and Group controlling and assessed documentation to obtain an understanding of the Company's process for impairment testing equity-accounted investees. In doing so, we thoroughly examined the Company's approach to determining the need to recognize impairment losses and, based on the information obtained in the course of our audit, assessed whether there were indications of impairment that had not been identified by the Company.

With the involvement of our valuation specialists, we then assessed the appropriateness of the significant assumptions and the valuation model for the business valuations carried out by the Company. For this purpose we assessed the expected cash flows and the assumed long-term growth rates. We also reconciled this information with other internally available forecasts. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations.

We compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data. In order to take account of forecast uncertainty, we also investigated the impact of potential changes to the discount rate and the expected cash inflows on the fair value (sensitivity analysis), by calculating alternative scenarios and comparing these with the Company's measurement figures. To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

Our Observations

The approach used for impairment testing of shares in equity-accounted investees is appropriate and in line with the accounting policies. The Company's assumptions, estimates and parameters are appropriate.

Other Information

Management is responsible for the other information. The other information comprises:

› the Group's corporate governance statement and

› the remaining parts of the annual report, with the exception of the audited consolidated financial statements and group management report and our auditor's report.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

› is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

› otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

› Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

› Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

› Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on May 4, 2018. We were engaged by the Supervisory Board on November 26/29, 2018. Taking into account the transitional provision of Article 41 (1) of the EU Audit Regulation, we have been the group auditor of DMG MORI AKTIENGESELLSCHAFT without interruption for more than 25 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Hendrik Koch.

Bielefeld, March 11, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft

Koch	Dübeler
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Multiple Year Overview

D.95 | DMG MORI GROUP		IFRS							
		2012*	2013	2014	2015	2016	2017	2018	Changes against previous year in %
Sales revenues	**€ K**	**2,037,362**	**2,054,219**	**2,229,013**	**2,304,721**	**2,265,709**	**2,348,451**	**2,655,128**	13
Domestic	€ K	722,126	676,483	779,218	762,079	737,069	712,094	821,499	15
International	€ K	1,315,236	1,377,736	1,449,795	1,542,642	1,528,640	1,636,357	1,833,629	12
% International	%	65	67	65	67	67	70	69	
Total work done	**€ K**	**2,055,065**	**2,060,978**	**2,262,302**	**2,351,957**	**2,262,352**	**2,367,881**	**2,667,935**	**13**
Cost of materials	€ K	1,129,323	1,086,677	1,190,026	1,211,417	1,157,498	1,263,576	1,480,102	17
Personnel costs	€ K	440,408	465,232	506,145	545,457	571,971	550,655	595,897	8
Depreciation	€ K	40,913	46,345	49,883	57,181	65,720	72,833	63,729	-12
Financial result	€ K	-13,740	-13,449	-7,892	30,763	-10,507	-5,248	-5,735	9
Earnings before taxes	**€ K**	**120,097**	**135,014**	**175,313**	**217,261**	**94,120**	**176,382**	**214,786**	**22**
Annual profit / loss	**€ K**	**82,359**	**93,205**	**121,065**	**159,585**	**47,484**	**118,363**	**149,530**	**26**
Adjusted results									
EBITDA	**€ K**	**173,828**	**193,944**	**232,512**	**243,039**	**169,666**	**252,978**	**280,862**	**11**
EBIT	**€ K**	**132,915**	**147,599**	**182,629**	**185,858**	**103,946**	**180,145**	**217,133**	**21**
EBT	**€ K**	**120,097**	**135,014**	**175,313**	**217,261**	**94,120**	**176,382**	**214,786**	**22**
Profit share of shareholders in DMG MORI AG	**€ K**	**77,294**	**85,077**	**110,575**	**149,396**	**44,820**	**117,442**	**148,257**	**26**
Fixed assets	**€ K**	**500,697**	**718,447**	**810,927**	**742,773**	**749,526**	**677,948**	**686,506**	**1**
Intangible assets	€ K	184,598	192,817	213,981	209,911	195,276	190,681	190,372	
Tangible assets	€ K	263,174	317,341	395,232	463,733	486,370	440,005	434,880	
Financial assets	€ K	52,925	208,289	201,714	69,129	67,880	47,262	61,254	
Current assets incl. deferred tax and deferred income	**€ K**	**1,117,800**	**1,291,598**	**1,418,882**	**1,541,102**	**1,589,652**	**1,563,350**	**1,753,993**	**12**
Inventories	€ K	486,259	483,840	495,297	522,259	505,041	547,662	625,381	
Receivables incl. deferred tax assets + prepaid expenses	€ K	458,213	436,609	490,589	466,716	687,886	652,283	975,931	
Cash and cash equivalents	€ K	173,328	371,149	432,996	552,127	396,725	363,405	152,681	
Equity	**€ K**	**775,355**	**1,164,441**	**1,266,151**	**1,357,474**	**1,187,663**	**1,164,618**	**1,197,688**	**3**
Subscribed capital	€ K	151,744	200,234	204,927	204,927	204,927	204,927	204,927	
Capital provisions	€ K	257,177	480,383	498,485	498,485	498,485	498,485	498,485	
Retained earnings and other reserves	€ K	281,825	389,442	427,982	507,487	444,346	458,095	489,823	
Non-controlling equity interests	€ K	84,609	94,382	134,757	146,575	39,905	3,111	4,453	
Outside capital	**€ K**	**843,142**	**845,604**	**963,658**	**926,401**	**1,151,515**	**1,076,680**	**1,242,811**	**15**
Provisions	€ K	254,371	258,984	276,644	293,830	305,122	286,199	323,103	
Liabilities + deferred income	€ K	588,771	586,620	687,014	632,571	846,393	790,481	919,708	
Balance Sheet total	**€ K**	**1,618,497**	**2,010,045**	**2,229,809**	**2,283,875**	**2,339,178**	**2,241,298**	**2,440,499**	**9**
Employees (annual average)		6,149	6,410	6,815	7,034	7,102	6,637	6,933	
Employees (31 Dec)		6,267	6,497	6,918	7,142	6,964	6,742	7,107	
Trainees		229	225	248	320	318	359	396	
Total employees		**6,496**	**6,722**	**7,166**	**7,462**	**7,282**	**7,101**	**7,503**	

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

D.95 | DMG MORI GROUP		IFRS							
		2012*	2013	2014	2015	2016	2017	2018	Changes against previous year in %
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	6.5	7.2	8.2	8.1	4.6	7.7	8.2	6
Profit on sales (EBT) = EBT / Sales revenues	%	5.9	6.6	7.9	9.4	4.2	7.5	8.1	8
Profit on sales (Annual result) = Annual result / Sales revenues	%	4.0	4.5	5.4	6.9	2.1	5.0	5.6	12
Equity return = Annual result / Equity (as of 1 Jan)	%	12.6	12.0	10.4	12.6	3.5	9.8	12.8	31
Return on total assets = EBT + interest on borrowed capital / average total assets	%	9.2	8.1	8.8	10.1	4.6	8.1	9.6	19
ROI – Return on Investment = EBT / average total capital	%	8.0	7.4	8.3	9.6	4.1	7.7	9.2	19
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	331.3	320.5	327.1	327.7	319.0	353.8	383.0	8
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	21.6	23.0	26.8	26.4	14.6	27.1	31.3	15
ROCE – Return on capital employed = EBIT / Capital Employed	%	15.3	13.8	15.7	16.1	9.0	15.9	15.9	0
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	30.9	35.7	36.4	32.5	32.0	30.2	28.1	-7
Working intensity of current assets = current assets / total assets	%	65.7	61.3	60.8	64.6	65.0	66.9	68.9	3
Equity ratio = equity / total capital	%	47.9	57.9	56.8	59.4	50.8	52.0	49.1	-6
Borrowed capital ratio = borrowed capital / total assets	%	52.1	42.1	43.2	40.6	49.2	48.0	50.9	6
Assets and liabilities structure = fixed assets / current assets	%	47.1	58.4	59.8	50.3	49.3	45.2	40.8	-10
Capital structure = equity / outside capital	%	92.0	137.7	131.4	146.5	103.1	108.2	96.4	-11

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

D.95 | DMG MORI GROUP		IFRS							
		2012*	2013	2014	2015	2016	2017	2018	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)	%	28.5	60.2	62.5	83.4	45.9	56.0	28.3	-49
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	94.8	121.2	124.4	144.1	117.5	146.9	189.8	29
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	149.2	175.7	175.9	202.9	157.6	186.6	242.3	30
Net financial liabilities = bank liabilities + bond / borrower's note – liquid funds	€ million	-161.0	-356.4	-380.8	-500.3	-342.1	-316.9	-152.7	-52
Gearing = net financial liabilities / equity	%	–	–	–	–	–	–	–	
Working Capital = current assets – short-term borrowed capital	€ million	299.0	466.6	525.5	681.1	574.3	540.3	326.5	-40
Net Working Capital 1) = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	221.3	196.8	189.5	261.6	270.0	317.1	343.2	8
Capital Employed = equity + provisions + net financial liabilities	€ million	868.7	1.067.0	1,161.9	1,151.0	1,150.7	1,133.9	1,368.1	21
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		5.0	4.8	5.5	5.5	5.1	5.4	5.2	-4
Turnover rate of inventories = sales revenues / inventories		4.2	4.2	4.5	4.4	4.5	4.3	4.2	-2
Turnover rate of receivables = sales revenues (incl. 19 % VAT on domestic revenues) / average trade debtors		9.8	10.1	10.3	9.8	10.0	8.8	8.3	-6
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)	%	1.3	1.0	1.0	1.0	1.0	1.0	1.1	10
DSO (Days sales outstanding) = average trade debtors / (sales revenues (incl. 19 % VAT on domestic revenues)) × 365	%	37.2	36.1	35.6	37.4	36.7	41.3	44.1	7
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	55.0	52.7	52.6	51.5	51.2	53.4	55.5	4
Intensity of staff = Personnel costs / Total work done	%	21.4	22.6	22.4	23.2	25.3	23.3	22.3	-4

* adjusted due to first-time adoption of IAS 19 (rev. 2011)
1) since 1 January 2012 including notes payable

D.95 | DMG MORI GROUP		IFRS							
		2012*	2013	2014	2015	2016	2017	2018	Changes against previous year in %
Cash flow & Investments									
Cash flow from operating activity	€ million	168.7	171.1	170.6	142.7	124.0	171.7	230.4	34
Cash flow from investment activity	€ million	-63.0	-160.1	-145.3	18.9	-198.3	-9.7	-315.1	3,148
Cash flow from financing activity	€ million	-39.2	189.5	39.0	-44.3	-52.5	-190.7	-123.5	-35
Free Cashflow = cash flow from operating activity + cash flow from investment activity (exc. Cash flow from financial investments and payments to plant, property and equipment which are financed with loans)	€ million	99.1	67.3	86.1	32.0	42.5	142.4	154.2	8
Investments	€ million	74.5	213.5	159.0	130.6	88.1	41.8	90.7	117
Share & valuation									
Market capitalisation	€ million	917.6	1,824.6	1,852.2	3,001.4	3,401.8	3,627.2	3,397.1	-6
Company value = Market capitalisation + bank liabilities + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	867.8	1,585.0	1,597.5	2,624.0	3,187.4	3,414.9	3,370.1	-1
Earnings per share = result after minority interests / number of shares	€	1.32	1.33	1.41	1.90	0.57	1.49	1.88	26
Price-to-earnings ratio (P/E) = market capitalisation / EBT		7.6	13.5	10.6	13.8	36.1	20.6	15.8	-23
Company value-EBITDA-ratio = company value / EBITDA		5.0	8.2	6.9	10.8	18.8	13.5	12.0	-11
Company value-EBIT-ratio = company value / EBIT		6.5	10.7	8.7	14.1	30.7	19.0	15.5	-18
Company value sales ratio = company value / sales revenues		0.4	0.8	0.7	1.1	1.4	1.5	1.3	-13

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

List of tables and graphs

BUSINESS REPORT DMG MORI AKTIENGESELLSCHAFT

CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

Forward-Looking Statements

This report contains forward-looking statements, which are based on current estimates by 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, which could lead to the actual future circumstances including the assets, liabilities, financial position and profit or loss of DMG MORI AKTIENGESELLSCHAFT differing materially from or being 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 result in forward-looking statements estimates or forecasts becoming inaccurate.

DMG MORI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in the most important business areas as well as the consequences of a recession) as these have a direct effect on 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 unfavorable market environment than that which we are expecting 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 financial assets in general; growing volatility on the capital markets and a deterioration in the conditions for the credit business as well as a deterioration 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 DMG MORI; changes in corporate strategy; interruptions in the supply change, including the inability of a third party, for example due to natural catastrophes, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other measures 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 change in events or developments occurring after the end of the reporting period. Forward-looking statements must not be understood as a guarantee or as assurances of 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 Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporate Act (Aktiengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

Financial Calendar

12 March 2019	Balance Sheet Press Conference Publication of the Annual Report 2018 Analysts' Conference
30 April 2019	Release for the 1st Quarter 2019 (1 January to 31 March)
10 May 2019	117th Annual General Meeting
30 July 2019	Report for the 1st Half-Year 2019 (1 January to 30 June)
31 Oct 2019	Release for the 3rd Quarter 2019 (1 January to 30 September)
15 May 2020	118th Annual General Meeting

Subject to alteration

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Languages	This report is available in German and English language.
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Order	We will gladly send additional copies and further information on DMG MORI free-of-charge upon request.
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