DMG MORI

AKTIENGESELLSCHAFT

ADDITIVE MANUFACTURING

dynamic

DIGITIZATION

AUTOMATION

EXCELLENCE

TECHNOLOGY EXCELLENCE

DMG MORI QUALIFIED PRODUCTS

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

OF DMG MORI AKTIENGESELLSCHAFT

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019 OF DMG MORI AKTIENGESELLSCHAFT

NOTES FOR THE FINANCIAL YEAR 2019 OF DMG MORI AKTIENGESELLSCHAFT

↗ business report information not reviewed for content

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2019 OF DMG MORI AKTIENGESELLSCHAFT

Basis of the Company

DMG MORI AKTIENGESELLSCHAFT, Bielefeld, and its controlled companies pursuant to Section 17 of the German Stock Corporation Act (AktG) form the DMG MORI group (hereinafter DMG MORI). DMG MORI AKTIENGESELLSCHAFT is the parent company. The purpose of the company is to function as a managing holding company (executive, service and holding functions). The sales revenues recognized for the parent company comprise primarily income from performing holding and service functions for the group as well as from rental income.

The ultimate parent company of DMG MORI AKTIENGESELLSCHAFT is DMG MORI COMPANY LIMITED, Nara, Japan.

The earnings position of DMG MORI AKTIENGESELLSCHAFT differs from that of the group in terms of level and structure. The earnings result essentially from control and profit and loss transfer agreements with two domestic subsidiaries and from the income and expenses resulting from the holding functions.

The present management report refers exclusively to DMG MORI AKTIENGESELLSCHAFT as the parent company. A detailed presentation of the DMG MORI group is provided in our 2019 Annual Report and in the consolidated financial statements and group management report contained therein, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The group annual report is published on the internet under → en.dmg-mori-ag.com.

Strategy and Management System

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.

The global manufacturing industry is facing a fundamental transformation, as well as a challenging economic situation caused by geopolitical uncertainties and trade conflicts. The automation and digitization of manufacturing and the increasing demands for tomorrow's production lead to a market environment that is highly dynamic and driven by innovation. Alternative manufacturing processes, such as Additive Manufacturing, supplement the traditional technologies. Customer demand for integrated solutions – including machinery, software, processes, peripherals and services – is increasing. Digital networking and simultaneous, virtual imaging of automated production enable a consistent cost and process transparency along the entire value-added chain and throughout the entire product life cycle. The result are agile, dynamic and lean processes.

The higher customer requirements in combination with technological innovations result in fundamentally changed markets and business models. At the same time, the complexity and functional scope of machine tools are growing continuously amidst shortening innovation cycles. New competitors from other industries and regions are also trying to gain a foothold in the market.

DMG MORI understands these times of upheaval and technological change as an opportunity to further expand its current market position as a global leader in integrated and sustainable technology solutions for the manufacturing industry. Our objective: to pro-actively promote innovations for our customers in the role of a reliable and sustainable partner, and to offer comprehensive optimized technological solutions in response to the dynamic customer requirements. From development to production and global sales and service, we strive to be the No. 1 for our customers worldwide with our integrated portfolio of leading-edge machine tools, automation and digitization solutions as well as our DMG MORI Qualified Products (DMQP). We develop ourselves consequently from a machine tool builder to an integrated solution provider in the manufacturing environment.

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 predefined 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.

The following table provides an overview of key financial and performance indicators of DMG MORI AKTIENGESELLSCHAFT.

DMG MORI AKTIENGESELLSCHAFT successfully concluded financial year 2019. Sales revenues were above budget due to adjustments made to offset cost allocations to subsidiaries. EBIT exceeded the forecast in financial year 2019 largely due to not planned exchange rate gains and other income. Investments in intangible assets and particularly in fixed assets were higher than planned. The budget variance is mainly due to the completion of a new canteen at the Bielefeld site. The number of employees rose slightly from the previous year.

Corporate Governance Statement pursuant to section 289 f of the German Commercial Code (HGB)

↗ business report information not reviewed for content

Corporate Governance

The Executive Board and the 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 2019, the Executive Board and the 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 the 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 at our website – as are the declarations 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 289f para. 2 and 5 and Section 315d of the HGB is limited to determining whether such statements have been made.

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

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

Responsibility 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. The opportunities and risk management system of DMG MORI AKTIENGESELLSCHAFT is integrated in the existing opportunity and risk management systems of the group.

Within DMG MORI's opportunity management system, our main focus is on significant individual opportunities, macroeconomic and industry-specific opportunities as well as opportunities relating to corporate strategy and business performance.

A.01 | KEY FINANCIAL PERFORMANCE INDICATORS OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB)

	actual 2018	plan 2019	actual 2019
Sales revenues	€ 14.4 million	around € 15.0 million	€ 16.1 million
EBIT	€ -31.0 million	around € -36.0 million	€ -27.4 million
Investments in fixed assets / Intangible assets	€ 2.6 million	around € 1.0 million	€ 1.9 million
Number of employees (annual average)	82	nearly unchanged	86

Our group-wide risk management system includes an risk early warning system, an internal control system (ICS) according to German and Japanese statutory requirements, and the central insurance management.

Our group-wide risk early warning system allows us to identify and control future development risks using a forward-looking approach. The recorded, assessed and controlled risks in question are circumstances which contain an inherent element of potential risk due to the prevailing environmental situation, and which are recorded, assessed and controlled in an adequate manner.

Our risk early warning system consists of five main elements:

› The company-specific manual on risk management;
› The central risk management officer on the level of DMG MORI AKTIENGESELLSCHAFT;
› Decentralized risk management officers in each group company;
› Division-specific riskmanagement systems, which assess and prioritize individual risks;
› The risk reporting system at group level and for each individual company with the accompanying ad-hoc reporting system for material risks.

The structure of the risk early warning system in the DMG MORI group is designed in such a way that material risks are systematically defined, assessed, aggregated, monitored and reported on a group-wide basis.

Risks in individual business units are identified according to prescribed risk areas on a quarterly basis. All potential risks thus recorded are analyzed and assessed according to quantitative variables; measures to reduce risks area also considered in this process. Going concern risks are reported immediately, even additional to the periodic reporting.

To be able to present the overall risk situation of the group, we determine and aggregate the individual local and central risks, as well as the group effects. The expected accumulated value from risks identified and assessed for the group is offset against current group equity, thus determining the risk-bearing capacity. This is a key risk control indicator.

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

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, is continuously developed within the group and is adapted to suit changing circumstances on an ongoing basis.

The existing internal control system (ICS) of DMG MORI group serves to minimize or eliminate controllable risks in day-to-day business processes. Based on an annually updated analysis and documentation of basic business processes, controllable risks are recorded and eliminated or minimized to an acceptable level by arranging the organizational structure and workflow management accordingly, and by implementing suitable control measures. This is supported by existing internal guidelines and instructions as a part of the ICS. The effectiveness of the ICS is evaluated through annual management testing. The results are reported to the Executive and the Supervisory Boards. The ICS of DMG MORI AKTIENGESELLSCHAFT is designed to comply with both the legal requirements of the German Stock Corporation Act and applicable requirements of the "Japanese Financial Instruments and Exchange Act" (J-SOX/ Naibutousei).

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

Cooperation between the Executive Board and Supervisory Board

The Executive Board and the Supervisory Board work closely together in the interests of the company. The Executive Board agrees the strategic direction of the company with the Supervisory Board and informs the latter regularly, timely and comprehensively of all issues of relevance to the company relating to strategy, business development, the risk position, risk management and compliance. Any deviations in the course of business from the established plans and targets of the group are discussed and the reasons therefore given. The Executive Board forwards the half-year 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 provide for the right of consent of the Supervisory Board to a wide range of business transactions proposed by the Executive Board.

The remuneration of the members of the Supervisory Board and also of the Executive Board are described in detail in the remuneration report.

Objectives in the Composition of the Supervisory Board

In its meeting on 22 September 2015, the Supervisory Board passed a resolution on the voluntary commitment 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 members on the Supervisory Board on the side representing the shareholders, as well as on the side representing the employees.
› At least 50 % of all Supervisory Board members should be independent;
› Avoiding conflicts of interest;
› 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 look, in particular, to the interests of the company, while observing the objectives mentioned above.

The re-election of the Supervisory Board in May 2018 meant that the Supervisory Board again complied with its voluntary commitment of setting a gender quota in financial year 2019. It also again complied with its voluntary commitment to ensure the independence of at least 50 % of the Supervisory Board members.

Diversity

The diversity culture lived at DMG MORI empowers our employees for example 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 the 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 dealt with.

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting passes resolutions, inter alia, on the approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the annual auditor or any changes to the articles of association. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the Annual General Meeting personally are given the opportunity of exercising their voting right by proxy through an 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 timely via the Internet. All documents and information are made available to shareholders in good time on our website.

Transparency

We strive to ensure that our corporate communication 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 releases, 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 commitments 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 2019 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 reasons 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 the Supervisory Board under the Corporate Governance Code.

Share Ownership of the Executive Board and Supervisory Board Members

Only one of the members of the Supervisory Board holds an interest in DMG MORI AKTIENGESELLSCHAFT. Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). According to its last notification of voting rights, 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.

Pursuant 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. According notifications made by DMG MORI AKTIENGESELLSCHAFT can be viewed on the company website at all times.

Supervisory Board and Committees

Pursuant to the articles of association, the Supervisory Board comprises twelve members. In accordance with the German Codetermination Act (Mitbestimmungsgesetz), there are six employee representatives, one of whom represents the executive staff, in addition to the six shareholders' representatives on the Supervisory Board. All Supevisory 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.

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

The Supervisory Board held four meetings in financial year 2019. The Supervisory Board also reported on the scope of its work in the report of the Supervisory Board in the group annual report.

In financial year 2019, two committees of the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT held meetings: the Finance and Audit Committee and the the Personnel-, Nominations and Remuneration Committee. The Supervisory Board reports on the scope of its work in the committees in its report in the group annual report.

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 2019, the fixed remuneration for each individual member of the Supervisory Board was € 60,000; the chairperson receives the 2.5-fold amount (€ 150,000), but Dr. Eng. Masahiko Mori has been waiving his Supervisory

Board Remuneration since 4 May 2018. The vice chairperson received the 1.5-fold amount (€ 90,000). Fixed remuneration totaled € 630,000 (previous year: € 718,604).

Remuneration for committee work totaled € 162,000 (previous year: € 228,870) and included the work done in the Finance and Audit Committee, the Personnel, Nomination and Remuneration Committee. The individual committee members each received € 18,000. The chairperson of a committee also received an additional fixed remuneration of a further € 18,000 and the deputy chairperson a further € 6,000.

The members of the Supervisory Board and its committees receive an attendance fee of € 1,500 for each Supervisory Board and committee meeting that they participate in as a member. In total, attendance fees for financial year 2019 amounted to € 106,500 (previous year: € 144,000).

In financial year 2019, total remuneration for the Supervisory Board amounted to € 898,500 (previous year: € 1,091,474).

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 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. Starting in 2017, the LTI has a term of three years. 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 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.

For the financial year 2019, the Executive Board was granted a total remuneration package of € 7,017 K (previous year: € 7,562 K) based on a 100 % target attainment. In the inflow for the financial year 2019, the total remuneration of the Executive Board amounted to € 10,219 K (previous year: € 11,596 K).

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 2019, 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 re-specified 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 LTI tranche for 2016 to 2019 represents a performance units model and does not include any dividend payments or voting rights. In addition, the units may not be traded or sold to any third party. This LTI tranche has a term of four years. The tranche is defined by an assumed amount of money that is converted into several 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 2016 to 2019, which was awarded on 31 December 2019 and will be paid out in 2020, the resulting payment totals € 1,551 K (previous year's tranche 2015 to 2018: € 2,801 K). A cap has been set at twice the annual fixed salary of each Executive Board member for the year in which the award takes place.

The LTI tranches 2017 to 2019, 2018 to 2020 and 2019 to 2021 are based on a model with a term of three years. After expiry of the respective term, the disbursement amount results from the respective degree of target attainment. From the LTI tranche 2017 to 2019, which was awarded on 31 December 2018 and will be paid out in 2020, the resulting payment totals € 840 K.

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 2016 to 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

A.02 | REMUNERATION OF THE SUPERVISORY BOARD

in €	Fixed remuneration	Committee remuneration: Finance and Audit Committee (F&A)	Committee remuneration: Personnel-, Nominirations and Remuneration Committee (PNR)	Meeting attendance fees	Total
Dr. Eng. Masahiko Mori 1) Chairman SB Chairman PNR	–	–	–	–	0
Ulrich Hocker Deputy chairman SB	90,000	0	18,000	9,000	117,000
Irene Bader 2)	–	–	–	–	0
Prof. Dr.-Ing. Berend Denkena	60,000	0	0	6,000	66,000
Prof. Dr. Annette Köhler Chairman F&A	60,000	36,000	0	16,500	112,500
James Victor Nudo 3)	–	–	–	–	0
Mario Krainhöfner 4) 1st Deputy chairman SB	90,000	0	18,000	9,000	117,000
Stefan Stetter Deputy chairman SB	90,000	18,000	0	16,500	124,500
Tanja Fondel 4)	60,000	0	18,000	9,000	87,000
Dietmar Jansen 4)	60,000	18,000	0	15,000	93,000
Larissa Schikowski 5)	60,000	0	18,000	9,000	87,000
Michaela Schroll 4)	60,000	18,000	0	16,500	94,500
Total 6)	**630,000**	**90,000**	**72,000**	**106,500**	**898,500**

1) Dr. Eng. Masahiko Mori waives the Supervisory Board Remuneration in full. Thus Dr. Eng. Masahiko Mori has not received any Supervisory Board Remuneration for 2019.
2) Irene Bader waives the Supervisory Board Remuneration in full. Thus Irene Bader has not received any Supervisory Board Remuneration for 2019.
3) Victor Nudo waives the Supervisory Board Remuneration in full. Thus Victor Nudo has not received any Supervisory Board Remuneration for 2019.
4) These employees' representatives transfer the majority of their remuneration for Supervisory Board duties to the Hans-Böckler-Stiftung, Düsseldorf, Germany.
5) Larissa Schikowski transfers part of her remuneration for Supervisory Board activities to various charitable institutions.
6) The total amount corresponds to the expenses of DMG MORI AKTIENGESELLSCHAFT for 2019.

A.03 | ALLOCATED GRANTS

in € K

	Christian Thönes Chairman since 15 April 2016 // Executive Board member since 1 January 2012			
	2018	**2019**	**2019 (Min)**	**2019 (Max)**
Fixum	900	900	900	900
Perquisite	24	26	26	26
Sum	**924**	**926**	**926**	**926**
STI	690	690	0	1,490
ind. performance remuneration	690	690	0	750
LTI 2018 – 2020	300	–	–	–
LTI 2019 – 2021	–	300	0	360
Sum	**1,680**	**1,680**	**0**	**2,600**
Pension [1]	300	450	450	450
Total	**2,904**	**3,056**	**1,376**	**3,976**

	Björn Biermann Executive Board member since 27 November 2015			
	2018	**2019**	**2019 (Min)**	**2019 (Max)**
Fixum	600	600	600	600
Perquisite	19	19	19	19
Sum	**619**	**619**	**619**	**619**
STI	375	375	0	960
ind. performance remuneration	377	377	0	500
LTI 2018 – 2020	200	–	–	–
LTI 2019 – 2021	–	200	0	240
Sum	**952**	**952**	**0**	**1,700**
Pension [1]	200	200	200	200
Total	**1,771**	**1,771**	**819**	**2,519**

	Michael Horn Executive Board member since 15 May 2018			
	2018	**2019**	**2019 (Min)**	**2019 (Max)**
Fixum	378	600	600	600
Perquisite	42	57	57	57
Sum	**420**	**657**	**657**	**657**
STI	234	375	0	960
ind. performance remuneration	236	377	0	500
LTI 2018 – 2020	125	–	–	–
LTI 2019 – 2021	–	200	0	240
Sum	**595**	**952**	**0**	**1,700**
Pension [1]	150	150	150	150
Total	**1,165**	**1,759**	**807**	**2,507**

	Dr. Maurice Eschweiler Executive Board member (1 April 2013 – 31 March 2019)			
	2018	**2019**	**2019 (Min)**	**2019 (Max)**
Fixum	600	150	150	150
Perquisite	20	5	5	5
Sum	**620**	**155**	**155**	**155**
STI	375	94	0	240
ind. performance remuneration	377	94	0	125
LTI 2018 – 2020	200	–	–	–
LTI 2019 – 2021	–	50	0	60
Sum	**952**	**238**	**0**	**425**
Pension [1]	150	38	38	38
Total	**1,722**	**431**	**193**	**618**

1) Payments for pension provisions as defined contribution

A.03 | ALLOCATED GRANTS

in € K

	Executive Board total			
	2018	2019	2019 (Min)	2019 (Max)
Fixum	2,478	2,250	2,250	2,250
Perquisite	105	107	107	107
Sum	**2,583**	**2,357**	**2,357**	**2,357**
STI	1,674	1,534	0	3,650
ind. performance remuneration	1,680	1,538	0	1,875
LTI 2018 – 2020	825	–	–	–
LTI 2019 – 2021	–	750	0	900
Sum	**4,179**	**3,822**	**0**	**6,425**
Pension [1]	800	838	838	838
Total	**7,562**	**7,017**	**3,195**	**9,620**

1) Payments for pension provisions as defined contribution

A.04 | INFLOW FOR THE FINANCIAL YEAR

in € K

	Christian Thönes Chairman		Björn Biermann Executive Board member		Michael Horn Executive Board member	
	2018	2019	2018	2019	2018	2019
Fixum	900	900	600	600	378	600
Perquisite	24	26	19	19	42	57
Sum	**924**	**926**	**619**	**619**	**420**	**657**
STI	1,380	1,138	750	720	469	720
ind. performance remuneration	750	750	500	500	313	500
LTI 2015 – 2018	647	–	–	–	–	–
LTI 2016 – 2019	–	517	–	517	–	–
LTI 2017 – 2019	–	360	–	240	–	–
Sum	**2,777**	**2,765**	**1,250**	**1,977**	**782**	**1,220**
Pension [1]	300	450	200	200	150	150
Total	**4,001**	**4,141**	**2,069**	**2,796**	**1,.352**	**2,027**

	Dr. Maurice Eschweiler Executive Board member until 31 March 2019		Dr. Rüdiger Kapitza		Dr. Thorsten Schmidt		Executive Board total	
	2018	2019	2018	2019	2018	2019	2018	2019
Fixum	600	150	–	–	–	–	2,478	2,250
Perquisite	20	5	–	–	–	–	105	107
Sum	**620**	**155**	**–**	**–**	**–**	**–**	**2,583**	**2,357**
STI	750	180	–	–	–	–	3,349	2,758
ind. performance remuneration	500	125	–	–	–	–	2,063	1,875
LTI 2015 – 2018	636	–	871	–	647	–	2,801	-
LTI 2016 – 2019	–	517	–	–	–	–	-	1,551
LTI 2017 – 2019	–	240	–	–	–	–	-	840
Sum	**1,886**	**1,062**	**871**	**–**	**647**	**–**	**8,213**	**7,024**
Pension [1]	150	38	–	–	–	–	800	838
Total	**2,656**	**1,255**	**871**	**–**	**647**	**–**	**11,596**	**10,219**

1) Payments for pension provisions as defined contribution

of the Executive Board are implemented through a defined contribution pension plan. The expenses for the financial year just ended amounted to € 838 K (previous year: € 800 K).

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 € 1,287 K in pensions (previous year: € 1,271 K). The amount of pension obligations for former Executive Board members and their surviving dependants was € 25.790 K (previous year: € 24,956 K).

Research and Development

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

The purpose of DMG MORI's research and development is to sustainably increase the value of our products for our customers. As a leading supplier of innovative machine tools, technology and automation solutions, software products and services, we place special focus on:

› intelligent automation of machines and plants (DMG MORI Cell Controller technology, Robo2Go *Vision*, WH Flex modular automation system, linear pallet pool LPP, driverless transport system PH-AGV),
› integrated digital processes with DMG MORI Software Solutions (CELOS Update and DMG MORI Connectivity e. g. within Manufacturing Package, DMG MORI Technology Cycles, DMG MORI Powertools),
› highly efficient production planning with ISTOS,
› the further development of global standards in the digitization of mechanical and plant engineering with ADAMOS,
› easy access to digital manufacturing with the no-code platform TULIP,
› expansion of the portfolio in the field of Additive Manufacturing (complete process chain for manufacturing of complex components by powder nozzle and powder bed technology),
› Technology Excellence through industry-specific development of future-oriented and integrated production solutions (Aerospace, Die & Mold, Medical and Additive Manufacturing),
› First Quality for maximum customer satisfaction,
› Service-Excellence with the customer portal "*my* DMG MORI" and integrated service and maintenance by WERKBLiQ,
› the standardization of components (SCOPE) and increase in value-added depth for core components (DMG MORI COMPONENTS).

Research and Development expenditure at € 57.4 million was at the level of the previous year (€ 57.9 million). A total of 583 employees worked on developing our products (previous year: 581 employees). As in the previous year, this represents 15 % of the plants' workforce. The innovation ratio in the "Machine Tools" segment was as in the previous year 4.0 %. Investments in new products are listed in Segment Report as capitalized development costs.

Our 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 creating further synergies through our worldwide annual development conference, the "Global Development Summit". In September 2019, 270 international experts from various "Global One Company" business units met at the company's headquarters in Bielefeld to develop and promote new ideas.

Report on Economic Position

Overall economic development

In 2019, the global economy continued to be marked by geopolitical uncertainties. The overall economic situation became increasingly difficult during the year. The economy showed signs of a slowdown in momentum. The industrial sector experienced a downturn. According to preliminary figures from the Kiel Institute for the World Economy (IfW) at the University of Kiel, the economy grew by only +3.0 % (previous year: 3.7 %). This is the lowest growth rate since the financial and economic crisis in 2009.

Development of the Machine Tool Building Industry

International development

The global machine tools market was affected by the downturn in the overall economy in 2019. There was a continuation of the downward trend noticeable since autumn 2018. The global economic downturn, trade conflict between the USA and China, and industrial structural change increasingly impacted business in the machine building sector. The sharp decline in demand for capital goods continued. The German Machine Tool Builders' Association (VDW) and the British economic research institute Oxford Economics sharply reduced their forecasts in the course of the year: According to preliminary figures from the VDW and the British economic research institute Oxford Economics global consumption in 2019 has fallen for the first time in three years by -2.8 % to € 72.1 billion (previous year: +2.8 %).

In Europe, demand for machine tools fell significantly by -0.2 % (previous year: +11.4 %). Asia experienced a -4.0 % decline (previous year: -0.1 %). North and South America also experienced a negative trend of -4.0 % (previous year: +5.3 %).

In China, the world's largest market, the consumption of machine tools fell by -8.3 % to € 19.9 billion (previous year: € 21.7 billion). As the second most important machine tools market with € 8.4 billion, the USA recorded a -2.5 % decline (previous year: € 8.6 billion). In Germany, the third-largest market, consumption increased by +6.5 % to € 7.0 billion (previous year: € 6.6 billion). Consumption in Japan increased by +2.7 % and at € 5.5 billion, ranked fourth worldwide (previous year: € 5.4 billion). Despite a sharp -8.6 % drop in consumption to € 3.9 billion (previous year: € 4.3 billion), at € 3.1 billion, Italy came in fifth, ahead of India (previous year: € 2.8 billion). The ten largest consumption markets accounted in total for around 77 % of worldwide machine tool consumption (previous year: 78 %).

The VDW calculated a volume of € 72.1 billion for global production (previous year: € 74.2 billion). According to preliminary estimates, China was again the worldwide largest producer of machine tools with a volume of € 16.8 billion (previous year: € 16.4 billion). Germany with € 12.5 billion (previous year: € 12.6 billion) and Japan with € 11.7 billion (previous year: € 12.3 billion) follow in second and third place respectively. Altogether, as in the previous year the ten largest production countries account for more than 89 % of all machine tools worldwide.

German Machine Tool Industry

In 2019, the German machine tool industry experienced a strong downward trend: At € 13.2 billion, the order intake of plants in Germany was down by -24.3 % and thus significantly lower than the previous year's level (€ 17.5 billion). Both domestic demand, which was down -22.0 % (previous year: +4.9 %) and international orders, which were down -25.5 % (previous year: -0.2 %) saw a significant decline. Order intake for metal-cutting machines also fell sharply by -26.3 % from the previous year. Domestic orders were down by -21.5 %. At -28.7 %, the figure for international orders saw an even sharper decline. In the forming machines area, order intake fell by -10.0 % (previous year: +7.0 %). Order intake at the foreign plants of German manufacturers is not included in these figures.

Sales revenues of German machine tool manufacturers amounted to € 16.9 billion (previous year: € 17.1 billion). Production of machines, parts and equipment reached a volume of € 15.4 billion and was thus -1.2 % below the previous year's level (€ 15.6 billion).

German machine exports fell by -9.0 % to € 9.8 billion (previous year: € 10.8 billion). The export ratio fell by five percentage points to 63.5 %. China was again the largest export market for German machine tools, but with a sharp -13.3 % drop to a current € 2.0 billion (previous year: € 2.3 billion). This constitutes 20.4 % of machine tool exports (previous year: 21.4 %).

As in the previous year, the USA took second place with an export volume of € 1.1 billion (export share: 11.3 %). Italy was the third largest export market with € 0.5 billion and an export share of 4.9 % followed by France. Machine tool imports fell by -10.1 % to € 3.7 billion (previous year: € 4.1 billion). With an import share of 27.3 %, about every fourth imported machine tool came from Switzerland. Japan (10.3 %) and Italy (9.0 %) followed in the rankings.

Domestic consumption of machines, parts and equipment increased by +4.1 % to € 9.3 billion. During the year, the capacity utilization of German machine tool producers fell by more than 5.5 percent points. The capacity utilization of manufacturers of metal-cutting machines saw a marked drop to 88.4 % (previous year: 93.9 %).

The annual average number of employees in German machine tool companies of around 73,700 was at the level of the previous year (73,474).

The ifo business climate index for trade and industry is the leading indicator of economic growth in Germany. According to the ifo publication from January 2020, the German economy was experiencing a downturn. The business climate recovered slightly at a low level in nearly all important manufacturing industries (mechanical engineering, manufacturing of metal products and electrical equipment). However, expectations for the first half of 2020 are very cautious..

Results of Operations, Net Worth and Financial Position

The result of DMG MORI AKTIENGESELLSCHAFT was essentially determined by the income from financial assets amounting to € 156.3 million (previous year: € 170.9 million). These resulted from profit transfers of DMG MORI Vertriebs und Service GmbH in the amount of € 53.7 million (previous year: € 42.8 million) and GILDEMEISTER Beteiligungen GmbH in the amount of € 102.6 million (previous year: € 128.1 million).

Overall, DMG MORI AKTIENGESELLSCHAFT finished the year with EBIT of € -27.4 million (previous year: € -31.0 million) and EBT before profit transfer of € 131.5 million (previous year: € 143.1 million). EAT amounted to € 95.7 million (previous year: € 99.3 million), which will be transferred to DMG MORI GmbH due to the domination and profit transfer agreement. The tax expense of € 35.7 million (previous year: € 43.7 million) comprises the taxes incurred by DMG MORI GmbH, Bielefeld, amounting to € 32.3 million (previous year: € 43.5 million) as a result of the tax compensation agreement.

In the reporting year, sales revenues (group cost allocations and rents) amounted to € 16.1 million (previous year: € 14.4 million). Other operating income fell slightly by € 8.0 million to € 28.5 million (previous year: € 20.5 million). They comprises exchange rate gains from the valuation of receivables and liabilities in foreign currencies and from the valuation of forward exchange contracts. The exchange rate gains are contrasted with the corresponding losses. These effects result from the hedging contracts concluded by DMG MORI AKTIENGESELLSCHAFT.

Expenses incurred for the purchased services mainly cover maintenance of the grounds and premises at the Bielefeld site. These amounted to € 2.1 million, or € 0.9 million below the previous year's figure (€ 3.0 million).

Personnel expenses increased by € 0.9 million to € 23.4 million (previous year: € 22.5 million). The increase was caused due to an increase of employees and general payroll adjustments.

The operating expenses increased by € 5,3 million from € 37.6 million to € 42.9 million. The operating expenses comprises exchange rate losses of € 16.8 million (previous year: € 12.3 million). The exchange rate losses are the result due to the valuation of receivables and liabilities in foreign currency and valuation losses from forward exchange contracts, which were compensated by offsetting effects in other operating income. On balance, the result in the reporting year was a profit in the amount of € 5.4 million (previous year: profit in the amount of € 2.7 million).

Income from investments due to the profit and loss transfer agreements with the subsidiaries decreased from € 170.9 million in the previous year to € 156.3 million in the reporting year.

Due to an increase in financial investments made by subsidiaries as part of financial clearing, the positiv financial result fell by € 0.5 million to € 2.6 million (previous year: € 3.1 million).

The reported tax expense of € 35.7 million (previous year: € 43.7 million) is primarily attributable to expenses resulting from tax allocations in the amount of € 32.3 million (previous year: € 43.5 million), revenues resulting from deferred tax allocations of € 1.9 million (previous year: revenue in the amount of € 3.5 million) and taxes for previous years.

The balance sheet total as of 31 December 2019 increased by 1.2 % to € 1,889.5 million (previous year: € 1,867.5 million).

Fixed assets on the balance sheet decreased slightly from € 794.9 million to € 792.9 million.

Current assets increased by € 23.8 million to € 1,079.8 million compared to the previous year. Receivables owed by affiliated companies increased by € 34.1 million to € 998.9 million. Bank balances decreased by € 8.0 million to € 72.3 million. This decrease is due primarily to the increase in the loan.

Equity remained unchanged at € 921.2 million on the liabilities and shareholders' equity side. The equity ratio amounted to 48.7 % (previous year: 49.3 %). The share capital has remained unchanged at € 204,926,784.40 and is divided into 78,817,994 no-par shares.

Provisions decreased by € 2.9 million to € 30.6 million (previous year: € 33.5 million) compared to the previous year. The decrease is primarily the result of provisions for uncertain libilities of € 1.6 million. Provisions for pensions decreased by € 0.2 million to € 6.7 million (previous year: € 6.9 million).

Liabilities rose to € 938.1 million (previous year: € 912.8 million). These mainly comprise liabilities to affiliated companies, which rose by € 26.1 million to € 934.4 million. The increase was primarily the result of the financial clearing, which increased by € 24.9 million from € 892.9 million to € 917.6 million in the reporting period. This includes the profit transfer to DMG MORI GmbH amounting to € 95.7 million (previous year: € 99.3 million). With effect from 1 January 2017, a tax sharing agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The resulting liabilities in the amount of € 32.3 million (previous year: € 43.5 million) are also included in this item. The item also comprises trade debts to affiliated companies amounting to € 16.7 million (previous year: € 15.3 million). As in the previous year, there were no liabilities to banks.

DMG MORI AKTIENGESELLSCHAFT covers its capital requirements from the transfer of profit agreements of group companies and from intra-group cash pooling. The amount of the agreed external financing lines totaled € 850.7 million in financial year 2019. Its material components were a syndicated credit line in the amount of € 500.0 million concluded in February 2016 with a term until February 2021, which consists of a € 200.0 million cash tranche, and a € 300.0 million aval tranche, other aval lines of € 162.0 million, and factoring agreements for subsidiaries of € 167.5 million. The syndicated credit agreement with the banks was renewed in January 2018 by one year until February 2022. As in the previous year, the cash tranche was not used.

The syndicated credit agreement requires us to comply with a standard market covenant. The covenant was complied quarterly as with as of 31 December 2018. Off-balance-sheet operating lease agreements supplement the financing. This financing mix gives us adequate financing lines which provide us with the necessary liquid funds for our business at any time.

DMG MORI group's financing is carried out centrally. Only if group financing is not advantageous due to the legal framework is local financing concluded in individual cases. Cash pooling is used to deploy the liquidity surpluses of subsidiaries cost-effectively within the group. The risks referring to derivatives are presented in the notes.

Employees

On 31 December 2019, DMG MORI AKTIENGESELLSCHAFT had 87 employees (previous year: 84 employees). As of 31 December 2019, DMG MORI AKTIENGESELLSCHAFT was organised in three executive units, which are as follows:

- Mr. Christian Thönes (Chairman): Product Development / Sales and Service / Purchasing / Corporate Public Communications / Human Resources / Legal / Internal Audit,
- Mr. Björn Biermann: Finance / Controlling / Accounting / Taxes / Risk Management / Investor Relations / Compliance,
- Mr. Michael Horn: Production / Logistics / Quality and Information Technologies

Overeall Statement of the Executive Board on Financial Year 2019

DMG MORI AKTIENGESELLSCHAFT successfully concluded financial year 2019. Sales revenues were above budget due to adjustments made to offset cost allocations to subsidiaries. EBIT improved to € -27.4 million (previous year: € -31.0 million) from the previous year. The earnings of subsidiaries fell in financial year 2019, resulting in a drop in profits transferred to DMG MORI AKTIENGESELLSCHAFT. DMG MORI AKTIENGESELLSCHAFT closes the year overall with € 95.7 million in earnings after taxes (previous year: € 99.3 million), which are transferred to DMG MORI GmbH.

Opportunities and Risk Management Report

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

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

Opportunities Management System (CMS)

Opportunities are systematically identified and analyzed within the opportunities and risk management system of the DMG MORI group. We use our global Customer Relationship Management (CRM) to document and analyze our sales and service activities in machine tools and industrial services. For example, by doing so we can quickly identify the main individual opportunities in Sales and Service and act accordingly. Our CRM is based on a number of operational early indicators such as market potential, order intake, or trade fair evaluations. In this way we manage our sales and service activities in a targeted manner and consistently seize opportunities. Moreover, we continuously monitor our markets and can thereby identify any broader economic and industry-specific opportunities which arise early on.

Additionally, our operational management identifies other opportunities. We derive strategies for the selected opportunities from discussions with the Executive Board.

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

Risk Management System (RMS)

We are exposed to potential risks through our international business operations as a world-leading manufacturer of machine tools and supplier of holistic technology, automation and digitization solutions. Consequently, active risk management is indispensable for DMG MORI. It provides early detection and as a result begins at every level of the organization to comprise a comprehensive risk awareness. Honest handling of risks is explicitly encouraged and actively promoted at DMG MORI. We have an open corporate culture in order to identify and remedy negative developments at every hierarchy level early on. Every employee is actively involved in risk minimization and elimination at work.

We counter potential risks through a comprehensive, integrated and group-wide risk management system, which we are always developing in technical and organizational terms. It comprises the risk early warning system, the internal control system (ICS) and the central insurance management.

Risk early warning system

In our risk early warning system, we record and control the risks in the future development. We define the term risk as a negative deviation from the achievement of our planned earnings target (EBIT) within the next 12 months compared to the rolling forecast planning (RFC). We also consider tax and interest risks. The recorded, assessed and controlled risks in question are circumstances which contain an inherent element of potential risk due to the prevailing environmental situation.

1. the company-specific risk management manual, in which the system is defined;

2. a central risk management officer, who develops, implements and monitors the present risk management concept and coordinates the measures for risk reduction or risk elimination;

3. local risk officers in individual group companies, who are responsible for the decentralized recording, analysis and communication of existing risks;

4. area-specific, quarterly risk recording according to predefined risk areas and an inventory of related measures for risk reduction or elimination with a quantitative assessment considering the group and individual companies' risk-bearing ability;

5. the risk reporting systems at group level and for each individual company with ad-hoc reporting of material risks.

The risk early warning system is based on the generally accepted COSO framework. It aims to completely and reliably capture existing risk potential across the whole group, to extensively summarize and assess risk, to query and develop risk reduction measures, and to continually monitor risk and enable extensive risk reporting.

The strategy of our existing risk early warning system is based on a group-wide systematic identification, assessment, aggregation, monitoring and reporting of existing risks and related measures for risk reduction or elimination. These risks are identified in a standardized process in the individual business units on a quarterly basis.

At DMG MORI, the identified maximum risk potentials (gross risks) are assessed in consideration of their probability of occurrence to then subtract the effect of the risk minimization or elimination measures (net risk). Based on the existing net risks, a report is made to the risk management. For our risk assessment, we use the following assessment categories in ascending order:

A.05 | PROBABILITY OF OCCURRENCE	
Very low	≤ 5 %
Unlikely	> 5 % to ≤ 25 %
Possible	> 25 % to ≤ 50 %

Risks with a probability of occurrence of more than 50 % are considered with net risk values directly in the rolling forecast planning or as accruals for the provision of risk. Going concern risks are reported immediately, even additional to the periodic reporting.

In addition to possible financial effects, risk-bearing capacity is a key performance indicator defined as the relation of the expected accumulated value of all risks identified after adjustment for current group effects and total group equity.

A.06 | POTENTIAL FINANCIAL EFFECTS	
Immaterial	≤ € 10 million
Moderate	> € 10 to ≤ € 20 million
Substantial	> € 20 million

The categorization of potential financial effects was determined by the risk management based on the prescribed risk strategy, considering sales revenues, company result (EBIT) and group equity as well as risk-bearing capacity.

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

› Local risks are individual risks that the group companies are exposed to and that we can assess locally.

› Central risks are risks that can only be assessed centrally – at least in part. These include, for example, risks arising from the group's financing.

› Group effects usually arise from consolidation requirements; this includes, for example, the double counting of risks, which then must be adjusted correspondingly.

The Supervisory Board and the Executive Board are regularly informed about the current overall risk situation of the group and of DMG MORI AKTIENGESELLSCHAFT. They discuss the causes of the current risk position and the corresponding measures taken in depth.

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, is continuously developed within the group and is adapted to suit changing circumstances on an ongoing basis.

Internal Control System (ICS)

The ICS of the DMG MORI group is a further integral part of the group-wide risk management system. It considers both the German statutory requirements of the German Stock Corporation Act (AktG) and the relevant Japanese statutory requirements of the "Japanese Financial Instruments and Exchange Act" in the form of documentation in accordance with the J-SOX/Naibutousei.

The ICS serves to minimize or eliminate controllable risks in daily business processes. The aim is to ensure consistent implementation of the strategic and operative stipulations of the Executive Board, achievement of the operational efficiency targets and compliance with all legal provisions, standards and value-related requirements.

In addition, the ICS ensures the completeness, accuracy and reliability of our Consolidated Financial Statements according to IFRS, and of the local financial statements, as well as the books on which they are based. It covers all organizational, control and monitoring structures to ensure the legally compliant recording, processing and consideration of business matters, as well as their subsequent adoption in the relevant financial statements

Building on an annually updated analysis and the documentation of significant business processes, the controllable risks are recorded within our ICS and eliminated through the optimization of the structural and procedural organization, as well as suitable control activities, or reduced to an appropriate level. Our ICS includes our existing internal policies and procedures and both preventive as well as detecting control activities, such as authorizations and releases, plausibility checks, reviews and a four-eyes principle. We ensure an appropriate separation of functions during business processes through our transparent operational and organizational structure.

In addition, the ICS comprises the principles, procedures and measures for ensuring the correctness of the Annual Financial Statements and the management report of the company. For this purpose, we analyze new laws, accounting standards and other public notices with respect to their effect on the Annual Financial Statements. We standardize relevant regulations in accounting-related guidelines, for example, in the accounting manual. These guidelines and the respectively valid financial statements calendar form the basis for the preparation of the financial statements. If required, DMG MORI AKTIENGESELLSCHAFT avails itself of external service providers; for example, for measuring pension obligations. Employees who are entrusted with drawing up the financial reports undergo regular training, as needed.

The effectiveness of the ICS in the company is assessed based on annual management testing of the central departments of DMG MORI AKTIENGESELLSCHAFT. The management testing results are reported to the Executive and Supervisory Boards.

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

Insurance Management

As a further component of the risk management, DMG MORI has a central insurance management in place. A group-wide insurance strategy for economically appropriate and insurable risks is strategically determined and implemented here in close cooperation with DMG MORI COMPANY LIMITED.

Overview of relevant risk areas

As a holding company, DMG MORI AKTIENGESELLSCHAFT is also affected by the risks of its subsidiaries. These are described in detail in the Group Business Report. Risks of subsidiaries may have a negative effect on the income from financial investments or cause write-off-related expenses to financial investments and thus affect the result of DMG MORI AKTIENGESELLSCHAFT.

In addition, the following risks arise directly to the company, stemming from the activities of DMG MORI AKTIENGESELLSCHAFT as a holding company:

A.07 Risk type	Probability of occurence	Potential financial effects
Corporate strategic risks	Very low	Moderate
Procurement and purchasing risks	Possible	Moderate
Personnel risks	Unlikely	Immaterial
Financial risks	Unlikely	Immaterial
Legal risks	Unlikely	Immaterial
Tax risks	Very low	Immaterial
Other risks	Possible	Immaterial

Presentation of individual risk areas:

Corporate strategic risks stem mainly from a misjudgment of future market development and sector-specific developments. We counteract these risks through intensive monitoring of the market and competition, regular strategy discussions with customers and suppliers, a comprehensive trade fair presence and an innovation-oriented company strategy. As result of the implementation of a new group-wide ERP-system unforeseen incidents could occur causing a negative impact on our operational activities. The concluded domination and profit transfer agreement incurs risks to the extent that the company's future business development could potentially be affected by any future instructions given by DMG MORI GmbH. These do not solely need to be in the interest of DMG MORI AKTIENGESELLSCHAFT but are instead issued in the interests of the group.

We are particularly exposed to **procurement and purchasing risks** in the area of key goods due to price increases for materials in the machine tools business. Times of high work-load experienced by our suppliers may also potentially increase costs. Further risks include 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 increased insourcing of key components.

Due to our continuous need for highly qualified specialists and management staff, **personnel risks** may arise through not being able to attract and retain these employees in sufficient numbers and have a lasting adverse effect on the group's development. We limit these risks through our company´s HR related culture, employee feedback programs, intensive vocational training and human resource development programs, performance-related remuneration with a profit-based incentive scheme, as well as timely succession planning and deputizing arrangements. The necessary availability of highly qualified employees and managers at any one time could also be impacted by higher rates of illness. We counteract this risk in particular through a preventive occupational healthcare scheme.

Financial risks result from our international activities: We hedge currency-related risks through our currency strategy. Further details on our currency strategy and financial instruments are available in the annex under paragraph 14 "Derivative Financial Instruments."

The essential components of DMG MORI AKTIENGESELLSCHAFT financing are a syndicated loan, which comprises a cash and an aval tranche and is firmly agreed until February 2022, as well as factoring programs. All financing agreements include an agreement in compliance with one standard market covenant. The liquidity of DMG MORI AKTIENGESELLSCHAFT is considered sufficient. In principle, DMG MORI AKTIENGESELLSCHAFT bears the risk of bad debt, which may result in write-downs or in individual cases may even result in the receivable defaulting.

Legal risks arise in particular from legal disputes with former employees, suppliers and public authorities.

Tax risks arise from deferred tax assets which were not value-adjusted from loss or interest carried forward. It is assumed that this potential tax reduction can be used against future taxable income. We also assume that the tax and social insurance declarations that we submitted are complete and correct. Nevertheless, due to differing assessments of the facts, additional charges may arise within the scope of an audit. In the event that availability of the loss or interest carried forward is not given, this could have an adverse effect on the results of operations, financial position and net worth.

Other risks with respect to the assets of DMG MORI AKTIENGESELLSCHAFT arise mainly through the accounting and valuation of financial assets. Financial assets are accounted for at the lower acquisition cost or fair value. The value retention of financial assets is determined annually with the aid of the Discounted-Cash-Flow calculation, which is based on the budget overview of the associated companies. Due to the values determined, there was no need for write-downs on the reporting date. In the event that the planned results are not achieved, an adjustment to the lower fair value may be required. The present budget overview gives no reason for impairment in 2018.

Overall risk assessment

We consider the risks to be manageable and do not foresee that they will jeopardize the continued existence of DMG MORI AKTIENGESELLSCHAFT as a going concern. Compared to the previous year, risks have significantly increased overall.

DISCLOSURES REQUIRED BY SECTION 289a GERMAN COMMERCIAL CODE (HGB)

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

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.

As to Section 289a (1) (3) German Commercial Code (HGB)

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.

As to Section 289a (1) (6) German Commercial Code (HGB)

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.

Pursuant to Section 119 para. 1 no. 5 of the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions on changes to the Articles of Association. The procedural rules accordingly specified are defined in Sections 179, 181 of the German Stock Corporation Act (AktG), in conjunction with Article 15(4) of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT.

As to Section 289a (1) (7) German Commercial Code (HGB)

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 9 May 2024 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 defined cases according to the Articles of Association (authorized capital).

As to Section 289a (1) (8) German Commercial Code (HGB)

The relevant financing agreements of DMG MORI AKTIENGESELLSCHAFT concluded in early 2016 are subject to the condition of a change of control (meaning the acquisition either of (i) 30 % or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT, if the participation interests of DMG MORI COMPANY LIMITED in DMG MORI AKTIENGESELLSCHAFT is or falls below 50 %, or (ii) 50 % or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT (except by DMG MORI COMPANY LIMITED) or (iii) 50 % or more of the voting rights in DMG MORI COMPANY LIMITED). Thus, a change of control is precluded for as long as DMG MORI COMPANY LIMITED holds more than 50 % of the voting rights in DMG MORI AKTIENGESELLSCHAFT.

The change of control conditions comply with the agreements common in the market. They do not entail an automatic termination of the aforementioned agreements, but merely provide our contractual partners the possibility to cancel them in the event of a change of control.

Pursuant to Section 289 a (1) of the German Commercial Code (HGB), the Executive Board provides the following explanatory notes:

› As of 31 December 2019, the share capital of the company amounted to € 204,926,784.40 divided into 78,817,994 no-par value bearer shares. Each share entitles to one vote and is decisive for the share in profits. The company may not exercise voting rights vested in treasury shares and may not participate pro-rata in the profits.

› The last amendment to the Articles of Association was made in May 2019 with a revised version of Section 5 (3) of the Articles of Association, thereby renewing the expired authorised capital.

› The Executive Board has not used the mentioned authorizations during the reporting year.

Forecast

The earnings position of DMG MORI AKTIENGESELLSCHAFT differs from that of the group in terms of level and structure, but is significantly influenced by the control and profit and loss transfer agreements with two domestic subsidiaries. In the following, we will initially take a closer look at the group forecast.

For the current financial year, the Kiel Institute for Economics (IfW) is forecasting global economic growth of +3.1%. For Germany, a 0.7% increase in GDP is estimated for the current year. Overall, the economy in the euro zone is unlikely to gain any significant momentum and GDP is only expected to grow by +1.2%. With an expected growth rate of +5.8%, Asia will continue to be the region with the strongest growth in the current year. There is still no end in sight to the economic slowdown in China. Projected growth is slowing to +5.9%. The Japanese economy continues to weaken with growth of +0.6%. The US economy is expected to lose further momentum and grow by +1.5% according to IfW estimates.

The slump in global machine tool consumption is expected to continue in 2020. The VDW and Oxford Economics are forecasting a -0.6% decline to € 71.7 billion (previous year: -2.8%; € 72.1 billion). In view of the existing global uncertainties, these forecasts are likely to be revised during the course of the year. According to the VDW and Oxford Economics the machine tool consumption in Germany at -14.5% should decline noticeably stronger than in many other countries (previous year: +6.5%). Consumption in Europe is expected to fall by -4.4%. In view of the structural changes in the automotive industry, this decline will hit Germany and France particularly hard.

Consumption in Asia is expected to rise by a marginal +1.4%. At country level, the Chinese market is expected to grow by +1.3%. In Japan, a further decline of -3.8% is expected. In the USA, the VDW and Oxford Economics are also expecting a -2.1% decline in machine tool consumption.

Globally, the demand for capital goods is expected to lose further momentum. This is due to the global economic slump, the trade dispute between the USA and China, the Middle East conflict and industrial structural change. There is also uncertainty about the effects of the UK's exit from the EU, future price developments for raw materials and energy as well as the increasingly global spread of the corona virus, of which the extent, duration and negative impact on the overall economy and the industry are not yet foreseeable. Against this backgound the forecasts are likely to be revised, if global economic conditions continue to significantly deteriorate.

The following table provides an overview of the budgeted values 2020 of key financial and performance indicators of the DMG MORI AKTIENGESELLSCHAF. [→ A.08]

Key internal target and performance indicators are sales revenues, EBIT and investments. The EBIT is defined as the result before profit and loss transfers from the subsidiaries.

Sales revenues of approximately € 13.0 million have been planned for financial year 2020. Planned investments of around € 2.0 million for financial year 2020 primarily relate to modernization measures at the Bielefeld site. EBIT is expected to be around € -38.0 million in financial year 2020. The change mainly results from an exchange rate gain of € 5.3 million resulted on the balance (previous year: € 2.7 million) and and other income from prior periods which is not planned in the business year 2020.

A.08 | FINANCIAL AND KEY PERFORMANCE INDICATORS OF DMG MORI AKTIENGESELLSCHAFT (HGB)

	actual 2018	actual 2019	Plan 2020
Sales revenues	€ 14.4 million	€ 16.1 million	around € 13.0 million
EBIT	€ -31.0 million	€ -27.4 million	around € -38.0 million
Investments in fixed assets / Intangible assets	€ 2.6 million	€ 1.9 million	around € 2.0 million
Number of employees (annual average)	82	86	nearly unchanged

Overall Statement of the Executive Board on Future Business Development

The global economy continues to be marked by global 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 continue to fall at a rate of -0.6 % in 2020 (previous year: -2.8 %). However, in view of the current global uncertainties, an adjustment of the associations' forecasts during the year cannot be excluded. In addition, there is the increasing worldwide spread of the corona virus, the extent, duration and negative consequences of which for the economy as a whole and for the industry are currently not foreseeable. Reliable statements about the influence on the business development of DMG MORI are therefore difficult to quantify completely.

Against this background and with the sale of Energy Solutions in 2019, we expect order intake and sales revenues of around € 1.8 – 2.0 billion for the financial year 2020. EBIT should be around € 80 – 100 million and free cash flow should be around € 10 – 30 million. Capital expenditure on tangible and intangible assets is expected to amount to around € 85 million and will be financed primarily from our own funds.

Our aim is to consolidate our high innovative strength as "Global One Company" in the long term. Dynamic and excellence in technology, service and quality will also characterize the current financial year. We will continue to drive forward our strategic future fields with dynamic and sustainably optimize the existing to excellence.

At DMG MORI AKTIENGESELLSCHAFT, we are expecting income from investments to be below the previous year's figure. Overall, we are expecting around € -38.0 million in EBIT before the transfer of profits. In 2020, we are not anticipating any significant changes in net worth and financial position.

NOTES FOR THE FINANCIAL YEAR 2019 OF DMG MORI AKTIENGESELLSCHAFT

Notes

A – General Declaration

The annual financial statements of DMG MORI for the year ending 31 December 2019 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The registered office of DMG MORI AKTIENGESELLSCHAFT is in Bielefeld and the company is registered at the Bielefeld District Court, department B, under the registration number HRB 7144. The income statement is drawn up according to the total cost method of accounting. DMG MORI COMPANY LIMITED, Nara, is the ultimate parent company within the DMG MORI group. During the financial year, DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH concluded a domination and profit and loss transfer agreement. With effect from 1 January 2017, a tax compensation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. Explanations to the conclusion of the tax compensation agreement with DMG MORI GmbH can be found in the Notes.

B – Accounting and Valuation Principles

The intangible assets acquired against payment and tangible fixed assets were recognised at their acquisition costs and, if applicable, reduced by amortisation and depreciation. In the case of a possible impairment, special write-downs are made to the lower fair value. For depreciation the straight-line method was applied in accordance with the useful life expectancy.

B.01 | USEFUL LIFE OF ASSETS	
Intangible assets	3 up to 4 years
Office and factory buildings	10 up to 50 years
Factory and office equipments	5 up to 13 years

Amortisation and depreciation of additions to intangible assets and fixed assets was carried out in the year of acquisition pro rata temporis according to the straight-line method. Additions with procurement costs of € 250 to € 1,000 were combined in a compound item and were amortised and depreciated over five years. The depreciation / amortisation method has not changed from the previous year. The rates of depreciation /amortisation also remained unchanged with respect to intangible assets, office and factory building, and factory and office equipment. Financial assets are recognised on the balance sheet at their acquisition costs or the lower fair value.

Receivables and other assets with a term of up to one year were shown at face value, receivables and other assets with a term of more than one year were recognised in the year or less were translated at the average spot exchange rate pursuant to Section 256 a HGB. Insofar as there are indications for impairment, receivables and other assets are measured at lower fair market value.

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

Pursuant to Section 250 (1) HGB, prepaid expenses include expenses before the reporting date that represents expense to be incurred during a specific period after this date.

Equity items are shown at their nominal value.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) based on an accounting interest rate of 2.71 % (previous year: 3.21 %) over an average 10-year period. For this purpose, the Heubeck-reference tables 2018 G were taken as a basis. Externally funded pension benefits are measured at the fair value of the plan assets. Provisions for obligations arising from partial retirement agreements include expenses for wage and salary payments to employees during the pre-retirement passive phase and for top-up payments. Furthermore, the provisions include top-up payments, which the employer cannot avoid due to a collective pay agreement or a works agreement. These provisions are accumulated proportionally from the start of the active phase of the partial retirement and measured at present value, based on an actuarial interest rate of 0.71 % (previous year: 0.97 %). Partial retirement claims are safeguarded against possible insolvency within the framework of a two-way trust relationship. To safeguard these claims, liquid funds are transferred to a contractual trust arrangement and set off against provisions for partial retirement. The remaining provisions were calculated so that they allow for all identifiable risks and contingent obligations. The measurements were made on the basis of prudent business judgement. In each case the expected probable settlement amount was taken into account. Provisions for payments on the occasion of employee jubilees are discounted at an interest rate of 1.97 % p. a. (previous year: 2.32 %).

Other Provisions with a remaining term of more than one year are discounted at the average market interest rate of the past seven financial years, corresponding to their remaining term. Pension provisions are discounted over 10 financial years at the average market interest rate. As a result of an amendment to the HGB by the Law on the Implementation of the Residential Property Loans Directive and on the Modification of Commercial Law Regulations of 11 March 2016, the average period used for the valuation of pension obligations was adjusted from 7 to 10 years. For comparable long-term obligations a flat discounting rate is applied at an average market interest rate resultant under the assumption of a remaining term of 15 years.

Provisions with a remaining term of exactly one year or less are not liable to discount. They are not discounted.

Liabilities are recognised at their settlement amounts. Liabilities in foreign currency are measured at the average spot exchange rate.

Pursuant to Section 250 (2) HGB, deferred income includes income before the reporting date that represents income to be generated during a specific period after this date.

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). This agreement 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 with DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT with the objective of fair and reasonable tax allocation and to allow the full transfer of tax or tax relief.

The tax or tax relief from the tax allocation agreement is recognised in the income statement as "Expenses or income from tax allocations" under "Taxes before income and earnings". The obligation to transfer or refund tax allocations is recognised on the balance sheet in Amounts owed to or amounts owed by affiliated companies. Previously, current tax expenses were recognised in the income statement under "Taxes from income and earnings" and obligations were recognised on the balance sheet as tax provisions. When accounting for deferred tax allocations, the tax option is exercised as laid down in Section 274 HGB (Commercial Code). This allows future allocation tax or tax relief arising from the tax entity's existing, temporary differences to be reflected at tax entity level in accordance with the economic cause of such tax or tax relief. At DMG MORI AKTIENGESELLSCHAFT, this not only includes the differences from the company's own balance sheet items, but also those existing for previous taxable entities. Deferred taxes are calculated for temporary differences between the fiscal and commercial valuation of assets, liabilities, prepaid expenses and deferred income. Deferred tax allocations are calculated on the basis of the combined income tax rate for the previous consolidated tax group of DMG MORI AKTIENGESELLSCHAFT, which is currently 29.8 % (previous year: 29.8 %). The combined income tax rate includes corporation, trade and solidarity taxes. Any resulting overall tax charge would be reflected on the balance sheet as deferred tax allocation liabilities and any tax relief as deferred tax allocation assets.

In recognising hedges for foreign currency, the gross hedge presentation method is used.

C – Notes on the Individual Balance Sheet Items

Assets

1. INTANGIBLE ASSETS AND FIXED ASSETS

The movements of the individual fixed assets are set out in the fixed-asset movement schedule. The value disclosed for industrial property rights and similar rights includes mainly data processing software. Fixed assets mainly include property and buildings at the Bielefeld site.

2. FINANCIAL ASSETS

The changes in financial assets of DMG MORI AKTIENGESELLSCHAFT are set out in the balance sheet supplement to the notes. The companies included in the "Shares in affiliated companies" item, and the corresponding information on registered office, equity, capital shares and results as of 31 December 2019 are set out in a separate summary at the end of the notes.

No value adjustments were made for financial assets in the financial year, as the impairment tests conducted did not identify any impairment requirement.

DMG MORI AKTIENGESELLSCHAFT has concluded domination and profit and loss transfer agreements with the following companies:

› GILDEMEISTER Beteiligungen GmbH, Bielefeld
› DMG MORI Vertriebs und Service GmbH, Bielefeld

3. RECEIVABLE AND OTHER ASSETS

Receivables owed by affiliated companies of € 998,932 K (previous year: € 964,812 K) primarily arose from receivables from profit and loss transfer agreements and financial clearing in the amount of € 987,879 K (previous year: € 916,400 K) and trade account receivables of € 11,053 K (previous year: € 48,412 K). Receivables owed by affiliated companies includes the loan agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH amounting to € 370,000 K (previous year: € 370,000 K) plus interests of € 617 K (previous year: € 644 K). The loan bears interest at the market rate. Other assets amounted to € 8,529 K (previous year: € 10,895 K). In addition, they include receivables from derivatives of € 3,071 K (previous year: € 2,366 K) and tax refund claims from value-added tax of € 4,359 K (previous year: € 8,121 K) amongst others.

Receivables and other assets do not have receivables with a remaining term of more than one year (previous year: € 0 K).

4. CASH ASSETS, BANKS BALANCES

The disclosure refers to credit balances with banks and the cash in hand value and fell to € 72,325 K (previous year: € 80,312 K).

5. PREPAID EXPENSES

The prepaid expenses under assets relates to payments amounting to € 936 K (previous year: € 1,516 K) before the reporting date which are expenses for the following years.

6. DEFERRED TAX ASSETS ALLOCATION FROM THE PARENT COMPANY

As a result of the tax allocation agreement, the company made use of the option to recognise deferred taxes as well as applying Section 274 HGB (German Commercial Code) at the level of DMG MORI AKTIENGESELLSCHAFT. The deferred tax asset allocation from the parent company results from temporary differences between the commercial and tax balance sheets. The temporary differences in value are mainly attributable to pension provisions. An average tax rate of 29.8 % (previous year: 29.8 %) was used to calculate deferred tax assets. There are no tax loss carry forwards for DMG MORI AKTIENGESELLSCHAFT.

7. EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

DMG MORI AKTIENGESELLSCHAFT has taken out appropriate reinsurance policies for certain pension obligations. As these are plan assets, the fair value of the assets was netted against the pension obligation. The costs of acquisition of the offset assets are € 16,248 K (previous year: € 16,305 K) which also affects the fair value. The settlement amount of the provision is € 14,506 K (previous year: € 14,345 K) of which € 401 K (previous year: € 480 K) pursuant to Section 67 (1) Introductory Act to the Commercial Code (EGHGB – Einführungsgesetz zum Handelsgesetzbuch) have not yet been recognised as a provision as of 31 December 2019. In conformity with the offsetting of assets and debts, income of € 521 K and expenses of € 679 K are shown balanced in interest expenses.

Equity and Liabilities

8. EQUITY

Subscribed capital

The share capital of the Company amounts to € 204,926,784.40 (in words: two hundred four million nine hundred twenty-six thousand seven hundred and eighty-four Euros and forty cents).

It is divided into 78,817,994 individual share certificates issued in the name of the bearer. The right of the shareholders for the certificated evidence of their shares is excluded.

The Executive Board is authorized to increase the share capital during the period until 9 May 2024, with the consent of the Supervisory Board, by a nominal amount of up to € 102,463,392.20 by issuing up to 39,408,997 new no-par value bearer shares against cash and/or non-cash contributions (authorized capital). The authorization may be exercised on one occasion or in partial amounts on several occasions.

Where contributions are made in cash the new shares may also be subscribed by one or more credit institutions or companies designated by the Executive Board as provided for in § 186 (5) sentence 1 AktG with the obligation to offer the shareholders the opportunity to acquire such shares (indirect pre-emptive right). The shareholders must be granted a right of preemption. The Executive Board is however authorized, with the consent of the Supervisory Board, to exclude the shareholders' pre-emptive right in the following cases:

a) with respect to a proportionate amount of the share capital of up to € 5,000,000.00, in order to issue shares to employees of the Company or of enterprises affiliated with the Company within the meaning of §§ 15 AktG;

b) in the event of capital increases against non-cash contributions for purposes of acquiring other companies, divisions of companies or shareholdings in companies or other assets in exchange for granting shares in appropriate situations;

c) in the event of a cash capital increase, if the issue price for the new shares as finally determined by the Executive Board, which shall take place as close in time as possible to the placement of the shares, is not significantly below the stock exchange price within the meaning of §§ 203 (1) and 2, 186 (3) sentence 4 AktG and the total propor tionate amount of the share capital allocable to the new shares in respect of which the pre-emptive right is excluded does not exceed 10 % of the share capital neither at the time when the authorization takes effect nor at the time when it is exercised. Shares that are issued or sold during the term of the authorized capital with exclusion of the pre-emptive right of shareholders in direct or analogous application of § 186 (3) sentence 4 AktG count towards this 10 % limit;

d) in order to eliminate any fractional amounts from the pre-emptive right.

All shares issued under the above authorization with exclusion of the pre-emptive right in accordance with b) and c) may not exceed 20 % of the share capital neither at the time when the authorization takes effect nor at the time when it is exercised. Shares that are issued during the term of the authorization as described above with exclusion of pre-emptive rights from any other authorized capital count towards this 20 % limit; however, pre-emptive rights to settle fractional amounts or to issue shares to employees of the Company and enterprises affiliated with the Company do not count towards the 20 % limit.

The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorized to amend the Company's Articles of Association as the authorized capital is used from time to time or, if the authorized capital has not been used by 9 May 2024 or not used up in full, to cancel the authorized capital upon expiration of this deadline.

Capital Reserves

The capital reserves of DMG MORI AKTIENGESELLSCHAFT also include the premiums from the issue of shares from past capital increases. As of the reporting date, the capital reserves were unchanged at € 516,197,471 K compared with the previous year.

Retained earnings

Statutory reserves

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

Other retained earnings

The other retained earning of € 199,376,726 have not changed since the previous year.

Control and profit transfer agreement

DMG MORI AKTIENGESELLSCHAFT closes the year with € 95.7 million (previous year: € 99.3 million) in earnings after taxes. The earnings after taxes will be transfered to DMG MORI GmbH due to the control and profit transfer agreement.

A transfer ban of € 14,514 K (previous year: € 12,644 K) exists for € 14,514 K (previous year: € 12,644 K) in deferred tax allocation assets for the parent company as applied in accordance with Section 268 (8) HGB (Commercial Code), unless adequate, readily available reserves exist to cover the transfer ban amount. As the current, readily available other retained earnings amount of € 199,377 K (previous year: € 199,377 K) exceeds the amount of deferred tax allocation assets, a transfer ban pursuant to Section 301 AktG (Companies Act) in conjunction with Section 268 (8) HGB does not exist in this case.

The disposable amount of retained earnings means there is also no dividend limitation of € 1,990 K from the adjustment in the measurement period for the pension provisions market rate from 7 to 10 years in accordance with Section 253 (6) HGB (German Commercial Code).

9. PENSION PROVISIONS

The measurement of pension obligations was carried out by the projected unit credit method (PUC method). The provisions amount has been determined by taking account of trend assumptions with respect to future development of entitlements or pensions as well as of fluctuation probabilities. An actuarial interest rate of 2.71 % p.a. (previous year: 3.21 % p.a.) and a pension increase of 2.0 % p.a. (previous year: 2.0 % p.a.) have been assumed. The provisions for widows'/widowers' entitlements are carried out in accordance with the collective method, in which the probability of marriage that arose from the calculation basis employed was taken as a basis. In principle the contractually agreed pension age was used as the age for ending the financing. Within the framework of implementing the German Accounting Law Modernisation Act (BilMoG) as of 1 January 2010, DMG MORI AKTIENGESELLSCHAFT exercised the option under Sec. 67 (1) (1) of the Introductory Act on the German Commercial Code (EGHGB). Sec. 67 (1) (1) EGHGB contains the option to accumulate at least a fifteenth of the allocations to provisions determined on the basis of the revised measurement of current pensions and vested pensions rights at the latest by 31 December 2024 in each financial year. The total allocation determined as of 1 January 2010 was € 3,178 K. Of this, as in the previous year, one-fifteenth (€ 212 K) (previous year: € 212 K) was taken into the expenses. An amount of € 1,059 K remains from this obligation for non-established provisions for subsequent years. As of the reporting date, provisions were € 6,712 K (previous year: € 6,852 K).

Through the modification of the German Commercial Code by the Law on the Implementation of the Residential Property Loans Directive and on the Modification of Commercial Law Regulations of 11 March 2016, the average period used for the valuation of pension obligations was adjusted from 7 years to 10 years. This resulted in a difference of € 1,990 K (previous year: € 2,358 K).

10. PROVISIONS FOR TAXES

Tax provisions of € 2,883 K (previous year: € 2,611 K) include liabilities for trade tax of € 1,511 K (previous year: € 1,197 K) and for corporation tax of € 1,372 K (previous year: € 1,414 K) for financial year 2019 and – due to tax audits – for previous year.

11. OTHER PROVISIONS

Other provisions include anticipated bonus payments of € 10,116 K (previous year: € 11,473 K) and expenses for other personnel expenses in an amount of € 4,474 K (previous year: € 4,190 K).

Additionally, a provision for anticipated losses due to a negative surplus of derivatives was formed in the amount of € 7 K (previous year: € 131 K).

The provisions accrued in 2019 for outstanding invoices amounts to € 2,239 K (previous year: € 2,372 K). Additionally, other provisions include amounts for contingent liabilities of € 1,675 K (previous year: € 3,249 K), annual financial statement costs of € 1,002 K (previous year: € 667 K), provisions for Supervisory Board members' remuneration of € 899 K (previous year: € 1,091 K) and other provisions of € 603 K (previous year: € 825 K).

12. LIABILITIES

The short and medium-term working capital needs of DMG MORI AKTIENGESELLSCHAFT and, as part of the intragroup cash management system, of the majority of domestic subsidiaries, are covered by cash flow from operations as well as by a syndicated loan agreement. [→ B.02]

DMG MORI AKTIENGESELLSCHAFT has a syndicated credit line amounting to € 500.0 million in total. It consists of a cash tranche in the amount of € 200.0 million and a guarantee tranche of € 300.0 million. The syndicated credit line was obtained in February 2016 and has a term of five years (until February 2021). The agreement was extended in January 2018 by one year until February 2022.

The financing agreements for the syndicated loan require DMG MORI AKTIENGESELLSCHAFT to comply with customary covenants. All covenants had been complied quarterly and with as of 31 December 2019.

For the financing of the syndicated credit line, the creditor banks have fully waived their right to collateralisation. Various group companies are guarantors for the credit agreements.

B.02 in € K	Statement of financial position as of 31 Dec 2019	Of which residual term up to 1 year	Of which residual term 1 to 5 years	Of which residual term more than 5 years	Statement of financial position as of 31 Dec 2018
1. Trade payables	1,442	1,442	-	-	1,068
Residual terms 31 Dec 2018		1,068	-	-	1,068
2. Liabilities to affiliated companies	934,384	934,384	-	-	908,232
Residual terms 31 Dec 2018		908,232	-	-	908,232
3. Other liabilities [1]	2,237	2,237	-	-	3,465
Residual terms 31 Dec 2018		3,465	-	-	3,465
Residual terms 31 Dec 2019	938,063	938,063	-	-	912,765

1) Of which from taxes: € 441 K (previous year: € 350 K)

The liabilities to affiliated companies in the amount of € 934,384 K (previous year: € 908,232 K) primarily resulted from liabilities from financial clearing € 917,631 K (previous year: € 892,905 K). This includes € 128,304 K (previous year: € 142,793 K) in liabilities to DMG MORI GmbH, of which € 95,742 K (previous year: € 99,326 K) relates to the transfer of profits and € 32,295 K (previous year: € 43,467 K) in taxes charged as a result of fiscal unity. Payment to DMG MORI GmbH will be made in financial year 2020. This also includes € 16,754 K (previous year: € 15,327 K) in trade payables to affiliated companies.

13. CONTINGENCIES AND OTHER FINANCIAL

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

B.03 | CONTINGENTIES in € K	31 Dec 2019	31 Dec 2018
Guarantees	574,994	587,132
Warranties	70,811	50,433
Other off-balance sheet obligations	2,608	5,952
	648,413	**643,517**

B.04 | OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE in € K	31 Dec 2019	31 Dec 2018
Within 1 year	451	541
Within 1 to 5 years	266	255
After 5 years	0	0
	717	**796**

The guarantees of DMG MORI AKTIENGESELLSCHAFT include maximum amount guarantees for affiliated companies of € 30,115 K (previous year: € 30,042 K) and payment sureties of € 83,937 K (previous year: € 81,636 K). The corresponding bank liabilities are value dated as of 31 December 2019 at € 223 K (previous year: € 223 K). DMG MORI AKTIENGESELLSCHAFT was jointly and severally liable for liabilities of € 160,000 K (previous year: € 160,000 K) as of the balance sheet date.

An amount of € 15,584 K (previous year: € 12,817 K) was given as prepayment guarantees to customers of several group companies. DMG MORI AKTIENGESELLSCHAFT also has a guarantee line, which can be used to guarantee advance payment and warranties of domestic and foreign subsidiaries with secondary liability of DMG MORI AKTIENGESELLSCHAFT. As of 31 December 2019, the amount availed of was € 162,369 K (previous year: € 186,705 K).

Performance bonds rose by € 29,971 K to € 207,256 K. This increase was mainly attributable to the project business of GILDEMEISTER energy solutions GmbH.

Moreover, DMG MORI AKTIENGESELLSCHAFT has issued comfort letters for subsidiaries totalling € 29,078 K. The liabilities in this respect were valued at € 0 K as at 31 December 2019 (previous year: € 40 K). The probability of any imminent claim by the beneficiaries based on previous experience is considered to be very slight in our estimation.

DMG MORI AKTIENGESELLSCHAFT and Haimer GmbH entered into a cooperation agreement on 7 December 2016. Its objective is the development of future joint projects. The cooperation agreement gives rise to an obligation to accept delivery for both companies, the financial liabilities of DMG MORI AKTIENGESELLSCHAFT in the amount of € 2,608 K (previous year: € 5,952 K) are met by the equivalent value of the products of Haimer GmbH.

14. DERIVATIVE FINANCIAL INSTRUMENTS

The nominal and market values of the derivative financial instruments existing on the reporting date present as follows. [→ B.05]

B.05 | DERIVATIVE FINANCIAL INSTRUMENTS OF THE DMG MORI AKTIENGESELLSCHAFT	Nominal volume		Fair market value	
in € K	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Forward foreign exchange contracts	265,516	293,182	1,900	-53

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

The fair market values of the forward foreign exchange contracts are balanced at € 1,900 K (previous year: € -53 K) and comprise positive market values of € 3,250 K (previous year: € 2,764 K) and negative market values of € 1,350 K (previous year: € 2,817 K).

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

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

The forward foreign exchange contracts concluded show a residual term of up to one year as of the balance sheet date and serve to hedge foreign currency receivables from group companies is mainly in USD, JPY, GBP, RUB and CHF.

In cases where the requirements were met, the forward exchange contracts were summarized to evaluation units per currency. In doing so, the direct posting method was applied, so that € 3,071 K were recorded in other assets from derivatives and € 1,344 K in other liabilities. Additionally, a provision for anticipated losses due to a negative surplus of derivatives was formed in the amount of € 7 K (previous year: € 131 K).

The hedge is in place for the entire duration of the underlying transaction. The dollar offset method is used to determine the effectiveness.

In the previous financial year, DMG MORI AKTIENGESELLSCHAFT had two types of valuation units.

B.06 | TYPES OF HEDGES OF THE DMG MORI AKTIENGESELLSCHAFT No. Underlying transation	Nominal amount of underlying transaction	Hedged risks
1 Internal forward exchange progrmas (not offset): Cash flow hedges from order intake and subsidiaries' debts to suplliers	€ 34,500 K	€ -398 K
2 Internal group foreign currency floans (not offset)	€ 192,255 K	€ 1,727 K

On the one hand, valuation units from external forward exchange transactions and the intragroup external forward exchange transactions with a nominal volume of € 34,500 K are formed in order to secure order intakes and payments to suppliers. The secured risk as of 31 December 2019 amounted to € -398 K (previous year: € 54 K). On the other hand, valuation units from external forward exchange transactions and intragroup foreign currency loans with a nominal volume of € 192,255 K are formed the secured currency risk as of 31 December 2019 amounted to € 1,727 K (previous year: € -320 K).

15. TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

In financial year 2019, DMG MORI AKTIENGESELLSCHAFT only concluded transactions at customary market conditions with related companies and persons.

D – Notes to individual Items in the Income Statement

16. SALES REVENUES

Sales revenues of € 16,601 K (previous year: € 14,442 K) essentially involve sales arising from the groupwide holding and services functions. Of this, Germany had € 14,708 K (previous year: € 13,411 K), the rest of Europe € 1,270 K (previous year: € 899 K), and the rest of world € 128 K (previous year: € 132 K).

17. OTHER OPERATING INCOME

Other operating income of € 28,520 K (previous year: € 20,514 K) includes exchange rate gains from the valuation of receivables and liabilities in foreign currencies and from the valuation of forward exchange contracts amounting to € 22,194 K (previous year: € 14,995 K) which break down into realised foreign exchange and currency gains of € 19,812 K (previous year: € 11,352 K) and foreign exchange and currency gains from valuation amounting to € 2,382 K (previous year: € 3,643 K). This also includes income from cost refunds of € 1,661 K (previous year: € 3,352 K). Income unrelated to the accounting period amounts to € 3,955 K (previous year: € 1,694 K). This includes € 3,140 K (previous year: € 46 K) from the reversal of provisions.

18. PERSONNEL EXPENSES

Direct remuneration of the members of the Executive Board, was € 10,219 K (previous year: € 10,078 K). Of this, € 2,250 K was allocated to the fixed remuneration (previous year: € 2,478 K), € 2,758 K (previous year € 3,349 K) to the STI. The individual remuneration for services rendered amounted to € 1,875 K (previous year: € 2,063 K) and included a payment for the extraordinary and successful work of the Executive Board Chairman for an important group project.

The STI takes account of the target achievement of the Executive Board. The fair value of LTI on the granting date was € 2,391 K (previous year: € 1,283 K). Benefits in kind accounted for € 107 K (previous year: € 105 K). For financial year 2019, the employee pension plan expense totaled € 838 K (previous year: € 800 K).

Former members of the Executive Board and their surviving dependents received € 1,287 K (previous year: € 1,271 K) in pensions. The amount of pension obligations (entitlement cash value of future pension commitments or defined benefit obligation) for former executive board members and their surviving dependants were € 25,790 K (previous year: € 24,956 K).

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

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

B.07 | EMPLOYEE DEVELOPMENT	2019	2018
Salary earners (annual average)	86	82

19. DEPRECIATION OF FIXED ASSETS AND PLANT, PROPERTY AND EQUIPMENT

The depreciation of fixed assets and plant increased by € 876 K up to € 3,360 K (previous year: € 2,752 K). In the previous year, this included € 873 K in unscheduled depreciation.

20. OTHER OPERATING EXPENSES

Other operating expenses were reduced by € 5,247 K and amounted to € 42,886 K (previous year: € 37,639 K). These were due, among other things, to € 7,052 K (previous year: € 8,030 K) in other third party services, € 4,824 K (previous year: € 5,698 K) in year-end closing, legal and consulting expenses, € 1,698 K (previous year: € 1,320 K) in travel and entertainment expenses, € 2,909 K (previous year: € 2,291 K) in insurance contributions and € 885 K (previous year: € 972 K) in rental and lease expenses.

Exchange and currency losses in the amount of € 16,785 K (previous year: € 12,282 K) break down in exchange and currency losses in the amount of € 13,714 K (previous year: € 7,354 K) and exchange and currency losses from valuation in the amount of € 3,071 K (previous year: € 4,928 K). These were offset against € 22,194 K (previous year: € 14,995 K) exchange and currency gains, which are reported in other operating income. The net amount was an exchange rate profit of € 5,408 K (previous year: Profit of € 2,713 K).

The other operating expenses contain expenses pursuant to Sec. 67 (1, 2) EGHGB amount € 212 K (Explanatory note – see number 9: pension provisions).

Auditor's fees and services

The annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was appointed to audit the annual accounts and consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT.

The fees and charges for the services provided by the annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, recognised as expenses in financial year 2019, relate to € 812 K (previous year: € 992 K) for annual audit services and € 447 K (previous year: € 223 K) for other assurance services. This also includes € 141 K (previous year: € 175 K) for tax advisory services and € 263 K (previous year: € 175 K) for other services. Only services that are consistent with the engagement as auditor of the annual accounts of DMG MORI AKTIENGESELLSCHAFT were provided.

Only services that are consistent with the engagement as auditor of the annual accounts of DMG MORI AKTIENGESELLSCHAFT were provided.

Annual audit services mainly relate to the audit of the annual accounts of DMG MORI AKTIENGESELLSCHAFT, including statutory extensions to the auditor's scope of service 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 audits.

Other assurance services relate to the audit of the Compliance Management System and statutory or contractual audits and agreed audit procedures, such as e. g. confirmation of compliance with covenants or EMIR audits in accordance with Section 20 WpHG (Securities Trade 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 the 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.

Remuneration of the Supervisory Board

In the financial year 2019, € 899 K (previous year: € 1,091 K) were allocated to provisions for Supervisory Board members' remuneration. Further details of the remuneration of the Supervisory Board are given in the Management Report.

21. INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

DMG MORI AKTIENGESELLSCHAFT achieved income from profit and loss transfer agreements of € 156,329 K (previous year: € 170,928 K) from GILDEMEISTER Beteiligungen GmbH and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

22. OTHER INTEREST AND SIMILAR INCOME

In the reporting period, interest and guarantee commissions were invoiced to related companies in the amount of € 12,609 K (previous year: € 10,632 K).

23. INTEREST AND SIMILAR EXPENSES

The interest expense of € 10,069 K (previous year: € 7,562 K) includes interest of € 5,943 K (previous year: € 3,532 K), which has been charged by affiliated companies as well as an interest expense from addition of accrued interest from provisions of € 163 K (previous year: € 303 K). Other interest expense mainly relates to € 2,393 K (previous year: € 2,319 K) in expenses from guarantee commissions and € 637 K (previous year: € 576 K) in interest owed to DMG MORI GmbH.

24. TAX ON INCOME AND EARNINGS

Taxes on income and earnings include expenses unrelated to the accounting period in an amount of € 1,467 K (previous year: € 245 K) as well as tax expenses of € 36,139 K (previous year: € 47,471 K). Current tax expense includes € 32,295 K in taxes debited by DMG MORI GmbH, Bielefeld, due to fiscal unity and a tax amount of € 3,610 K to be paid on the compensation payment of DMG MORI GmbH in accordance with Section 16 (2) of the German Corporation Tax Act (KStG). In addition, an amount of € 1,869 K deferred tax revenue is included (previous year: € 3,490 K deferred tax revenue).

25. EXPENSES FROM PROFIT TRANSFER AGREEMENTS

The domination and profit and loss transfer agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH resulted in the recognition of expenses of € 95,742 K (previous year: € 99,326 K).

E – Other Disclosures

26. STATUTORY NOTIFICATION PURSUANT TO SECTION 40 WPHG

In accordance with 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 accordance with his last notification of voting rights on 26 November 2019, Paul E. Singer and associated companies also held 9.53 % of share capital as of 31 December 2019.

27. DECLARATION OF CONFORMITY WITH THE CORPORATE GOVERNANCE CODE OF PRACTICE

The latest declaration of conformity in accordance with Section 161 of the German Stock Corporate Act (AktG) was issued in November 2018 – just as the declarations of conformity of the previous years – and has been made permanently accessible on our website at →en.dmgmori-ag.com/corporate-communications/corporate-governance/

28. SUPPLEMENTARY REPORT

A key event after the balance sheet date was the increasing worldwide spread of the corona virus, which resulted in a three-day business interruption at the Pfronten site. No other events occurred before the financial statements were authorized for issue by the Executive Board on 9 March 2020.

29. GROUP AFFILIATION

DMG MORI COMPANY LIMITED, Nara (Japan), is the ultimate parent company of DMG MORI AKTIENGESELLSCHAFT. DMG MORI AKTIENGESELLSCHAFT is included in the consolidated financial statements of DMG MORI COMPANY LIMITED, Nara (Japan). These can be found on the company website www.dmgmori.co.jp.

F – Corporate Directory

SUPERVISORY BOARD

Dr. Eng. Masahiko Mori
Nara, born 1961
Chairman,
President of DMG MORI
COMPANY LIMITED, Nara

Mario Krainhöfner
(Employee representative)
Pfronten, born 1964
1st Deputy Chairman
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)
Durach, born 1968
Deputy Chairman
Head of Controlling of
DECKEL MAHO Pfronten GmbH
Senior Executives' representative

Irene Bader
Feldafing, born 1979
Director Global Marketing of
DMG MORI Global Marketing GmbH, Munich,
Managing Director of
DMG MORI Sport Marketing SAS,
Roissy-en-France,
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
Union Secretary, IG Metall
Management Board, Frankfurt / Main
› GRAMMER AG, Amberg, Member of Supervisory Board (until 15.09.2019)

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 Supervisory Board (until 29.02.2020)
• DKSH Holding AG, Zurich, Member of the Board of Directors

James Victor Nudo
Illinois (USA), born 1954
President of DMG MORI USA INC., Chicago
Executive Officer of
DMG MORI COMPANY LIMITED, Tokyo

Larissa Schikowski
(Employee representative)
Pfronten, born 1969
Member of the Works Council of
DMG MORI Global Service GmbH,
Service Development employee of
DMG MORI Global Service Milling GmbH

Michaela Schroll
(Employee representative)
Bielefeld, born 1976
Member of the Works Council of
GILDEMEISTER Drehmaschinen GmbH,
Electrician in the Installation Department at
GILDEMEISTER Drehmaschinen GmbH

EXECUTIVE BOARD

Dipl.-Kfm. Christian Thönes
Bielefeld
Chairman

Dipl.-Kfm. Björn Biermann
Bielefeld

Michael Horn, M.B.A.
Bielefeld

Dipl.-Kfm. Dr. Maurice Eschweiler
Bielefeld, Executive Board member until
31 March 2019

› Supervisory mandate as per § 100 AktG
• Membership in comparable domestic and foreign control bodies of business enterprises

List of Shareholdings of the Cooperations

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES		Equity[1]			
	National currency		€ K	Participation quota in %	Earnings of financial year 2019[1] € K
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,866	100.0	0
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			83,427	100.0	0
SAUER GmbH, Stipshausen / Idar-Oberstein [3/4/7/8]			12,455	100.0	0
Alpenhotel Krone GmbH & Co., KG, Pfronten [3/7]			2,629	100.0	105
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			29	100.0	0
GILDEMEISTER DREHMASCHINEN GmbH, Bielefeld [3/5/6]			24,000	100.0	0
GILDEMEISTER Partecipazioni S.r.l., Brembate die Sopra (Bergamo), Italy [5]			92,220	100.0	90
GILDEMEISTER Italiana S.p. A., Brembate di Sopra (Bergamo), Italy [9]			37,266	100.0	14
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			38,754	100.0	2,444
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			2,525	100.0	363
CARLINO FTV 3.2 S.R.L., Bolzano, Italy [9]			10,171	100.0	-9
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			43,000	100.0	0
DMG MORI Software Solutions GmbH, Pfronten [3/4/5/6]			1,100	100.0	0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0	0
ISTOS GmbH, Bielefeld [3/5/6]			1,000	85.0	0
Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5]	RUB K	8,054,015	115,129	100.0	5,858
REALIZER GmbH, Borchen [5/6/24]			-261	100.0	0
WERKBLiQ GmbH, Bielefeld [3/5/6]			-1,180	100.0	0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			372	100.0	86
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			190	100.0	16
DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3]			398,646	100.0	0
DMG MORI Management GmbH, Bielefeld [3/4/10/11]			24	100.0	0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0	0
DMG MORI München GmbH, Munich [3/4/12/13]			5,000	100.0	0
DMG MORI Hilden GmbH, Hilden [3/4/12/13]			4,200	100.0	0
DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13]			2,800	100.0	0
DMG MORI Berlin Hamburg GmbH, Bielefeld [3/4/12/13]			5,500	100.0	0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13]			2,700	100.0	0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13]			7,000	100.0	0
DMG MORI Services GmbH, Bielefeld [3/10/11]			29,635	100.0	0
DMG MORI Global Service GmbH, Bielefeld [3/4/14/15]			5,200	100.0	0
DMG MORI Academy GmbH, Bielefeld [3/4/14/15]			4,000	100.0	0
DMG MORI Used Machines GmbH, Geretsried [3/4/14/15]			17,517	100.0	0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10]			567,265	100.0	635
antiquitas Verwaltungsgesellschaft mbH Klaus, Austria [16]			5,590	100.0	-2,905

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES	National currency	Equity[1]	€ K	Participation quota in %	Earnings of financial year 2019[1] € K
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [16]	CHF K	551,574	508,176	100.0	15,043
DMG MORI Europe AG, Winterthur, Switzerland [17]			116,715	100.0	10,399
DMG MORI Schweiz AG, Winterthur, Switzerland [18]	CHF K	36,718	33,829	100.0	2,709
DMG MORI Balkan GmbH, Klaus, Austria [17]			2,150	100.0	157
DMG MORI Austria GmbH, Klaus, Austria [19]			19,241	100.0	2,497
DMG MORI Netherlands B.V., Veenendaal, Netherlands [17]			8,075	100.0	990
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [17]			4,696	100.0	491
DMG MORI Czech s.r.o., Brno, Czech Republic [17]	CZK K	343,299	13,511	100.0	1,371
DMG MORI DENMARK ApS, Copenhagen, Denmark [17]	DKK K	23,991	3,211	100.0	251
DMG MORI FRANCE SAS, Paris, France [17]			19,674	100.0	1,407
DMG MORI Hungary Kft., Budapest, Hungary [17]			8,896	100.0	1,387
DMG MORI IBERICA S.L., Ripollet, Spain [17]			13,968	100.0	610
DMG MORI Italia S.r.l., Milan, Italy [17]			48,502	100.0	1,241
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [17]	AED K	0	3,007	100.0	588
DMG MORI Israel Ltd., Tel Aviv, Israel [17]	ILS K	0	0	100.0	0
DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [17]	PLN K	66,026	15,511	100.0	2,219
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [17]			1,032	100.0	224
DMG MORI Sweden AB, Gothenburg, Sweden [17]	SEK K	114,249	10,936	100.0	1,171
DMG MORI NORWAY AS, Langhus, Norway [17]	NOK K	12,987	1,317	100.0	238
DMG MORI Finland Oy AB, Tampere, Finland [17]			3,129	100.0	335
DMG MORI UK Limited, Luton, Great Britain [17]	GBP K	26,403	31,033	100.0	2,330
DMG MORI ROMANIA S.R.L., Bukarest, Romania [17]	RON K	27,789	5,810	100.0	736
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [17]	BGN K	1,211	619	100.0	10
DMG MORI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey [17]	TRY K	23,888	3,125	100.0	2,539
DMG MORI Rus OOO, Moscow, Russia [17]	RUB K	3,917,606	56,001	100.0	5,964
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [17]	EGP K	200	11	100.0	0
MORI SEIKI Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	11	100.0	0
DMG MORI Africa for Trading in Machines & Services (S.A.E.), Cairo, Egypt [20]	EGP K	15,450	857	100.0	145

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES

	National currency	Equity[1]	€ K	Participation quota in %	Earnings of financial year 2019[1] € K
DMG MORI Asia Pte. Ltd., Singapore [17]			27,524	100.0	3,132
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [17]	CNY K	31,784	4,064	100.0	-1,250
DMG MORI India Pvt. Ltd., Bangalore, India [17]	INR K	485,790	6,058	51.0	278
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co. Ltd., Shanghai, China [17]	CNY K	83,160	10,634	100.0	42
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [17]	PLN K	599,847	140,915	100.0	28,465
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	107,300	13,720	51.0	72
GILDEMEISTER energy solutions GmbH, Würzburg [3/4/10/11]			9,100	100.0	0
GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [21]	TRY K	-284	-42	100.0	-159
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [21]			4,165	51.0	8,155
GILDEMESTER LSG Solar Australia Pty Ltd., Brisbane, Australia [22]	AUD K	4,120	2,576	100.0	-2,451
GILDEMEISTER LSG SOLAR RUS, Moscow, Russia [22]	RUB K	153,531	2,195	100.0	4,100
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [21]			2,426	100.0	514
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	8,806,000	72,216	44.1	5,492
Magnescale Europe GmbH, Wernau [23]			2,966	44.1	166
Magnescale Americas, Inc., Davis, USA [23]	USD K	1,192	1,061	44.1	100

PRODUCTION PLANTS, SALES AND SERVICE COMPANIES		Equity [1]			
	National currency		€ K	Participation quota in %	Earnings of financial year 2019 [1] € K
Associate					
DMG MORI Finance GmbH, Wernau			25,139	42.6	1,363
DMG MORI HEITEC GmbH, Erlangen [5]			1,738	50.0	-153
INTECH DMLS Pvt. Ltd., Bangalore, India [5]	INR K	375,688	4,685	30.0	-1,139
Pragati Automation Pvt. Ltd., Bangalore, India [5]	INR K	929,528	11,592	30.0	51
DMG MORI Digital GmbH, Bielefeld [5]			64	40.0	14
Vershina Operation, LLC., Narimanov, Russia [22]	RUB K	16,191	231	33.3	0

1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated on reporting date.
2) with domination and profit and loss transfer agreement with DMG MORI AKTIENGESELLSCHAFT
3) The domestic subsidiary has complied with the conditions required by Section 264(3) of the German Commercial Code (HGB) 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(3) of the German Commercial Code (HGB) 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 domination and profit and loss transfer agreement with GILDEMEISTER Beteiligungen GmbH
7) equity investment of DECKEL MAHO Pfronten GmbH
8) with domination and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH
9) equity investment of GILDEMEISTER Partecipazioni S.r.l.
10) equity investment of DMG MORI Vertriebs und Service GmbH
11) with domination and profit and loss transfer agreement with DMG MORI Vertriebs und Service GmbH
12) equity investment of DMG MORI Deutschland GmbH
13) with domination and profit and loss transfer agreement with DMG MORI Deutschland GmbH
14) equity investment of DMG MORI Services GmbH
15) with domination and profit and loss transfer agreement with DMG MORI Services GmbH
16) equity investment of DMG MORI Netherlands Holding B.V.
17) equity investment of DMG MORI Sales and Service Holding AG
18) equity investment of DMG MORI Europe AG
19) equity investment of DMG MORI Balkan GmbH
20) equity investment of DMG Egypt for Trading in Machines Manufactured LLC (51 %), DMG MORI Sales & Services Holding (47.7 %) and of 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.
24) The domestic subsidiary has satisfied the conditions required under Section 264 para.3 HGB for making use of the exemption rule and has elected to apply this exemption.

Income Statement

for the period 1 January to 31 December 2019

	Notes	2019	2018
	Notes	€	€
1. Sales revenues	16	16,105,639	14,442,097
2. Other operating income	17	28,519,971	20,513,593
		44,625,610	**34,955,690**
3. Cost of materials			
Cost of purchased services		-2,144,519	-3,034,014
		-2,144,519	**-3,034,014**
4. Personnel expenses	18		
a) Wages and salaries		-20,163,645	-20,497,194
b) Social contributions, pensions and other benefits thereof pension plan expenses: € -1,995 K (previous year: € -935 K)		-3,197,428	-1,984,820
		-23,361,073	**-22,482,014**
5. Depreciation and amortization of intangible assets and property, plant and equipment and property, plant and equipment	19	-3,628,645	-2,752,400
6. Other operating expenses thereof expenses according to Sec. 67 (1, 2) EGHGB: € -211.8 K (previous year: € -211.8 K)	20	-42,886,365	-37,639,289
7. Income from profit transfer agreements	21	156,328,925	170,928,473
8. Other interest receivable and similar income	22	12,612,621	10,647,495
9. Interest payable and similar expenses	23	-10,068,762	-7,562,494
10. Tax on income thereof tax allocation agreement : € -32,295 K (previous year: € -43,467 K) thereof deferred tax allocation revenues: € 1,869 K (previous year revenues: € 3,490 K)	24	-35,735,807	-43,735,832
11. Earning after tax		**95,741,985**	**99,325,615**
12. Expenses from profit transfer agreements	25	-95,741,985	-99,325,615
13. Net income / Net profit for the year		**0**	**0**

Balance Sheet
as at 31 December 2019

ASSETS	Notes	31 Dec 2019 €	31 Dec 2018 €
A. Fixed Assets			
I. Intangible assets	1		
Industrial and similar rights and values and licences to such rights and values acquired against payment		73,820	19,010
II. Tangible assets	1		
1. Land and buildings		22,772,900	22,200,329
2. Other equipment, factory and office equipment		9,123,619	10,611,635
3. Payments on account and construction in progress		336,466	1,454,515
		32,232,985	**34,266,479**
III. Financial assets	2		
1. Share in affiliated companies		753,934,482	753,934,482
2. Investments		6,657,493	6,657,493
		792,898,780	**794,877,464**
B. Current Assets			
I. Receivables and other assets	3		
1. Receivables from affiliated companies		998,931,855	964,812,129
3. Other assets		8,529,346	10,894,548
		1,007,461,201	**975,706,677**
II. Cash assets and bank balances	4	72,325,243	80,311,796
		1,079,786,444	**1,056,018,473**
C. Prepaid expenses	5	**935,901**	**1,515,794**
D. Deferred Tax Asset Allocation from the parent company (previous year: deferred tax assets)	6	**14,513,923**	**12,644,450**
E. Excess of Plan Assets over Pension Liability	7	**1,741,568**	**2,433,997**
		1,889,876,616	**1,867,490,178**

EQUITY AND LIABILITY	Notes	31 Dec 2019 €	31 Dec 2018 €
A. Equity			
I. Subscribed capital	8	204,926,785	204,926,785
II. Capital reserves		516,197,471	516,197,471
III. Revenue reserves			
1. Statutory reserves		680,530	680,530
2. Other revenue reserves		199,376,726	199,376,726
IV. Net profit		0	0
		921,181,512	**921,181,512**
B. Provisions			
1. Pension provisions	9	6,711,749	6,852,327
2. Tax provisions	10	2,883,000	2,610,692
3. Other provisions	11	21,014,127	23,998,049
		30,608,876	**33,461,068**
C. Liabilities	12		
1. Trade payables		1,442,402	1,067,589
2. Amounts owed to affiliated companies		934,384,331	908,231,652
4. Other liabilities		2,236,454	3,465,570
		938,063,187	**912,764,811**
D. Prepaid Income		**23,041**	**82,787**
		1,889,876,616	**1,867,490,178**

Notes for the Financial Year 2019

Fixed Asset Movement Schedule

Fixed Asset Movement Schedule
as at 31 December 2019

ACQUISITION AND PRODUCTION COSTS

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

DEPRECIATION AND IMPAIRMENT OF VALUE

in €
I. Intangible assets
Industrial and similar rights and values and licences to Such rights and values acquired against payment
II. Tangible assets
1. Land and buildings
2. Other equipment, factory and office equipment
3. Payments on account and construction in progress
III. Financial assets
1. Share in affiliated companies
2. Investments
Total fixed assets

as at 01 Jan 2019	Additions	Disposals	Book Transfer	as at 31 Dec 2019
18,028,394	77,960	0	-735	18,105,619
18,028,394	**77,960**	**0**	**-735**	**18,105,619**
52,018,510	920,338	0	1,220,648	54,159,496
31,149,000	546,259	547,341	-72,250	31,075,668
1,454,515	336,466	211,220	-1,243,295	336,466
84,622,025	**1,803,063**	**758,561**	**-94,897**	**85,571,630**
753,934,482	0	0	0	753,934,482
6,657,493	0	0	0	6,657,493
760,591,975	**0**	**0**	**0**	**760,591,975**
863,242,394	**1,881,023**	**758,561**	**-95,632**	**864,269,224**

					Carrying amount	
as at 01 Jan 2019	Additions	Disposals	Book Transfer	as at 31 Dec 2019	as at 31 Dec 2019	as at 31 Dec 2018
18,009,384	23,150	0	-735	18,031,799	73,820	19,010
18,009,384	**23,150**	**0**	**-735**	**18,031,799**	**73,820**	**19,010**
29,818,181	1,541,480	0	26,935	31,386,596	22,772,900	22,200,329
20,537,365	2,064,015	527,499	-121,832	21,952,049	9,123,619	10,611,635
0	0	0	0	0	336,466	1,454,515
50,355,546	**3,605,495**	**527,499**	**-94,897**	**53,338,645**	**32,232,985**	**34,266,479**
0	0	0	0	0	753,934,482	753,934,482
0	0	0	0	0	6,657,493	6,657,493
					760,591,975	**760,591,975**
68,364,930	**3,628,645**	**527,499**	**-95,632**	**71,370,444**	**792,898,780**	**794,877,464**

Responsibility Statement

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

Bielefeld, 9 March 2020
DMG MORI AKTIENGESELLSCHAFT
The Executive Board

Dipl.-Kfm. Christian Thönes

Dipl.-Kfm. Björn Biermann

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 Financial Statements and of the Management Report

Opinions

We have audited the annual financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, which comprise the balance sheet as of December 31, 2019, and the income statement for the financial year from January 1 to December 31, 2019, and notes to the financial statements, including the recognition and accounting policies presented therein. In addition, we have audited the management report of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

› the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, in compliance with German Legally Required Accounting Principles, and

› the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of the corporate governance statement referred to above. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the 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 [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company 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 annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

› Impairment testing of shares in affiliated companies

Please refer to the disclosures in the notes to the financial statements, Section B, "Accounting policies", and the notes on the financial assets in Section C.2 "Financial assets", for more information on the accounting policies applied.

The Financial Statement Risk

Shares in affiliated companies in the amount of EUR 753.9 million were presented under financial assets in the annual financial statements of DMG MORI AKTIENGESELLSCHAFT as of December 31, 2019. This amounts to approx. 40% of total assets and thus has a material influence on the Company's balance sheet.

Shares in affiliated companies are recognized at cost or, if they are expected to be permanently impaired, at their lower fair value. The Company calculates the fair value of the shares in affiliated companies using the discounted cash flow method.

The cash flows used for the discounted cash flow method are based on individual projections for each investment for the next four years which are extrapolated based on assumptions of long-term growth rates. The respective discount rate is derived from the return on a risk-appropriate alternative investment. If the fair value is lower than the carrying amount, qualitative and quantitative criteria are used to determine whether the impairment is expected to be permanent.

Calculation of the fair value according to the discounted cash flow method is complex and, as regards the assumptions made, based largely on estimates and assessments of the Company. This applies particularly to estimates of future cash flows and long-term growth rates, determination of the discount rate and the assessment of whether impairment is permanent.

Impairment testing of shares in affiliated companies is influenced by the risks of the subsidiaries concerned. The Company recognized no impairment losses on shares in affiliated companies, as the fair value of shares in affiliated companies as of the reporting date was in all cases above the carrying amount.

There is a risk for the annual financial statements that shares in affiliated companies are impaired.

Our Audit Approach

First, we used the information obtained during our audit to assess which shares in affiliated companies indicated a need for impairment. With the involvement of our valuation experts, we subsequently assessed the appropriateness of the significant assumptions and the valuation model of the Company. To this end, we discussed the expected cash flows as well as the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts, e.g. the planning prepared by the Executive Board and approved by the Supervisory Board. In addition, we assessed the consistency of assumptions with external market assessments.

Further, we satisfied ourselves of the quality of the Company's forecasts to date by comparing the budgets from previous financial years with the results actually achieved 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 factor, with our own assumptions and publicly available data. In order to take account of forecast uncertainty, we also investigated the impact on fair value of potential changes in the discount rate and the expected cash flows or the long-term growth rate by calculating alternative scenarios and comparing these with the Company's measurements (sensitivity analysis). In order 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 affiliated companies is appropriate and in line with the accounting policies. The assumptions and parameters used by the Company are appropriate.

Other Information

Management is responsible for the other information. The other information comprises:

› the corporate governance statement included on page 3 et seqq. of the management report, and

› information extraneous to management reports and marked as unaudited.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the 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, consider whether the other information

› is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or

› otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles. In addition, management is responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company'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, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for preparing a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual 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 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 management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for preparing the annual financial statements and the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual 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 annual financial statements and on the 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 annual financial statements and this 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 annual financial statements and of the 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 control.

› Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the 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 Company'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 annual financial statements and in the 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 Company to cease to be able to continue as a going concern.

› Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German legally required accounting principles.

› Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law and the view of the Company's position it provides.

› Perform audit procedures on the prospective information presented by management in the 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 ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 annual 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 auditor at the annual general meeting on May 10, 2019. We were engaged by the Supervisory Board on November 27, 2019. Taking into account the transitional provision of Article 41 (1) of the EU Audit Regulation, we have been the 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.

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Hendrik Koch.

Bielefeld, March 9, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Koch	Dübeler
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

10 March 2020	Annual Press Conference Publication of the Annual Report 2019 Analysts' Conference
28 April 2020	Release for the 1st Quarter 2020 (1 January to 31 March)
15 May 2020	118th Annual General Meeting
4 August 2020	Report for the 1st Half-Year 2020 (1 January bis 30 June)
29 October 2020	Release for the 3rd Quarter 2020 (1 Januay bis 30 September)
7 May 2021	119th Annual General Meeting

Subject to alteration

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.

EMPLOYEES

SERVICE EXCELLENCE

SUSTAINABILITY

FIRST QUALITY

GLOBE – GLOBAL ONE BUSINESS EXCELLENCE

DMG MORI AKTIENGESELLSCHAFT
Gildemeisterstraße 60
D-33689 Bielefeld

Local Court Bielefeld HRB 7144

Phone: +49 (0) 52 05 / 74 - 0
Fax: +49 (0) 52 05 / 74 - 3273
E-Mail: info@dmgmori.com

www.dmgmori.com