DMG MORI
AKTIENGESELLSCHAFT

dynamic. excellence

ANNUAL REPORT 2020

KEY FIGURES

The Consolidated Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS), as they have to be applied in the European Union. This financial report refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its subsidiaries (in the following DMG MORI).

01 | KEY FIGURES in € million	2020	2019	Changes 2020 against 2019	
Order Intake	1,599.4	2,563.1	-963.7	-38 %
Domestic	462.0	714.8	-252.8	-35 %
International	1,137.4	1,848.3	-710.9	-38 %
% International	71	72		
Sales Revenues	1,831.3	2,701.5	-870.2	-32 %
Domestic	553.1	769.2	-216.1	-28 %
International	1,278.2	1,932.3	-654.1	-34 %
% International	70	72		
Order Backlog*	852.2	1,197.4	-345.2	-29 %
Domestic	366.2	458.3	-92.1	-20 %
International	486.0	739.1	-253.1	-34 %
% International	57	62		
EBITDA	156.7	299.8	-143.1	-48 %
EBIT	81.7	221.7	-140.0	-63 %
EBT	74.9	219.1	-144.2	-66 %
EAT	52.1	154.4	-102.3	-66 %
Free cash flow	15.7	168.8	-153.1	-91 %
	2020	**2019**	**Changes 2020 against 2019**	
Employees*	6,672	7,245	-573	-8 %
incl. trainees	279	347	-68	-20 %

* Reporting Date 31 December

COVER // The title picture shows Izabela Spizak, Managing Director of FAMOT (Poland), in the most modern XXL manufacturing hall of our important production and supplier plant.

DMG MORI in brief

DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of more than € 1.8 billion and around 6,700 employees. Together with DMG MORI COMPANY LIMITED, our sales revenues are around € 2.7 billion. Around 12,000 employees work for the "Global One Company". With 138 sales and service locations – including 15 production plants – we are present worldwide and deliver to more than 100,000 customers from 54 industries in 86 countries. Its high level of diversification makes DMG MORI a strong and reliable partner, even in challenging times.

Our integrated automation and end-to-end digitization solutions extend the company's core business with turning and milling machines, Advanced Technologies (Ultrasonic, Lasertec) and Additive Manufacturing.

The corona pandemic is accelerating the digital transformation to smart factories and thus also the expansion of our strategic future fields – in particular, Automation, Digitization and Sustainability. Our modular products allow quick, easy and scalable access to digital manufacturing and integrated digitization along the entire process chain – from planning and preparatory work to production and monitoring to service. **Our mission: Empower our customers in manufacturing and digitization.**

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

Already since May 2020 DMG MORI AKTIENGESELLSCHAFT has an equalized CO_2 balance (Company Carbon Footprint). All machines delivered worldwide since January 2021 are – along the entire value chain – completely CO_2-neutral (Product Carbon Footprint).

VISION

BE THE **MOST ATTRACTIVE GLOBAL MACHINE TOOL COMPANY** WITH **DIGITIZED** AND **SUSTAINABLE** PRODUCTS!

TOP VALUES

TRUST: We are fully responsible for the fulfillment of our commitments and we believe in the strength of trustful, team-oriented cooperation!

OPENNESS: We provide an open-minded and diversified corporate culture, open our products to third parties and strive for transparency!

PASSION: We are highly engaged and pursue our goals dynamically with full power, determination and enthusiasm!

MISSION

EMPOWER OUR CUSTOMERS IN **MANUFACTURING AND DIGITIZATION**!

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ANNUAL REVIEW 2020

Open House at DECKEL MAHO Pfronten at the beginning of February

1ST QUARTER

Future Field Digitization

Digital future with innovative solutions from ISTOS, TULIP and WERKBLiQ together with *my* DMG MORI, our Digital Manufacturing Package and Masterplan learning platform.

Dynamic . Excellence

Automation, Digitization and Additive Manufacturing – 4 world premieres, 15 Automation Solutions and Integrated Digitization at the open-house in Pfronten.

2ND QUARTER

Health – our top priority

Temporary partial shutdown at our European production plants to prevent coronavirus infections.

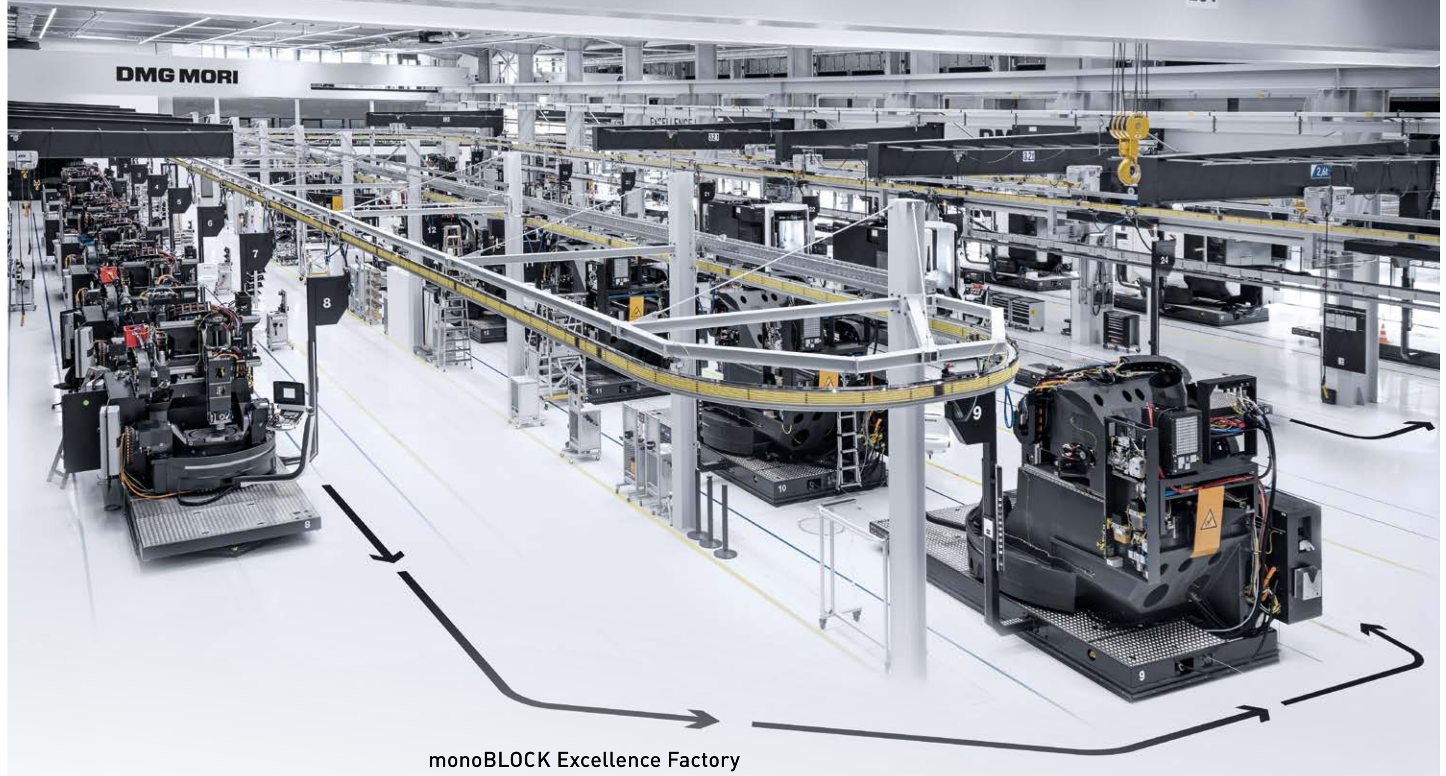
Annual General Meeting virtual for the first time

DMG MORI also focuses on digitization in the capital market.

1st First Half Year 2020

DMG MORI with positive results despite the coronavirus crisis.

Christian Thönes on the day of the 118th Annual General Meeting



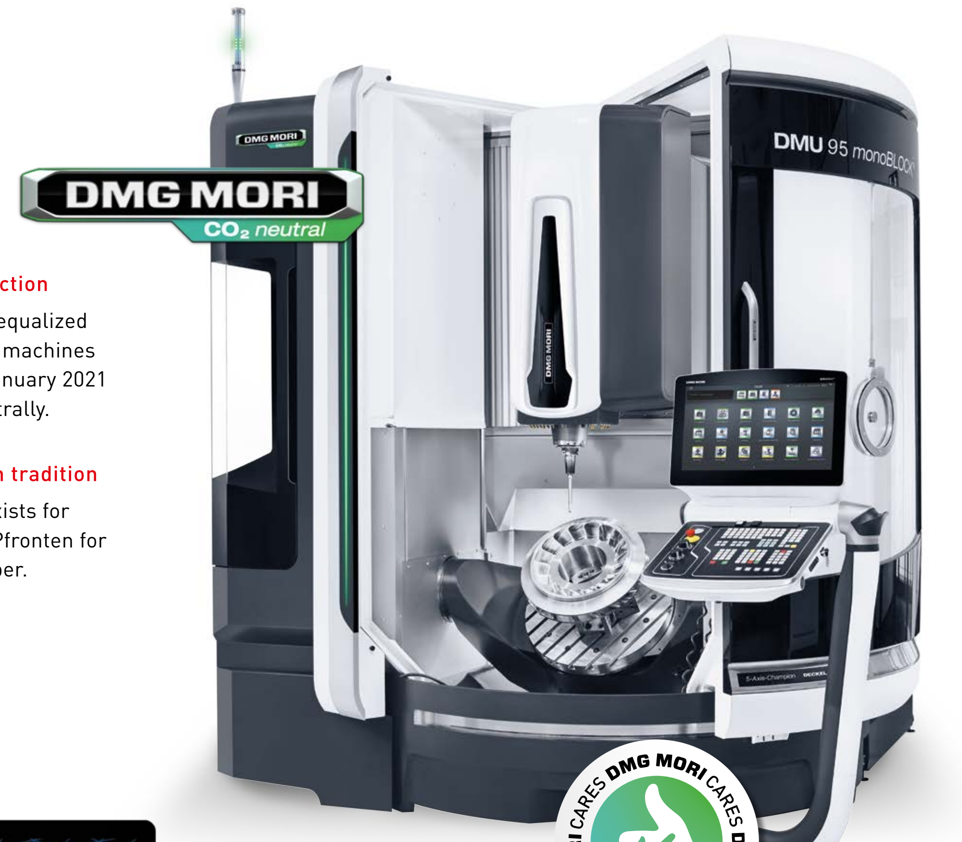
monoBLOCK Excellence Factory

3RD QUARTER

monoBLOCK Excellence Factory

The most modern assembly line in machine tool building goes into operation at DECKEL MAHO Pfronten with driverless transport systems (AGVs).

4TH QUARTER



Green Machine Production

In 2020 DMG MORI has an equalized CO_2 balance. All DMG MORI machines delivered worldwide since January 2021 are produced CO_2-neutrally.

Technology leader – rich in tradition

In October, DMG MORI exists for 150 years – DECKEL MAHO Pfronten for 100 years in December.

DMG MORI *DIGITAL* EVENT

Consistently strong for the environment

DMG MORI *DIGITAL* EVENT

Digital, live and interactive for the first time: DMG MORI presents machines, products and solutions for the manufacturing of the future from the Technology Center in Bielefeld.

Financial Year 2020

Strong business performance despite pandemic: All key figures are in line with the most recently communicated 2020 forecasts. Efficiency measures initiated early, high cost discipline and the further expansion of strategic future fields make DMG MORI resilient and future proof.

Report of the Supervisory Board

Dr. Eng. Masahiko Mori (59)

Chairman of the Supervisory Board
President of DMG MORI COMPANY LIMITED

Dr. Eng. Masahiko Mori (59) has been Chairman of the Supervisory Board since 4 May 2018 and a member since 2009. After studying engineering at Kyoto University in Japan, he received a doctorate from the University of Tokyo. Dr. Eng. Mori initially worked for a Japanese trading company before joining the family company, MORI SEIKI, in 1993. Dr. Eng. Masahiko Mori has been president of DMG MORI COMPANY LIMITED since 1999.

In financial year 2020, the corona pandemic and its impact were among the main topics discussed by the Supervisory Board. Digitization and its role in future business opportunities and models were also discussed in detail. Moreover, the Supervisory Board held in-depth discussions on business performance, earnings development, strategy as well as business policy, risk management, sustainability and compliance. It also discussed Executive Board matters and the development of the group, including investments until 2023, as well as the implementation of SAP S4 HANA.

The composition of the Supervisory Board remained unchanged in the reporting year. All Supervisory Board members (shareholders' representatives and employees' representatives) have been elected until the end of the Annual General Meeting, where a resolution will be passed on the approval of the actions of the Supervisory Board for financial year 2022.

Despite the difficult circumstances resulting from the corona pandemic, video conferencing technology enabled the Supervisory Board to hold all meetings as scheduled with full attendance of Supervisory Board members at every meeting. This also applies to all Supervisory Board committee meetings. The members of the Finance and Audit Committee and most of the other members of the Supervisory Board participated in the discussions on the interim financial reports.

There were also no personnel changes within the Executive Board in financial year 2020. At its meeting on 10 September 2020, the Supervisory Board passed a resolution to reappoint Michael Horn as a member of the Executive Board with effect from 15 May 2021. His appointment ends on 14 May 2026.

During the reporting year, the Supervisory Board received prompt, regular and comprehensive updates from the Executive Board on all processes and events essential to the company, not

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only at meetings, but also by telephone and in writing. Moreover, the Supervisory Board was regularly notified about the company's business performance, and in particular, the progress of key company performance indicators. The Company supported Supervisory Board members in individual education and advanced training measures and in particular, regularly informed the Supervisory Board about relevant legal and other regulatory changes.

The Supervisory Board performed its duties with great care in accordance with the Articles of Association and statutory requirements. In financial year 2020 it met in plenum four times. The chairpersons of the Supervisory Board committees, who regularly prepared the Supervisory Board meetings at a number of meetings, reported to the plenum on the issues and recommendations discussed at the committee meetings. In the past financial year, there were again no conflicts of interest to report regarding the members of the Supervisory Board.

The annual auditors also attended the **balance sheet meeting on 9 March 2020**. The Supervisory Board approved the Group Management Report and Consolidated Financial Statements as well as the Management Report and Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as of 31 December 2019 and also the Sustainability Report 2019.

The plenary meeting also discussed business performance and the agenda for the 118th Ordinary Annual General Meeting scheduled for 15 May 2020, including the recommendation for the appointment of the annual auditor for DMG MORI AKTIENGESELLSCHAFT and group auditor, as proposed by the Finance and Audit Committee. Moreover, the chairpersons reported on the previous meetings of the Personnel, Nomination and Remuneration Committee and the Finance and Audit Committee.

The Supervisory Board meeting on **14 May 2020** focused on preparations for the Annual General Meeting on the following day. The Supervisory Board also discussed current business performance and a report was presented on the Related Party Transaction Committee established at the meeting on 9 March 2020. The members of this committee include the chairman, Ulrich Hocker, as well as Stefan Stetter, Prof. Berend Denkena and Michaela Schroll.

At the Supervisory Board meeting on **10 September 2020**, the main issue for discussion was the self-assessment of the Supervisory Board, supported by external advisors and implemented in the reporting year. The self-assessment process was based on a set of detailed questionnaires. The main focus areas of this self-assessment survey were the composition of the Supervisory Board, the organization and work procedures, as well as the supply of information to the Supervisory Board and, in particular, to its committees. Each committee was assessed and evaluated separately; the information provided to the plenary session on the work of each committee was also analyzed. The Executive Board's assessment of Supervisory Board activities was also reviewed. The self-assessment results were presented in detail to the plenary session in September 2020. In particular, it discussed the recommended action plan and the proposals for its implementation. It also placed special focus on the impact on future Supervisory Board activities.

At this meeting, the Supervisory Board also discussed the company's business performance, as well as the impact of the corona pandemic, and passed a resolution on the reappointment of Michael Horn as a member of the Executive Board.

The meeting on **27 November 2020** focused on business development, the discussion and resolution on corporate and investment planning for 2021 and medium-term planning for 2022/2023. The parameters for variable Executive Board remuneration for 2021 were also defined and the Executive Board provided the Supervisory Board with a detailed report on the company's sustainability activities. Moreover – as recommended by the Finance and Audit Committee – the Supervisory Board defined the following main focus areas for the statutory audit as of 31 December 2020:

- IAS 36 "Impairment of Assets": Effect of the recoverable amount – particularly of goodwill – resulting from the deterioration of economic prospects in various sectors.

- Impairment of inventories.

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

A large proportion of the Supervisory Board's work is carried out by different committees: The **Finance and Audit Committee** met six times in financial year 2020. It discussed the company's current financial status based on key figures, including development of the cash flow and investment. Tax issues were also discussed with particular reference to external audits. The committee's audits and discussions focused also on the Quarterly Releases for the 1st and 3rd quarters and the Interim Report for the 1st half-year 2020.

Moreover, the Finance and Audit Committee dealt with the risk management, the annual audit and compliance report as well as the sustainability report. The committee reviewed the Financial Statements and Consolidated Financial Statements and prepared the approval and adoption of the annual financial statements. It monitored the independence of the annual auditor and discussed the quality of the statutory audit.

Further topics covered by the committee included the results from the compliance effectiveness check and the procedure presented by the Executive Board for approving non-audit services provided by the annual auditor, that was adopted, following an in-depth review and discussion. It also prepared Supervisory Board resolutions on the declaration of conformity in accordance with Section 161 AktG and audit focus areas for 2020.

The **Personnel, Nomination and Remuneration Committee** held two meetings. In particular, the committee discussed the achievement of Executive Board targets and the subsequent approval of variable remuneration payment for 2019, as well as target planning for variable remuneration for 2021. It also discussed the Supervisory Board's efficiency check.

At its meeting on 9 March 2020, the Supervisory Board established the **Related Party Transactions Committee**. The purpose of this committee is to review specific business transactions with related parties under the aspect of good corporate governance in accordance with the Act Implementing the Shareholders' Rights Directive ("ARUG II"). The committee held two meetings in the reporting year. At its constituent meeting on 14 May 2020, the committee mainly focused on the system for identifying and analyzing all relevant business transactions and the process established by the company for this purpose. At its meeting on 3 September 2020, the committee was informed about the company's current activities in its area of operations and it also discussed the sale of shares in Magnescale Co. Ltd. to DMG MORI COMPANY LIMITED, which was approved after detailed examination.

The **Nomination Committee** and the **Mediation Committee** did not hold any meetings in the reporting period.

The **"Corporate Governance Report / Group Declaration on Corporate Management"** section on page 30 et seqq. of the Annual Report describes the activities of the Supervisory Board with regard to the declaration of conformity in accordance with Section 161 AktG. Since the last declaration of conformity in November 2019, DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017. DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 16 December 2019 since their publication in the Federal Gazette on 20 March 2020 and will continue to comply with them in the future, but with the following exception:

- According to G.10 of the German Corporate Governance Code, Executive Board remuneration should be primarily invested in shares of the company or granted on a share-based basis. DMG MORI does not implement this recommendation but has based the Executive Board's long-term remuneration component on key figures that, in the Supervisory Board's opinion, are vital to the success of the company in the long term.

- Share-based remuneration is not appropriate at DMG MORI, as DMG MORI AKTIENGESELLSCHAFT is a controlled enterprise based on the domination and profit transfer agreement of 2 June 2016, whose shareholders were promised compensation and settlement as part of the conclusion of the domination and profit transfer agreement. Thus, Executive Board performance does not significantly affect the company's share price performance and the latter is therefore not an appropriate means of measuring Executive Board long-term remuneration at DMG MORI.

After consulting the annual auditor and following its own review and discussion, the Supervisory Board approved the Annual Financial Statements and Business Report as well as the Consolidated Financial Statements and the Group Business Report of DMG MORI AKTIENGESELLSCHAFT for financial year 2020 at the **balance sheet meeting on 8 March 2021**. Thus, the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT were adopted pursuant to Section 172 AktG. The separate, non-financial group report, which is an integral part of the sustainability report and which fulfills statutory requirements in accordance with the CSR Directive Implementation Act implementing Directive 2014/95/EU (Section 289 of the German Commercial Code) of 11 April 2017, was also discussed in detail. After its audit, the Supervisory Board had no objections. The resolutions were prepared by the Finance and Audit Committee.

The Executive Board prepared the Management Report and Annual Financial Statements for 2020, as well as the Group Management Report 2020 of DMG MORI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The Consolidated Financial Statements 2020 of DMG MORI AKTIENGESELLSCHAFT were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable within the European Union. Pursuant to the exemption provision in Section 315e HGB, Consolidated Financial Statements in accordance with the German Commercial Code (HGB) were not prepared. The annual auditors provided detailed reports on their audit procedures and findings and were available for any further queries. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bielefeld, issued unqualified audit opinions for both management reports and financial statements.

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

The chairperson of the Finance and Audit Committee provided the Supervisory Board with a detailed report on the findings of the committee as well as on the discussions held with the annual auditors and the Executive Board. The Supervisory Board and the Finance and Audit Committee conducted a detailed discussion and review of the Annual Financial Statements and Consolidated Financial Statements, as well as the Management Report. The Supervisory Board approved the results of the audit based on its own review – as did the Finance and Audit Committee. There were no objections raised by the Supervisory Board or the Finance and Audit Committee.

DMG MORI closed financial year 2020 successfully, despite difficult global market and economic conditions. The Supervisory Board wishes to thank the members of the Executive Board for their exceptional commitment and outstanding strategic and operational work, especially in these particularly challenging times. Our special thanks goes to all employees for their dedication and flexibility throughout the past financial year!

Dr. Eng. Masahiko Mori
Chairman of the Supervisory Board
Bielefeld, 8 March 2021

Dear Shareholders,

a challenging year lies behind us – the world has changed rapidly within a very short time. Already now it is clear: Corona was and is a catalyst. At DMG MORI, the pandemic has accelerated a lot. Above all, automation, digitization and sustainability. DMG MORI has been advancing these future fields for years. We can now proudly say that DMG MORI's strategic fit is more suitable than ever and fits perfectly into the "Next Normal".

2020 was an exceptional year: Corona pandemic plus economic weakness, geopolitical uncertainties, industrial restructuring. Also DMG MORI could not escape these consequences: Order intake, sales revenues and result were clearly below the record year 2019. The negative effects of the crisis could successfully be limited by rapidly introduced and consistently implemented measures to reduce costs, increase flexibility and secure liquidity – while maintaining a stable budget for research and development. Order intake reached € 1,599.4 million (previous year: € 2,563.1 million). Sales revenues were € 1,831.3 million (previous year: € 2,701.5 million). The earnings situation developed successfully despite more difficult market and economic conditions: EBITDA was € 156.7 million (previous year: € 299.8 million). EBIT amounted to € 81.7 million (previous year: € 221.7 million). We thus achieved an EBIT margin of 4.5 % (previous year: 8.2 %). EBT reached € 74.9 million (previous year: € 219.1 million). As of 31 December 2020, the group reported EAT of € 52.1 million (previous year: € 154.4 million). At € 15.7 million, free cash flow was positive (previous year: € 168.8 million).

The pandemic is a severe test. The low point has already been overcome by DMG MORI in May 2020. We have created even more efficient structures, increased DMG MORI's resilience and further sustainably optimized costs. And all this with a high stability of our employees. We will continue this path in 2021 – also thanks to the outstanding cost discipline and the high commitment of our employees.

To use an image from soccer at this point: We have a strong team. Our defense stands. But to win games, you also need a strong offense.

Innovation is more than ever a must and the only way out of the crisis. Waiting is no option! With the strategic triad of automation, digitization and sustainability DMG MORI is the No. 1 partner for the future.

We are innovating further and are driving forward the expansion of our strategic future fields. In the reporting year, together with DMG MORI COMPANY LIMITED, we presented 22 innovations – of which 6 world premieres, 4 automation solutions as well as 12 digital innovations that expand our core business with machine tools and integrated automation solutions. Your company, dear shareholders, should be the winner of the current change. DMG MORI is developing more and more into an integrated solution provider in the manufacturing environment. With us, customers receive high-precision, efficient and sustainable machines, end-to-end automation and digitization solutions as well as service for the manufacturing of the future – all from a single source!

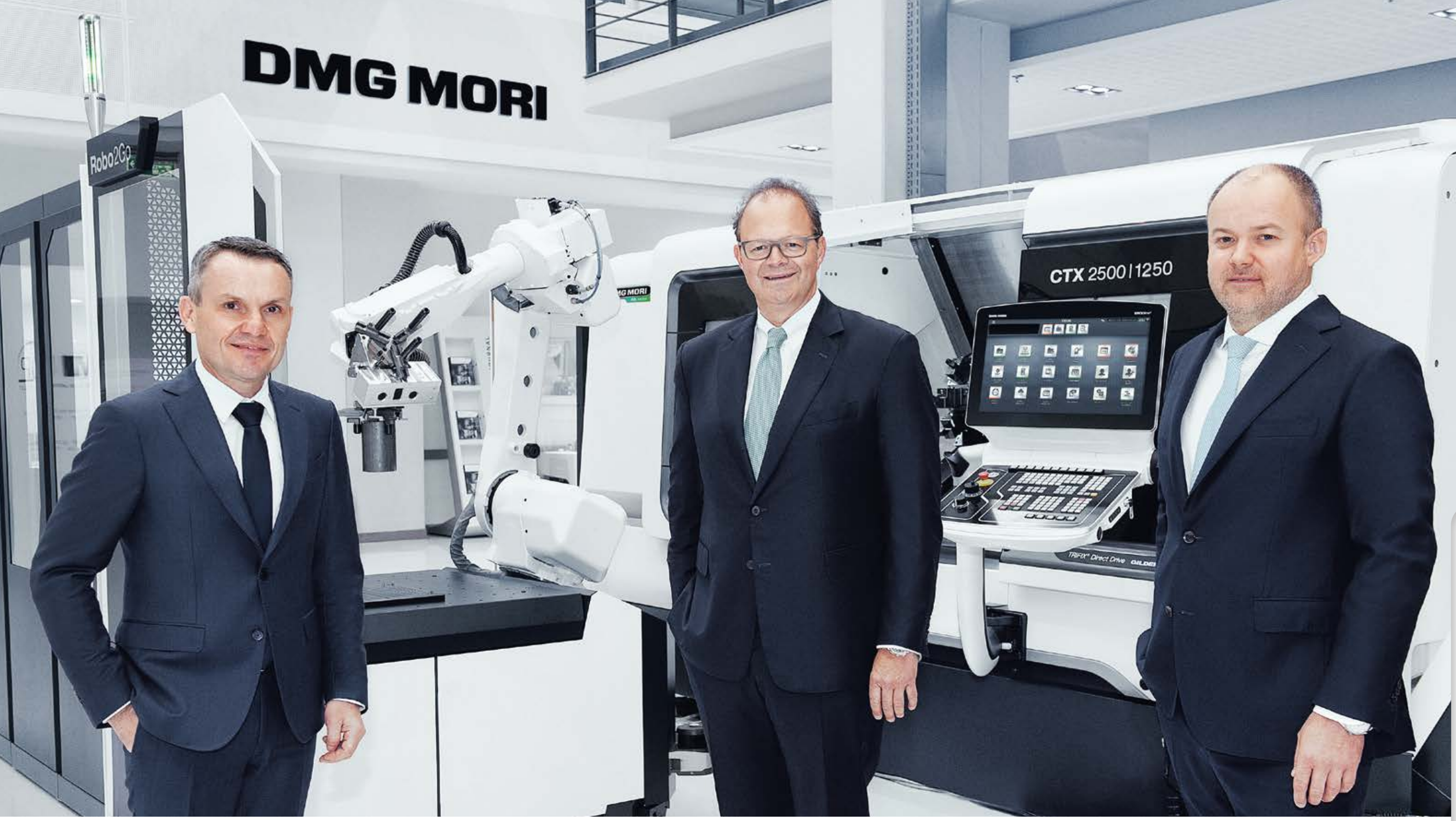
Our machine tools are high-tech instruments and the guarantee for progress. There is no other supplier in the world with a comparable machine portfolio and such comprehensive automation, digitization and sustainability solutions.

Automation is the key to flexible production systems. We offer our customers a modular portfolio with 53 automation solutions – either for workpiece or pallet handling – for 154 different machine models. Our universal solutions include for example:

- the wide-ranging PH Cell pallet handling system for up to 40 pallets with a loading weight of 600 kg and
- the flexible Robo2Go that is available for turning machines and, since September 2020, also for milling machines.

The corona pandemic has sharpened awareness of **digitization**. This has also significantly accelerated the expansion of the whole DMG MORI digital architecture to the benefit of our customers, tested in our own production plants. From the machine to the process chain and to open ecosystems including platform-based business models, such as Equipment-as-a-Service and Software-as-a-Service this means in concrete terms:

1. We develop software tools that make machine tools more productive, more future-proof and thus more sustainable.
2. We open up completely new, digital business models by selling digital products and data-based services.
3. We are increasingly digitizing our own value chain and test all products and processes internally first. In this way, we create for our customers more transparency, efficiency and a higher quality.



Automation, Digitization, Sustainability: The DMG MORI Executive Board is advancing with these strategic future fields.

Some examples:

- **DMG MORI Connectivity:** We enable complete networking of DMG MORI machines and selected third-party machines. Connectivity and IT security are elementary preconditions for digital manufacturing. Our 2021 goal: more than 5,000 networked machines.
- **CELOS:** Our APP-based control and operating environment integrates our digital products into one interface. Introduced 2013 there are more than 20,000 CELOS machines in the market today. The latest generation of CELOS includes i.a. the APPLICATION CONNECTOR which visualizes any web-based service directly via the CELOS interface. CELOS is the digital brand core of DMG MORI.
- **Digital Twin:** Through the real-time simulation of machine, automation and process, we optimize components and workflows in a targeted manner. The result: up to 30 % faster production ramp-up and up to 30 % lower component costs.
- **Production Planning:** Conveniently visualize, analyze and optimize utilization and capacities – the cloud-based planning software from **ISTOS** replaces awkward Excel tables. Thus we simplify in particular for small and medium-sized companies the entry into a digitally optimized production planning.

From left to right:

Michael Horn (49)
Production, logistics, quality and information technologies

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

Christian Thönes (48)
Chairman of the Executive Board
Product development, sales and services, procurement, corporate communications, personnel, legal and audit

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

Björn Biermann (41)
Controlling, finance, accounting, taxes, risk management, investor relations and compliance

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

› ***my* DMG MORI:** The customer portal is our digital face to the customer and thus a further important pillar. Meanwhile more than 20,000 customers with over 100,000 machines are registered. Our goals 2021: on the one hand more than 30,000 customers with over 140,000 machines, on the other hand to increase the service interaction to more than 50 %. With the upgrade to the manufacturer-independent maintenance and service platform **WERKBLiQ** it is possible for our customers to also integrate all third-party machines.

› **TULIP:** This "no code" platform, developed by engineers at the research institute MIT in Boston, our customers can create their own APPs in the shortest time – without any programming knowledge. More than 100 DMG MORI customers are already using TULIP today. More than 600 workstations and over 80 self-developed APPs are in use at ourselves – and the trend is rising.

› **ADAMOS:** With this alliance – an open network for the digitization by machine builders for machine builders, their suppliers and customers – we are setting a standard for new business models, together with more than 30 notable partners. With our DMG MORI Store powered by ADAMOS a scalable distribution of digital products will be possible.

We develop digital solutions and APPs – along our entire value chain. Generally we are testing all our solutions internally before we offer them externally. Particularly impressive is our **monoBLOCK Excellence Factory** in Pfronten which we opened last September. The core is the state-of-the-art assembly line with 34 driverless AGV transport systems ("Automated Guided Vehicles") and the fully digitized value chain developed by our own employees based on TULIP. With this future-oriented assembly concept, we increase productivity by 30 %.

Additive Manufacturing is without alternative – and therefore an important future field for DMG MORI. The production of complex components by means of powder nozzle and powder bed technology creates new scope for design, for example individual, complex geometries as well as lightweight structures already from batch size 1.

We have further strengthened our **DMQP** program (DMG MORI Qualified Products). Here, too, we are pursuing the motto "everything from a single source": Together with more than 100 partners worldwide, we are offering our customers machine components, peripheral equipment and accessories – all ideally matched to our machine tools. DMQP is a seal for quality and sustainability. Thus artificial intelligence supports the optimal solution configuration from machine, automation, digitization and DMQP individually for every customer.

At DMG MORI, **sustainability** and **technological leadership** are in harmony. We also take on consistent responsibility in this area. Since May 2020, we have already been climate-neutral in our own value added (**Company Carbon Footprint**). Since January 2021 all delivered machines are completely climate-neutral – and that along the entire value chain: from raw material up to the delivery of our machines to the customer. Thus, as one of the first industrial companies DMG MORI also has a climate-neutral **Product Carbon Footprint**. We bundle our climate neutrality measures into three initiatives:

1. GREENMACHINE – the completely CO_2-neutrally produced machine,

2. GREENMODE – the energy and emission-efficient operation at the customer,

3. GREENTECH – our engagement for the further development of green technologies.

But sustainable action is much more than climate protection for us. That's why we have again committed ourselves to social projects and initiatives for the society in 2020.

We offer our customers the highest level of accuracy, efficiency, reliability as well as durability. We achieve this with our **"First Quality"** strategy along the entire value chain. For example, we standardize components and interfaces and manufacture our own DMG MORI Components, in order to strengthen our core competencies. In this way we secure know-how and innovations, guarantee the highest quality and reduce dependencies on suppliers.

Service Excellence is our claim. With new, digital service offerings and a high level of transparency we solve our customers' requests even faster. With "*my* DMG MORI", we are opening the door to the digital service world. Our customers benefit from up to 70 % faster response times of our service experts – thanks to direct contact, high transparency via Track & Trace and access to all information. The clear goal: DMG MORI is also the No. 1 in service for our customers.

In order to develop perfectly fitting automation, digitization and turnkey solutions our experts are involved at an early stage in the in the development processes of our customers. In our **Technology Excellence** Center we are now increasingly focusing also the sectors Die & Mold, Medical, Semiconductor. DMG MORI – the integrated partner for production – also with 50 technology cycles, which enable precise and fast machine programming, even for complex processings.

As intensively as we network with our customers, we also network internally. Every day we grow stronger together as "Global One Company" – virtual nearness despite physical distance. We combine the "best of both worlds" to create something even better. We are reducing complexity and driving parallel harmonized systems and processes. The focus is on standardized IT infrastructures. With our project **"GLOBE – Global One Business Excellence"** is being established a global ERP system based on SAP S4 HANA.

Our most important success factor is our great team. In challenging times, this is more true than ever. Every day around 12,000 **employees** in the "Global One Company" stand up for our customers, get their work on new ideas and go the famous extra mile. I am particularly proud of the exceptionally high level of empathy, loyalty and solidarity in our company: DMG MORI stands firmly together! My sincere thanks for this as well!

Our team spirit is based on our TOP values: **trust, openness and passion.** Our employees stand up for DMG MORI – and DMG MORI for them: Thus, we offer stability in turbulent times. In the reporting year, dear shareholders, your company received a special award for its family-friendliness. We were very happy about that. As a permanently learning company, we are continuously becoming a better company. We are consistently expanding our attractive range of digital and interactive training opportunities.

DMG MORI is a technology leader with tradition. Since 1870 we have been developing technological milestones. Constant progress and the courage to change – for 150 years has been firmly anchored in our company DNA. A long time in which we have mastered many challenges and grown with them. I am therefore convinced: we will also emerge stronger from this pandemic. We will continue to invest and to innovate. We will become faster, stronger, more sustainable – and expand with full vigor our machine portfolio as well as our automation, digitization and sustainability solutions.

2021 will also remain challenging. Uncertainty in the market is high worldwide. According to the forecasts of the German Machine Tool Builders' Association (VDW) and Oxford Economics worldwide consumption of machine tools should grow again (€ 64.9 billion).

Against this background, we expect order intake and sales revenues of around € 1.7 billion for the financial year 2021. EBIT should amount to around € 30 million and free cash flow to around € 20 million – provided that there will be no significant effects from the corona mutations.

Dear shareholders, the challenges are immense – but our confidence is great. High-precision machine tools and technologies from DMG MORI are at the beginning of global value chains. We inspire through innovative power! We are present every day for our more than 100,000 customers from 54 industries in 86 countries. We are strategically and financially well positioned. With our global footprint, the broad machine portfolio, the far-reaching service offerings, comprehensive automation and digitization solutions we offer everything integrated end-to-end and sustainable from a single source – worldwide!

Our mission: **We empower our customers in manufacturing and digitization!** Only if our customers perform efficiently in the long term DMG MORI will also be successful in the long term. Our excellent team, strong partners and our **TOP values** (**T**rust, **O**penness and **P**assion) are the pillars of this mission. We want to be the most attractive global machine tool company with digitized and sustainable products!

Dear owners, your trust is our basis, incentive and obligation. On behalf of the whole Board, I would like to thank you for your support and reliability! We are motivated to the maximum! For our customers. For you. For DMG MORI!

Yours sincerely,

Christian Thönes
Chairman of the Executive Board
Bielefeld, 8 March 2021

53
Automation products

13
Product lines

“DMG MORI’s modular automation solutions can be operated intuitively and used flexibly. They help our customers achieve long-term success!”

DOMINIK DAHLMANN
Team Leader Automation

GILDEMEISTER
Drehmaschinen GmbH

+ BEST CUSTOMER SOLUTION FROM A SINGLE SOURCE: TECHNOLOGY, MACHINE AND AUTOMATION
+ WORKPIECE AND PALLET HANDLING
+ MACHINE-SPECIFIC, UNIVERSAL AND SCALABLE SOLUTIONS
+ DMG MORI CELL CONTROLLER TECHNOLOGY AND TOOL MANAGEMENT

Robo2Go_ The dialog-managed APP allows easy and safe set-up with no robot programming skills required. This means quick retooling for new workpieces in less than 15 minutes. Ideal for small to medium batch sizes.

AUTOMATION

THE BASIS OF THE GROUP

Corporate Strategy and Key Financial and Performance Indicators

DMG MORI AKTIENGESELLSCHAFT and its subsidiaries form the group (hereinafter DMG MORI). The operating business of DMG MORI is broken down into the "Machine Tools" and the "Industrial Services" segments. "Corporate Services" mainly comprises the group's holding functions.

The global manufacturing industry is facing profound change and the impact of the Corona pandemic. The economic situation, already challenging due to geopolitical uncertainties and trade conflicts, worsened as a result of the pandemic. At the same time, the "new normal" brought about by corona is accelerating the **Automation** and **Digitization** of manufacturing. In addition, machine tools are becoming increasingly complex and their range of functions is growing continuously, while innovation cycles continue to shorten. New competitors from other industries and regions as well as alternative manufacturing processes, such as **Additive Manufacturing**, are entering the market.

Customers' demands for the production of tomorrow call for consistent end-to-end solutions – including machine, automation, software, process, periphery and service. This creates an innovation-driven and highly dynamic market environment that requires fundamentally different new business models.

The digital networking and parallel, virtual mapping of machines and processes enable a consistent transparency along the entire value chain. Together digitization and automation of production result in an increased efficiency across the full product life cycle. At the same time, agile, dynamic and lean processes are emerging that increase future viability.

DMG MORI responds to the changed market demands and technological change actively and with innovations to further expand its current market position as a global leader in integrated and sustainable technology solutions for the manufacturing industry. Our goal: to offer perfectly aligned, end-to-end technology solutions for our customers as a stable and sustainable partner.

With our integrated portfolio of future-oriented machine tools, automation and digitization solutions, as well as our DMG MORI Qualified Products (DMQP), we want to be number 1 for our customers worldwide: from development and production to global sales and service. To this end, we are consistently developing further from a machine builder to an integrated solution provider in the manufacturing environment. Our mission: **"Empower our customers in manufacturing and digitization"**.

Together with DMG MORI COMPANY LIMITED, we act as "Global One Company", true to our motto **"Dynamic . Excellence"**. We are actively engaging in 10 important strategic future fields. At the same time, we aim for excellence, especially in our products, processes, quality and service.

Our machines have already been optimized to a high level of productivity and precision. However, hardware is becoming increasingly dependent on software, and vice versa. In addition, software is becoming an increasingly important purchase criterion. This is why we seek to employ perfectly fine-tuned software to utilize the maximum potential of our utilize and offer our customers integrated solutions as well as automated, digitized manufacturing processes.

In the field of **automation**, we offer our customers a comprehensive, modular product portfolio for pallet and workpiece handling for nearly every DMG MORI machine from a single source. We differentiate by:

1. machine-specific systems with integrated robot or gantry loader,

2. universal solutions, such as the Robo2Go or the pallet handling system PH Cell,

3. highly scalable solutions with linear pallet systems or individually configurable automation modules from our modular systems WH Flex and MATRIS – bundled up with a proprietary cell controller technology and a new centralized tool management function.

Our goal are modular automation products that are distinguished by their flexibility, simple programming and easy handling. At the same time, we are expanding our automation know-how by establishing "Automation Excellence Centers" for expertise in the areas of turning and milling.

DMG MORI is actively shaping the **digitization** of the manufacturing industry. The focus of our digitization strategy is on maximum customer benefit and the consistency of our digital solutions across the entire process chain: from planning and work preparation through production and monitoring to service. With digital engineering – from plant planning and virtual commissioning to the digital twin – we enable significant optimization of process quality and process throughput. We are also optimizing our digital sales and service structure by bundling our expertise in a new unit, DMG MORI Digital GmbH.

"The PH Cell stands out for its versatility. This means that the modular rotary pallet storage system for up to 40 pallets can be individually tailored to customer requirements and easily retrofitted."

CORNELIUS NÖß
Managing Director // DECKEL MAHO Pfronten GmbH

Connectivity is the fundamental prerequisite for manufacturing automation and digitization. All new machines are therefore equipped with DMG MORI Connectivity as a standard feature and without any additional cost to the customer. For DMG MORI, consistency also includes a uniform user interface – the "look & feel" – as well as standardized architectures for our software and digitization solutions. The cornerstone is our app-based control and operating environment CELOS, which integrates the digital products made by DMG MORI in a single user interface. To fully utilize the potential of the digitization, the future will see DMG MORI increasingly relying on flexible and scalable cloud-based software and platform solutions. An example is the new "PLANNING BOARD" from ISTOS, which enables the optimization of planning processes directly from the shopfloor.

Low entry barriers are an important precondition for the successful digitization of the manufacturing industry. We take it one step further and offer our customers a variety of intuitive entry points. Examples include our online customer portal "*my* DMG MORI" for the digitization of service processes for DMG MORI machines, and the "No-Code" platform TULIP for optimizing process workflows by creating own APPs without programming skills.

An upgrade of "*my* DMG MORI" to the comprehensive maintenance and service platform WERKBLiQ additionally allows for the integration of third-party machines and optimization of machine availability. With the strategic alliance ADAMOS we are paving the way for new business models. The focus is on offering platform, marketplace and modern billing systems that enable the scalable distribution of digital products.

Our principal rule is that we first apply our solutions internally before offering them to our customers. We are increasing our investments in the automation and digitization of our own value chain. The great potential of an integrated solution from DMG MORI can be seen at FAMOT, our state-of-the-art production and supplier plant in Poland. Another outstanding example is the new monoBLOCK Excellence Factory in Pfronten, where we not only use driverless AGV transport systems, but also TULIP in the assembly.

In addition, we engage in cooperations. The selection of our cooperation partners always aims at expanding our portfolio and maximizing the additional value for our customers – especially in the future fields.

dynamic . excellence

A.01 | GROUP STRUCTURE // DMG MORI AKTIENGESELLSCHAFT

(as part of "Global One Company" // Last updated: March 2021)

CORPORATE SERVICES

DMG MORI AKTIENGESELLSCHAFT, Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Development and Production

TURNING	MILLING	ADVANCED TECHNOLOGIES	DIGITAL SOLUTIONS
GILDEMEISTER Drehmaschinen GmbH (Bielefeld)	DECKEL MAHO Pfronten GmbH (Pfronten)	DMG MORI Ultrasonic Lasertec GmbH (Pfronten, Idar-Oberstein)	DMG MORI Digital GmbH (Bielefeld)
GILDEMEISTER Italiana S.r.l. (Bergamo / Italy)	DECKEL MAHO Seebach GmbH (Seebach)	DMG MORI Additive GmbH (Bielefeld)	ISTOS GmbH (Düsseldorf)
FAMOT Pleszew Sp. z o.o. (Pleszew / Poland)	Ulyanovsk Machine Tools ooo (Ulyanovsk / Russia)		
GRAZIANO Tortona S.r.l. (Tortona / Italy)			

INDUSTRIAL SERVICES

DMG MORI Management GmbH, Bielefeld; Sales and Services

SALES AND SERVICES

DMG MORI DACH [1]	DMG MORI EMEA [2]	DMG MORI China	DMG MORI India	DMG MORI Services

Markets of DMG MORI COMPANY LIMITED [3]

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

1) Germany, Austria, Switzerland
2) Europe, Middle East, Africa
3) These markets are consolidated by DMG MORI COMPANY LIMITED.

dynamic . excellence

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

DMG MORI's 10 STRATEGIC FUTURE FIELDS.

Another strategic future field of DMG MORI is **Additive Manufacturing**. We empower our customers to participate in this emerging technology by covering the entire process chain and supporting them with expert advice – starting with product development and additive manufacturing of metal components to machine part processing, service and training. We offer two important generative manufacturing techniques under the new corporate names DMG MORI Additive (previously REALIZER) for laser melting in powder beds (selective laser melting) and DMG MORI Ultrasonic I Lasertec (previously SAUER) for laser deposition welding with powder nozzle (direct energy deposition). These technologies allow us to offer a broad range of applications. In addition to that, we will be continuously expanding our product portfolio and further develop our business model.

Our comprehensive portfolio is completed by the **DMG MORI Qualified Products** (DMQP). Together with more than 100 partners worldwide, we offer our customers machine components, peripheral devices and accessories with high synergies to our machine tools. The DMQP program is distinguished by technological expertise, innovative products and top quality. In addition, we support our customers with AI-based recommendations in the optimal selection of premium components. AI enables the optimal solution configuration from machine, automation, digitization and DMQP.

DMG MORI is also a pioneer in the area of **sustainability** and accepts its comprehensive responsibility. The CO_2 balance (**Company Carbon Footprint**) of DMG MORI has already been neutral since May 2020. Since January 2021, the entire machine – from raw material to delivery – has also been climate-neutral. This makes DMG MORI one of the first industrial companies worldwide to have a climate-neutral **product carbon footprint**. DMG MORI's Company Carbon Footprint refers to the emissions from Scope 1, Scope 2 as well as Scope 3 (categories 3, 5, 6 and 7) of the Greenhouse Gas Protocol. DMG MORI's Product Carbon Footprint includes all emissions that are directly attributable to the machines produced. The indirect emissions from Scope 3 (categories 1 and 4) of the Greenhouse Gas Protocol are particularly relevant here.

Our machines run with maximum energy efficiency (GREENMODE). Our integrated solutions allow for a fine-tuned, fully digitized and automated value chain. This is how we enable our customers to use all production resources with a high degree of efficiency and achieve significant savings in materials and energy consumption – from planning and preparation to manufacturing, monitoring and service. We also support the use of green technologies. Our customers are already using DMG MORI machines to manufacture highly innovative components for wind turbines, hydropower plants, fuel cells or electric mobility. The specific know-how required for an efficient production of this GREENTECH technology is continuously expanded in our production factories worldwide.

We offer our customers the highest level of accuracy, efficiency, reliability as well as durability and sustainability with excellent products and processes. Without compromise, we therefore pursue our **"First Quality"** strategy along the entire value chain and focus on customer benefits in all our activities. This includes the standardization of components and interfaces, the streamlining of our product portfolio, and consistent supplier management. In-house development and production of our DMG MORI Components also gives us the opportunity to strengthen our core competencies, avoid dependencies and ensure the best possible quality of our products.

The "Industrial Services" segment is also firmly focused on the customer. Our goal: **Service Excellence** – from commissioning to maintenance and spare parts, repairs and training. The focus here is on digital services like "*my* DMG MORI" and NET*service*, which both increase the transparency for customers and allow for a targeted interaction with DMG MORI and even faster problem solutions. Another area of activity is the optimization

of our own internal service processes, primarily by migrating to a new, digital and integrated service platform that is based on an in-house development of WERKBLiQ. The objective is excellent quality and efficiency in our service. We are also setting new standards with our two all-inclusive packages "FULL*service*" and "Digital Manufacturing", which guarantee our customers planning certainty and outstanding additional value.

Another important cause for DMG MORI is the continuous expansion of technological industry know-how that forms the basis for providing even better individual advice to our customers and develop perfectly fine-tuned end-to-end solutions. This entails the involvement of our experts in our customers' development processes at an early stage. Already today we offer this service in our **Technology Excellence** Center, especially for the main sectors Aerospace, Automotive, Die & Mold as well as Medical and Semiconductor. Our technology cycles, which allow for a precise and rapid machine processing even in complex processing workflow, are another way in which our customers benefit from our continuously expanding know-how.

DMG MORI secures its sustainable success by continuously optimizing its own processes and structures, which among others emerge from growing together with DMG MORI COMPANY LIMITED. The goal is to combine the "best of both worlds" with the aim of a further strengthening of our presentation as "Global One Company". A reorganization of the sales and service structures together with an optimization of the product portfolio and global production network has allowed DMG MORI to achieve a significant reduction in complexity and realize efficiency gains from a higher degree of standardization. The current economic situation makes it clear that lean structures and a high degree of flexibility are essential to be able to dynamically react to changing market environments. DMG MORI will therefore continue pursuing this objective. Our activities aimed at harmonizing our systems and processes are focused on establishing harmonized IT infrastructures and the implementation of a global ERP system, which is the goal of our project **"GLOBE – Global One Business Excellence"**.

The success of DMG MORI relies to a special degree on the exceptional commitment and know-how of our highly qualified **employees**. Together as a team, DMG MORI will emerge even stronger from these turbulent times. This will allow DMG MORI to match its own demand for premium performance and achieve its ambitious goals. We place great value on being an attractive employer, on strengthening the loyalty of our employees by a wide range of measures, and to continually improve the work environment. DMG MORI stands for a corporate culture of diversity and openness. We promote entrepreneurial thinking and talent among others by implementing group-wide succession management concepts like the "High Potential Program". With our innovative learning platform Masterplan, we also offer our employees digital access to sustainable training – anywhere at any time.

"The WH Flex is a modular construction kit system comprising robots, workpiece storage units and gripper systems etc., offering maximum flexibility and performance for the automated handling of workpieces and pallets."

MARKUS REHM
Managing Director

DMG MORI HEITEC GmbH

Management System of DMG MORI

The Executive Board of DMG MORI AKTIENGESELLSCHAFT manages the group via a firmly defined organizational and management structure, as well as via operational targets, the achievement of which is monitored by predefined key figures. We use our internal controlling and management system, as well as our regular reporting, to monitor and manage the attainment of key performance indicators and the efficient use of our capital.

Important internal targets and performance indicators are order intake, sales revenues, earnings before interest and taxes (EBIT), free cash flow, as well as investments and research and development expenses. We manage the activities of the group and individual companies sustainably.

2020 was an exceptional year: Corona pandemic plus economic weakness, geopolitical uncertainties, industrial restructuring. Also DMG MORI could not escape these consequences: Order intake, sales revenues and earnings were clearly below the figures for record year 2019. Global demand for machine tools was declining significantly due to corona and economic factors. The negative effects of the crisis were successfully limited by swiftly initiated and consistently implemented measures to reduce costs, increase flexibility and safeguard liquidity. Order intake reached € 1,599.4 million (previous year: € 2,563.1 million). Sales revenues amounted to € 1,831.3 million (previous year: € 2,701.5 million). The earnings situation developed successfully despite more difficult market and economic conditions: EBITDA amounted to € 156.7 million (previous year: € 299.8 million). EBIT reached € 81.7 million (previous year: € 221.7 million). The EBIT margin was 4.5 % (previous year: 8.2 %). EBT amounted to € 74.9 million (previous year: € 219.1 million). As at 31 December 2020, the group reported EAT of € 52.1 million (previous year: € 154.4 million). At € 15.7 million, free cash flow was positive (previous year: € 168.8 million). Investments in property, plant and equipment and intangible assets amounted to € 80.0 million (previous year: € 110.0 million). Expenditure for research and development amounted to € 66.7 million (previous year: € 72.0 million). Except for order intake and capital expenditure – here due to corona and economic reasons – all the targets and performance indicators mentioned above are in line with our forecasts (status: 10 March 2020) for financial year 2020.

A.02 | KEY FINANCIAL AND PERFORMANCE INDICATORS	Targets Annual Report 2019 (10 March 2020)	Target Q2/2020 (4 August 2020)	Target Q3/2020 (29 October 2020)	Facts 2020
Order intake	around € 1.8 – 2.0 billion	around € 1.6 billion	around € 1.6 billion	€ 1,599.4 million
Sales revenues	around € 1.8 – 2.0 billion	around € 1.65 billion	around € 1.75 billion	€ 1,831.3 million
EBIT	around € 80 – 100 million	around € 60 million	around € 75 million	€ 81.7 million
Free cash flow	around € 10 – 30 million	balanced	balanced	€ 15.7 million
Investments (tangible fixed assets/intangible assets)	around € 85 million	around € 85 million	around € 85 million	€ 80.0 million
Research and Development expenses	around € 60 million	around € 60 million	around € 60 million	€ 66.7 million*

* including expenses for special constructions

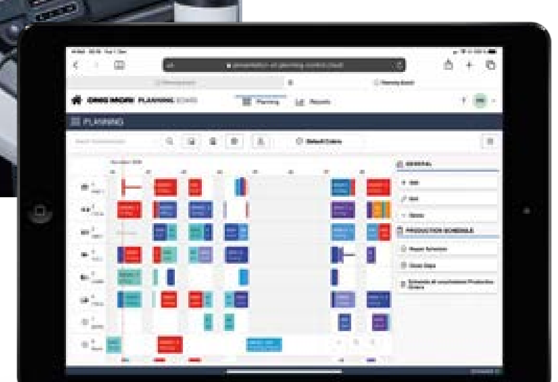
"The new cloud-based products offer our medium-sized customers easy access to digitization, thus improving their competitiveness."

CHRISTIAN METHE
Managing Director
ISTOS GmbH

2

weeks to paperless production

Simply digital_ ISTOS Managing Director, Christian Methe with the "Planning Board".



On-site optimization_ Nadine Martin, Business Development Manager at ISTOS, in the production hall of Jörg Lintzen GmbH, discussing "Production Feedback" with Managing Director, Joshua Hempel.

+ DIGITAL PLANNING BOARD WITH ASSISTANCE FUNCTIONS
+ FEEDBACK FROM ALL WORKSTATIONS (PRODUCTION FEEDBACK)
+ SIMPLE REPLACEMENT OF EXCEL & PAPER
+ ALWAYS KEEPS PRODUCTION SCHEDULE UP TO DATE

DIGITIZATION

Organization and Legal Corporate Structure

DMG MORI AKTIENGESELLSCHAFT, which has its headquarters in Bielefeld, manages the group centrally and across all functions as a management holding company. It covers all the group's cross-divisional key functions. DMG MORI Management GmbH, Bielefeld, is the operating management company of the sales and service locations. DMG MORI AKTIENGESELLSCHAFT manages the markets in the DACH (domestic market Germany, Austria and Switzerland) and EMEA (Europe, Middle East, Africa), as well as the markets China and India. As the parent company of the group's production sites, GILDEMEISTER Beteiligungen GmbH is responsible for further holding functions. Together with DMG MORI COMPANY LIMITED, we have a global presence with 138 sales and service locations around the world – including 15 production plants.

All group companies are managed as profit centers and adhere to clear guidelines with the aim of achieving the best possible performance and results. A group-wide uniform IT infrastructure standardizes key work processes and work flows, thus forming an integrative framework for the group. The ultimate parent company of DMG MORI AKTIENGESELLSCHAFT is DMG MORI COMPANY LIMITED, which has its headquarters in Tokyo (Japan).

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

› Effective from 1 January 2020, DMG MORI Services GmbH, Bielefeld, was merged with DMG MORI Vertriebs und Service GmbH, Bielefeld.

› In March 2020 DMG MORI HEITEC Digital Kft., Budapest (Hungary), was founded. DMG MORI holds a 49.9 % interest in this company, which is included at equity in the consolidated financial statements. The remaining shares are held by a cooperation partner.

› In September 2020, REALIZER GmbH, Borchen, was renamed DMG MORI Additive GmbH and its registered office was relocated to Bielefeld.

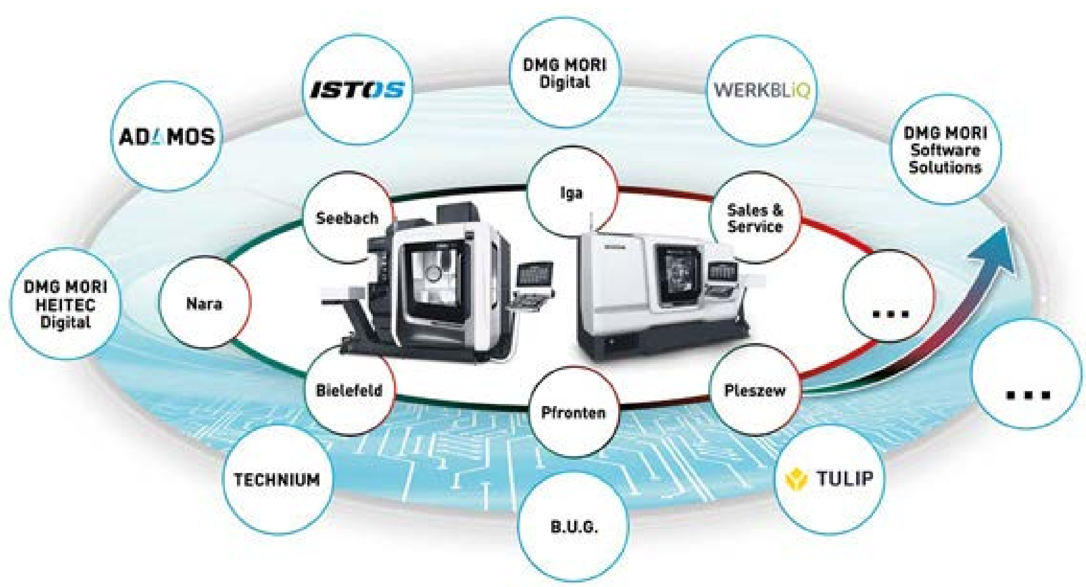
› In September 2020, SAUER GmbH, Idar-Oberstein, was renamed DMG MORI Ultrasonic Lasertec GmbH.

› In September 2020, DMG MORI AKTIENGESELLSCHAFT sold the shares it held (44.1 %) in Magnescale Co. Ltd, Kanagawa (Japan), to DMG MORI COMPANY LIMITED, which, as a result of the repurchase, again holds a 100 % interest in its subsidiary.

› At the end of November 2020, GILDEMEISTER Beteiligungen GmbH acquired the remaining 60 % shares in DMG MORI Digital GmbH, Bielefeld, from our previous cooperation partner. The wholly owned subsidiary has been fully consolidated since 1 December 2020.

› In December 2020, GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Italy), was retroactively merged with GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Italy), as part of the optimizing of our group structure.

The group's structure is designed to ensure that all companies play their part in expanding the group's position as a leading global supplier of end-to-end technology solutions for the



Dynamic with decentralized competence fields_ The satellite structure and uniform alignment of our digital units accelerate the path to digital manufacturing.

”TULIP makes it possible to digitize the entire value chain step by step and thus realize competitive advantages in the long term.“

DR. DAMIR HRNJADOVIC
Managing Director
DMG MORI Digital GmbH

Modern spindle assembly: paperless production by TULIP – with interactive APPs at DECKEL MAHO Pfronten.

manufacturing industry. The group is represented by a matrix organization – with the production plants on one side and the sales and service companies on the other. The supply plants specialize in business fields and product lines.

The DMG MORI sales and service companies are responsible for the direct sales and services of our products and those of DMG MORI COMPANY LIMITED. In addition, our key account management looks after our international mayor customers.

In the reporting year, DMG MORI COMPANY LIMITED, Nara (Japan), increased its interest in the share capital of DMG MORI AKTIENGESELLSCHAFT to 85.58 % by indirectly acquiring a further 9.55 % of its shares. With the last voting rights notification dated 7 April 2020, Paul E. Singer announced that he no longer holds any shares – not even through affiliated companies.

DMG MORI’s financial investments are listed on page 154 et seqq.

Takeover Directive Implementation Act (Section 315a (1) HGB)

The following statutory disclosures apply to the group:

› The share capital of DMG MORI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 and is divided into 78,817,994 no-par value bearer shares. The no-par shares each have a no-par value of € 2.60 in the subscribed capital.

› Pursuant to Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board is responsible for appointing and dismissing members of the Executive Board. This authorization is specified in Section 7(2) of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT, to the effect that the Supervisory Board appoints the Executive Board members, determines their number and regulates the allocation of responsibilities.

› Taking into account the additional interest of 9.55 % acquired in the reporting year, DMG MORI COMPANY LIMITED now holds an 85.58 % interest via DMG MORI GmbH.

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

› Pursuant to Section 5 (3) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the company in the period up to 9 May 2024, by up to a nominal amount of € 102,463,392.20 by issuing up to 39,408,997 new shares on one or more occasions in return for cash and/or non-cash contributions (authorized capital). The Executive Board is also authorized to issue shares in the value of € 5,000,000 to employees of the company and affiliates of the company, subject to the exclusion of pre-emptive rights.

The Digital Twin is a 100 % digital representation of machine, automation and process. It simulates all production processes dynamically and independently of the machine.

"The Digital Twin speeds up commissioning by up to 80 %, thanks to pre-process real-time simulation." DR. ENG. DANIEL NIEDERWESTBERG
Head of Digital Twin // DMG MORI Software Solutions GmbH

› Moreover, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right in specific cases regulated in detail in the Articles of Association (authorized capital).

› The relevant financing agreements of DMG MORI AKTIENGESELLSCHAFT, concluded in early 2016 and extended early at the beginning of 2020, 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, provided DMG MORI COMPANY LIMITED holds more than 50 % of the voting rights in DMG MORI AKTIENGESELLSCHAFT.

The change of control conditions comply with standard agreements. They do not lead to an automatic termination of the aforementioned agreements, but merely allow our contractual partners to terminate them in the event of a change of control.

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

› As at 31 December 2020, 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 from treasury shares and does not participate in profits on a pro-rata basis.

› The new amendment to Article 15 (3) sentence 1 of the Articles of Association adopted at the 118th Annual General Meeting on 15 May 2020, which amended the requirements for attending the Annual General Meeting and exercising voting rights in accordance with the Act Implementing the Second Shareholders' Rights Directive (ARUG II), became effective upon entry in the Commercial Register in December 2020.

› The Executive Board did not make use of the aforementioned authorizations in the reporting year.

Share

The shares of DMG MORI AKTIENGESELLSCHAFT are listed in the "Prime Standard" and traded on the regulated market on the stock exchanges in Frankfurt / Main, Berlin and Düsseldorf, as well as on the open market stock exchanges in Hamburg, Hanover, Munich and Stuttgart. The share was listed in the SDAX until 18 December 2020, when a regular review by the German Stock Exchange resulted in its removal from the index by the fast-exit-rule. DMG MORI AKTIENGESELLSCHAFT continues to meet the international transparency requirements in the German Stock Exchange's "Prime Standard".

Share Performance

The DMG MORI share started the stock market year at a price of € 42.50 (2 January 2020). It closed with € 41.10 as of 30 December 2020. The share displayed a stable development over the year and has proven itself a solid investment, even in times of turbulences and volatility on the stock markets. The market capitalization amounted to € 3.24 billion.

Guaranteed Dividend

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

Investor Relations // Financial Communication

An active and open information policy is an essential element in the value-driven management of our company. Shareholders, shareholder associations, capital market participants, financial analysts, the media and the general public are continuously and promptly informed about the current situation and significant changes. Our information policy upholds the principle of equal treatment.

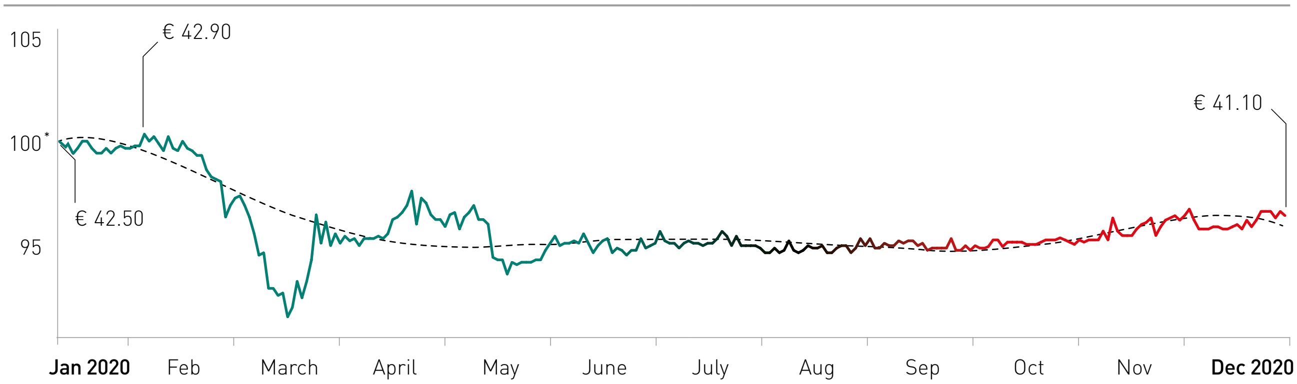
Regular financial reporting also takes place timely. The dates for the recurring publications, including the dates of the Annual Press Conference and the Annual General Meeting along with all relevant information are published on the website → **en.dmgmori-ag.com/investor-relations.** The Annual General Meeting, which took place virtually for the first time in 2020, will also be broadcast on this website.

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

		2020	2019	2018	2017	2016
Registered capital	€ million	204.9	204.9	204.9	204.9	204.9
Number of shares	million shares	78.8	78.8	78.8	78.8	78.8
Closing price [1]	€	41.10	42.35	43.10	46.02	43.16
Annual high [1]	€	42.90	48.35	50.60	53.85	44.76
Annual low [1]	€	38.80	40.90	42.80	42.95	35.02
Market capitalization	€ million	3,239.4	3,337.9	3,397.1	3,627.2	3,401.8
Earnings per share [2]	€	0.66	1.93	1.88	1.49	0.57
Price-to-earnings ratio [3]		27.0	21.9	22.9	30.9	75.7

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

A.04 | DMG MORI AKTIENGESELLSCHAFT-SHARE – JANUARY TO DECEMBER 2020
in %



* 2 January 2020 = 100, stock performances indexed XETRA; Source: Deutsche Börse Group

60 %

weight reduction can be achieved

+ ADDITIVE MANUFACTURING IN A POWDER BED AND BY MEANS OF A POWDER NOZZLE
+ ADDITIVE INTELLIGENCE
+ ADVICE & ENGINEERING
+ RAMP-UP PRODUCTION
+ TRAINING
+ CELOS & OPTOMET

“We support our customers in the end-to-end application and integration of Additive Manufacturing.”

DR.-ENG. RINJE BRANDIS
General Manager Additive Manufacturing and Industry 4.0
ADDITIVE INTELLIGENCE

DMG MORI Academy GmbH

Additive Intelligence_ Together with customers, DMG MORI identifies components and assemblies where additive manufacturing promises high potential.

ADDITIVE MANUFACTURING

Corporate Governance Report / Group Declaration on Corporate Management

↗ business report information not reviewed for content

The Executive Board and Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always act in accordance with good corporate governance and report on matters concerning corporate governance at DMG MORI in adherence to the German Corporate Governance Code. This is reflected in a responsible and transparent business management and corporate governance. Good corporate governance is an essential element of strategic thinking and action on all organizational levels throughout the group.

In November 2020, the Executive Board and Supervisory Board issued a declaration of conformity which confirmed compliance with all recommendations set out in the "Government Committee German Corporate Governance Code" in the Code's version dated 16 December 2019 for the time since the Code's publication in the electronic Federal Gazette on 20 March 2020, with the following exception:

- In accordance with G.10 of the German Corporate Governance Code, the majority of the Executive Board remuneration is to be paid in the form of company shares or a corresponding share-based arrangement. DMG MORI is not implementing this recommendation but is rather basing the long-term remuneration components of the Executive Board on performance indicators the Supervisory Board has found to bear significant relevance on the company's success over the long term.

  A share-based remuneration is not suitable for DMG MORI because DMG MORI AKTIENGESELLSCHAFT, as a result of the domination and profit transfer agreement from 2 June 2016, is a dependent company whose shareholders have been promised compensation under the domination and profit transfer agreement. The development of the company's share price is thus not significantly influenced by the Executive Board's performance and hence not an adequate means to determine the long-term remuneration component of the Executive Board at DMG MORI.

The Executive Board and the Supervisory Board further confirm their intention to continue adherence to the recommendations set out in the "Government Committee German Corporate Governance Code" in accordance with the declaration of conformity issued for the year 2020.

DMG MORI complies with the suggestions of the German Corporate Governance Code except for two exceptions regarding the Annual General Meeting. For organizational and cost reasons, the physical Annual General Meeting is held without being broadcast over the Internet and without the possibility of contacting the representatives with regard to exercising the voting rights of shareholders in accordance with their instructions during the Annual General Meeting.

The current declaration of conformity and the corporate governance report together with the declarations of conformity of previous years are permanently accessible on our website.
→ **en.dmgmori-ag.com/corporate-communications/corporate-governance/**

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

Responsible Management of Opportunities and Risks
For us, part of good corporate governance is the comprehensive and systematic management of opportunities and risks within corporate management. Detailed information on the risks and opportunities management system can be found on page 78 et seq.

Cooperation between the Executive Board and Supervisory Board
The Executive Board and Supervisory Board work closely in the best interest of the company. The Executive Board coordinates the strategic direction of the company with the Supervisory Board and informs the Supervisory Board regularly, timely and comprehensively about all questions pertaining to the strategy, business development, risk position, risk management and compliance that are of relevance for the company. Any deviations in the course of business from the established plans and goals adopted by the group are investigated and explained. 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 require the Supervisory Board's approval for a wide range of business transactions proposed by the Executive Board.

The remuneration of both the members of the Supervisory Board and Executive Board is presented in detail in the remuneration report from page 32 et seq. which forms part of the Management Report accompanying the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

The Supervisory Board and the Executive Board jointly care for succession planning. To this end, the Supervisory Board regularly gives selected executives the opportunity to present themselves. The Supervisory Board has set an age limit of 60 for the (re-) appointment of Executive Board members.

Objectives concerning the Composition of the Supervisory Board

In its meeting on 22 September 2015, the Supervisory Board adopted the following resolution pursuant to Section C.1 DCGK (German Corporate Governance Code):

› The Supervisory Board should continue to be composed of the unchanged number of shareholder representatives with experience in the management or governance of companies with global operations;

› Consideration of employees from significant areas of DMG MORI on the employee side;

› Consideration of knowledge of DMG MORI and of markets of particular importance to DMG MORI, as well as of technical contexts and in the management of technologies;

› Consideration of special knowledge and experience in the application of accounting principles, internal control procedures and compliance processes;

› At least two male and two female Supervisory Board members should be among the shareholder representatives as well as the employees' representatives;

› A 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 office terms;

› Nominations for future composition of the Supervisory Board should also orient themselves, in particular, to the interests of the company, while observing the aforementioned objectives.

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 2020. It also adhered to its voluntary commitment to ensure the independence of at least 50 % of the Supervisory Board members.

In accordance with section D.13, the Supervisory Board again carried out a self-assessment in the reporting year. [→ Report of the Supervisory Board, Page 7].

Diversity

The diversity culture lived at DMG MORI allows our employees for example to become involved in the Group's international 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, gender, age, religion, sexual orientation or physical impairments. The Executive Board has manifested this equal opportunity policy in the form of 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 on 30 November 2017 adopted a resolution that provides for a quota of 20 % of the Executive Board of DMG MORI AKTIENGESELLSCHAFT to be filled with female members by no later than 30 June 2022.

As a result of the flat hierarchies at DMG MORI AKTIENGESELLSCHAFT, there is only one management level that is subordinate to the Executive Board. On 18 October 2017, the Executive Board agreed on a target female quota of 10 % for this management level. The target is to be achieved by 30 June 2022. With regard to the Supervisory Board, the statutory quota of 30 % has been met consistently since the Supervisory Board elections in 2018. The shareholders' and employees' representatives have decided to meet the legal requirements separately from each other. Two female members have been among the shareholder representatives of the Supervisory Board since the Supervisory Board's election. The same election resulted in three female members joining the Supervisory Board as employee representatives.

Prevention of Conflicts of Interest

The Executive Board and the Supervisory Board are obliged to act in the best interest of the company. The members of the Executive Board and of the Supervisory Board are prohibited from pursuing personal interests in their decisions and in connection with their office, from pursuing business opportunities the company is entitled to for their own interests, and from granting undue advantages to other persons. Conflicts of interest that may arise from these and other situations must be disclosed to the Supervisory Board without delay. The Supervisory Board must assess these conflicts and grant its approval were adequate. 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 occasion of the Annual General Meeting. The Annual General Meeting adopts resolutions, inter alia, on the granting of discharge to the Supervisory Board and Executive Board, as well as on the election of the auditor of the annual financial statements and proposed amendments of the Articles of Association. Shareholders may exercise their voting right in person. Shareholders who are unable to personally attend a physical Annual General Meeting are offered the option of appointing an authorized representative of their choosing to exercise their voting rights on their behalf, or to assign them to a proxy who must exercise them in accordance with their instructions. For virtual Annual General Meetings – as for the first time during the corona pandemic – we offer our shareholders other ways of exercising their rights within the legal possibilities. It is also possible to obtain information about the Annual General Meeting timely from the Internet. All documents and information are made available to our shareholders on our website well ahead of the meeting date.

Transparency
We aspire to warrant corporate communications that offer the greatest possible transparency and currency for all target groups, including shareholders, investors, business partners, employees and the general public. Our website is continuously updated with information on the company's current affairs. Press and quarterly releases, annual reports and a detailed financial calendar are also published on the website.

Compliance
We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and to the society. With their best interest in mind, we are firmly committed to clear principles and values. This particularly includes the adherence to and compliance with statutory requirements and regulatory standards, voluntary commitments and our internal policies. Our compliance management system is tasked with warranting our continued alignment with our principles and values. Further information about our Compliance Management System can be found in the Sustainability Report 2020 and on our website.

Accounting and Annual Audit
For the year under review, DMG MORI and financial auditing firm PwC PricewaterhouseCoopers, Bielefeld, agreed that the Chairman of the Supervisory Board and the Chairman of the Finance and Audit Committee shall be informed promptly about any reasons for exclusion or bias that arise during the audit and cannot be remedied. 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 informs the Supervisory Board, or points out in the audit report, any circumstances that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the Corporate Governance Code.

Insurance for members of the Supervisory Board and the Executive Board of DMG MORI
The group has taken out D&O insurance policies (management liability insurance) and legal expenses insurance policies for members of the Supervisory Board, all Executive Board members and all Managing Directors. The D&O insurance contains the deductible provided for in the Code or in the pertinent statutory provisions.

Shareholdings of the Executive Board and Supervisory Board members
Only one of the members of the Supervisory Board holds a significant indirect interest in DMG MORI AKTIENGESELLSCHAFT. Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). In the year under review, DMG MORI COMPANY LIMITED indirectly acquired a further 9.55 % of shares, thus increasing the interest in the share capital of DMG MORI AKTIENGESELLSCHAFT to 85.58 %. Thus, Dr. Eng. Masahiko Mori is indirectly holding an equity interest in DMG MORI AKTIENGESELLSCHAFT.

Pursuant to Section 19 MMVO (German Market Abuse Regulations), members of the Supervisory Board or Executive Board, as well as other individuals subject to reporting requirements, must notify both the company and the Federal Financial Supervisory Authority (BaFin) whenever they buy or sell, inter alia, shares or other securities of the company. The company is then required to publish a corresponding notice without delay. The relevant notifications made by DMG MORI AKTIENGESELLSCHAFT are available on the company's website anytime.

Remuneration Report

The remuneration system and remuneration of the Supervisory Board and the Executive Board in financial year 2020 are presented in the following.

Remuneration of the Supervisory Board
The Supervisory Board's remuneration is determined by the Annual General Meeting and governed by Section 12 of the Articles of Association of DMG MORI AKTIENGESELLSCHAFT. The remuneration system for the Supervisory Board will be presented to the Annual General Meeting 2021 for approval in accordance with Section 113 of the German Stock Corporation Act (AktG). The components of the Supervisory Board remuneration include the fixed remuneration that each member of the Supervisory Board receives, compensation for committee work as well as attendance fees for meetings.

For the financial year 2020, the fixed compensation entitlement for each individual Supervisory Board member was € 60,000. The chairperson is entitled to the 2.5-fold amount (€ 150,000). Dr. Eng. Masahiko Mori, James V. Nudo and Irene Bader have been waiving their complete supervisory board remuneration since 4 May 2018. The vice chairperson is entitled to the 1.5-fold amount (€ 90,000). The entitlement to the base remuneration was € 630,000 in total (previous year: € 630,000).

The remuneration for committee work totaled € 235,033 (previous year: € 162,000) and took into consideration the work in the Finance and Audit Committee, in the Personnel, Nomination and Remuneration Committee and in the Related Party Transactions Committee that exists since 10 March 2020. The individual

A.05 | REMUNERATION OF THE SUPERVISORY BOARD AND COMMITTEE MEMBERSHIPS

in €	Base remuneration	Committee remuneration: Finance and Audit Committee (F&A)	Committee remuneration: Personnel-, Nominirations and Remuneration Committee (PNR)	Committee remuneration: Committee for Transactions with Related Parties (TRP) (since 10 March 2020)	Base remuneration and committee remuneration total without waiver	Base remuneration and committee remuneration less waiver (-10%)	Meeting attendance fees	Total
Dr. Eng. Masahiko Mori [1] Chairman SB Chairman PNR	–	–	–	–	–	–	–	0
Ulrich Hocker [2] Deputy chairman SB Chairman TRP	90,000	0	18,000	29,213	137,213	123,492	12,000	135,492
Irene Bader [3]	–	–	–	–	–	–	–	0
Prof. Dr. Ing. Berend Denkena [4]	60,000	0	0	14,607	74,607	67,146	9,000	76,146
Prof. Dr. Annette Köhler Chairman F&A	60,000	36,000	0	0	96,000	86,400	15,000	101,400
James Victor Nudo [5]	–	–	–	–	–	–	–	0
Mario Krainhöfner [6] [7] 1st Deputy chairman SB	90,000	0	18,000	0	108,000	97,200	9,000	106,200
Stefan Stetter [8] Deputy chairman SB	90,000	18,000	0	14,607	122,607	110,346	18,000	128,346
Tanja Fondel [6] [9]	60,000	0	18,000	0	78,000	70,200	9,000	79,200
Dietmar Jansen [6] [10]	60,000	18,000	0	0	78,000	70,200	15,000	85,200
Larissa Schikowski [11]	60,000	0	18,000	0	78,000	70,200	9,000	79,200
Michaela Schroll [6] [12]	60,000	18,000	0	14,607	92,607	83,346	18,000	101,346
Total	**630,000**	**90,000**	**72,000**	**73,033**	**865,033**	**778,530**	**114,000**	**892,530** [13]

1) Dr. Eng. Masahiko Mori is also member of the F&A as well as of the Nomination and the Mediation Committee. Dr. Eng. Masahiko Mori waives the Supervisory Board Remuneration in full. Thus Dr. Eng. Masahiko Mori has not received any Supervisory Board Remuneration for 2020.
2) Ulrich Hocker is also member of the PNR as well as of the Nomination and the Mediation Committee.
3) Irene Bader waives the Supervisory Board Remuneration in full. Thus Irene Bader has not received any Supervisory Board Remuneration for 2020.
4) Prof. Dr. Ing. Berend Denkena is member of the TRP.
5) James Victor Nudo is member of the F&A, PNR and Nomination Committee. James Victor Nudo waives the Supervisory Board Remuneration in full. Thus James Victor Nudo has not received any Supervisory Board Remuneration for 2020.
6) These employees' representatives transfer the majority of their remuneration for Supervisory Board duties to Hans-Böckler-Stiftung, Düsseldorf, Germany.
7) Mario Krainhöfner is member of the PNR as well as of the Mediation Committee.
8) Stefan Stetter is member of the F&A and TRP.
9) Tanja Fondel is member of the PNR as well as of the Mediation Committee.
10) Dietmar Jansen is member of F&A.
11) Larissa Schikowski is member of the PNR and transfers a part of her remuneration for Supervisory Board duties to various charitable institutions.
12) Michaela Schroll is member of the F&A and the TRP.
13) The total amount corresponds to the expenses of DMG MORI AKTIENGESELLSCHAFT.

committee members were entitled to € 18,000 each. The committee chairpersons received an additional fixed remuneration of € 18,000.

In the reporting year, all Supervisory Board members waived 10 % of their fixed remuneration (base remuneration and committee compensation).

The members of the Supervisory Board and its committees receive an attendance fee of € 1,500 for each Supervisory Board and committee meeting they attend as a member. In total, attendance fees for financial year 2020 amounted to € 114,000 (previous year: € 106,500). In financial year 2020, the total remuneration paid to the Supervisory Board amounted to € 892,530 (previous year: € 898,500).

In the reporting year, no loans and advances were granted to members of the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT.

Executive Board Remuneration

Objective

The remuneration system for the Executive Board of DMG MORI AKTIENGESELLSCHAFT is geared to promoting implementation of the business strategy and promoting the sustainable and long-term development of the company. This is achieved in compliance with the statutory requirements and in consideration of competitive aspects. It was prepared by the Supervisory Board by resolution of 28 November 2019 on the legal basis of the Implementing of the Shareholders' Rights Directive (ARUG II) and approved by the 118th Annual General Meeting on 15 May 2020. The particular features of the remuneration system motivate the Executive Board members to pursue and achieve the strategic goals of DMG MORI AKTIENGESELLSCHAFT, which are sustainable growth and the further improvement of service levels. This is proposed to create incentives for a long-term development that focuses on value creation while at the same time preventing disproportionate risks and promoting innovation.

Essential elements of the remuneration system
The system's fundamental structure abides by the following **guiding principles:**

a) Extraordinary performances and successes should be rewarded adequately, while target shortfalls should entail a substantial reduction of the remuneration ("pay-for-performance-orientation").

b) The collective performance of the Executive Board members should be promoted without constraining the entrepreneurial discretion of the individual members in their respective portfolio remits. Since important strategic goals can only be achieved in an interdisciplinary approach with the collaboration of all Executive Board members, short and long-term remuneration components result from different performance indicators to which the Executive Board members contribute.

c) The remuneration system for the Executive Board members is consistently adaptable to the remuneration systems for the other management and staff levels within the group.

d) The remuneration of the Executive Board members should conform with market standards and reflect the size, complexity and strategic direction as well as economic situation of the company.

This forms the basis on which Executive Board members are offered a competitive and market value remuneration package that keeps within the regulatory requirements and promotes the sustainable work of the Executive Board. This is intended to secure the best possible candidates for the Executive Board of DMG MORI AKTIENGESELLSCHAFT, both now and in the future.

The new remuneration system adopted by the Executive Board conforms with the current requirements under the German Stock Corporation Act and in all essential aspects with the recommendations made in the German Corporate Governance Code, with the exception that the long-term remuneration component is not share-based.

In consideration of the existing domination and profit transfer agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH, a 100 % subsidiary of DMG MORI COMPANY LIMITED, on the one hand and the very limited free flow of the share on the other hand, it was decided that a remuneration component that is paid in shares or a share-based remuneration component will not be implemented.

Procedure for the determination of the remuneration of the Executive Board
The system for the remuneration of the Executive Board is determined by the Supervisory Board. The relevant discussions and resolutions of the Supervisory Board are prepared by the Personnel, Nomination and Remuneration Committee. The Committee develops recommendations with regard to the Executive Board remuneration system. The Supervisory Board then consults in detail on these recommendations and adopts a resolution.

The remuneration system adopted by the Supervisory Board is presented to the Annual General Meeting for approval. If the proposed system is rejected by the Annual General Meeting, a revised remuneration system is presented to next Annual General Meeting at the latest for approval.

The Personnel, Nomination and Remuneration Committee regularly reviews the Executive Board's remuneration system and presents relevant proposals to the Supervisory Board. The remuneration system is resubmitted to the Annual General Meeting for approval after significant changes, and in any case every four years.

Components of the remuneration system for 2020
The remuneration of the Executive Board members of DMG MORI AKTIENGESELLSCHAFT consists of fixed and variable remuneration components. The fixed, non-performance-based remuneration consists of a base remuneration ("fixed amount"), fringe benefits and pension entitlements (in particular to the contribution-based retirement provisions). The short-term variable remuneration (STI) and the long-term variable remuneration (LTI) are performance-based variable amounts that depend on the achievement of concrete, measurable targets.

a) Fixed remuneration components:
The fixed remuneration consists of the base remuneration, the fringe benefits and the pension entitlements (contribution-based retirement provisions).

Base remuneration: Each Executive Board member receives a fixed base remuneration. The basic remuneration is paid in 12 monthly installments.

Fringe benefits: Fringe benefits and their maximum amounts are determined for each Executive Board member. These fringe benefits include, in particular, non-cash benefits from the company and other fringe benefits, including company cars and the arrangement and payment of insurance cover.

Retirement provisions: Each Executive Board member is granted a payment that has to be used to add to his personal retirement provisions. The payment is for a certain amount to be invested in an external pension scheme (contribution-based retirement provision).

b) Variable remuneration components:
The variable, performance-based remuneration consists of a short-term and a long-term component – the STI (short-term incentive) and the LTI (long-term incentive). The actual amount of the variable remuneration depends on the attainment of financial and non-financial performance parameters. These parameters are derived from operational as well as strategic

targets. At DMG MORI AKTIENGESELLSCHAFT, the focus is on securing and increasing the company's commercial success and goodwill in all relevant manifestations. This is intended to sustainably strengthen the earnings and market position of DMG MORI AKTIENGESELLSCHAFT. Another objective is to incentivize a profitable and efficient sustainable management of business affairs. In addition to traditional earnings indicators, this also considers targets that are essential for the sustainable development of the company, e.g. the improvement of service and an optimized market position. The performance criteria are determined on the basis of performance indicators that are suitable and established in the company.

The variable remuneration may fall to an amount of zero if the targets are missed. If the targets are reached above average, target attainment is capped at 200 %.

The remuneration resulting from the degree of target attainment is adjusted by two sustainability factors ("modifiers"), which are determined within the framework of the tender. They are intended to boost the Executive Board's efforts aimed at a sustainable management that delivers future growth.

Short-term variable remuneration (STI):
The STI rewards the contribution made to the operational implementation of the business strategy over the course of the financial year and thereby – indirectly – to the long-term development of the company. The STI gives particular consideration to the overall responsibility of the Executive Board and the cooperation among its members in the pursuit of the targets.

For this reason, the STI system is based on two target dimensions, which may be assigned different weightings and can be adjusted through the sustainability factors ("modifiers"). This considers both the market position (measured by the performance indicator "order intake"), as well as the earnings position (measured by the performance indicator "EBIT"). These company-specific targets are modified by a sustainability factor ("modifier"), which moves within a bandwidth from 80 % to 120 %. The sustainability factors are intended to particularly reward the Executive Board's actions and successes that have made a contribution to sustainably securing the company's success. The targets that form the basis of the sustainability factor include, for example, investments or the development of market shares and positions.

The degree of target attainment is determined for each performance indicator after the end of the financial year and adjusted on the basis of the sustainability factors. The STI is defined as the degree of target attainment within a bandwidth of 0 % to 200 %.

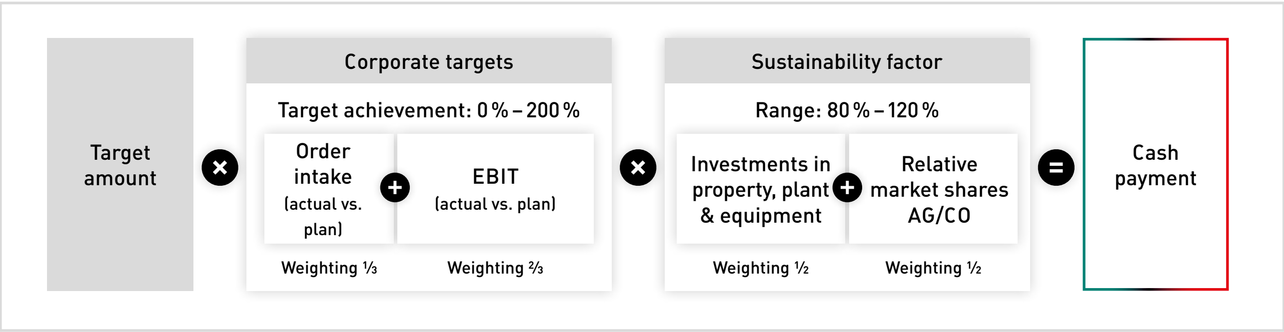
Long-term variable remuneration (LTI):
The long-term-focused, sustainable initiative for the success of DMG MORI AKTIENGESELLSCHAFT is the focus of the Executive Board's work. It is the only way to promote sustainable growth and achieve a permanent increase in value.

The LTI is granted in cash because this remuneration component is exclusively based on factors that can be influenced by the Executive Board. The development of the share of DMG MORI AKTIENGESELLSCHAFT, and thus the development of any share-based remuneration system, would be driven by influencing factors that are outside of the Executive Board's control. As a result of the existing domination and profit transfer agreement with DMG MORI GmbH, the company is not paying a dividend. The earnings development, which can be influenced by the Executive Board, is also not from any other perspective usually seen as a factor that influences the price of the DMG MORI GmbH share.

In order to adequately reward the performance of an Executive Board member and the Executive Board as a whole, the LTI is paid on the basis of a performance indicator-based remuneration that is determined on the basis of an assessment period of three years ("performance period"). The LTI is based on two financial targets as well as measurable sustainability targets that are expressed in the form of a "modifier". The financial performance criteria represent important core management ratios of DMG MORI AKTIENGESELLSCHAFT (the earnings after tax – EAT – and the service performance). These targets are weighted in accordance with the significance attributed to them in the corporate strategy.

In addition to that, the "modifier" with a bandwidth of 80 % to 120 % also incorporates the sustainability targets. The current sustainability targets include the adherence to research, development and marketing budgets, as well as the development of a PPR indicator ("product-problem-report"). To secure the long-term and sustainable development, the targets are selected in consideration of the strategy.

Short-term-incentive (STI) diagram



The LTI is determined on the basis of the degree of target attainment within a bandwidth of 0 % to 200 %.

Structure and amount of the total target remuneration

Following preparation by the Personnel, Nomination and Remuneration Committee, the Supervisory Board determines the amount of the total target remuneration for the upcoming financial year for each member on the basis of the remuneration system. The total target remuneration for each Executive Board member is the total sum of base salary, the STI for 100 % target attainment, and the LTI at 100 % target attainment.

In addition to being reasonably proportionate to the duties and performances of the Executive Board members, this in particular gives consideration to the economic position, the market environment, the success and the future prospects of the company. The Supervisory Board pays particular attention to assuring that the total target remuneration conforms with market standards. Market conformity is assessed on the basis of the following points:

External benchmarking (horizontal conformity): The market conformity of the total remuneration is assessed on the basis of remuneration data from the 90 largest listed companies in Germany with DAX and MDAX listings. This horizontal market benchmarking considers the market position, size and complexity of DMG MORI AKTIENGESELLSCHAFT with special emphasis on the position of the company within the comparison group (e.g. on the basis of performance indicators such as sales revenues, number of employees and earnings per share).

Internal benchmarking (vertical conformity): In addition to the above, the development of the Executive Board's remuneration in proportion to the remuneration of the workforce of DMG MORI AKTIENGESELLSCHAFT is considered in an internal (vertical) benchmarking. This comparison determines the proportion of the Executive Board's remuneration to the remuneration paid to the upper management and other employees and subjected to a market comparison.

The determination of the total target remuneration gives special credit to the individual Executive Board member's function. This includes that the chairperson of the Executive Board is awarded a higher total remuneration than the other Executive Board members.

The share of the individual remuneration components in the total target remuneration may move within certain bandwidths provided for in the remuneration system. The share of the fixed remuneration (base remuneration, fringe benefits and pension entitlements) amounts to between 40 % and 50 % of the total target remuneration. The share of the short-term variable remuneration (STI) in the total remuneration amounts to between 17 % and 27 %, the long term share (LTI) to between 28 % and 38 %.

Maximum remuneration limits

The maximum total remuneration of an Executive Board member is determined by the Supervisory Board on the basis of the target total remuneration. The maximum total remuneration of an Executive Board member is the highest possible amount of remuneration and hence the maximum value of inflow, taking into account the fixed remuneration (including base remuneration, fringe benefits and pension entitlements), short-term remuneration (STI), and long-term variable remuneration (LTI).

The maximum total remuneration for the Chief Executive Officer is € 5,550 K and for the Executive Board members € 2,950 K each.

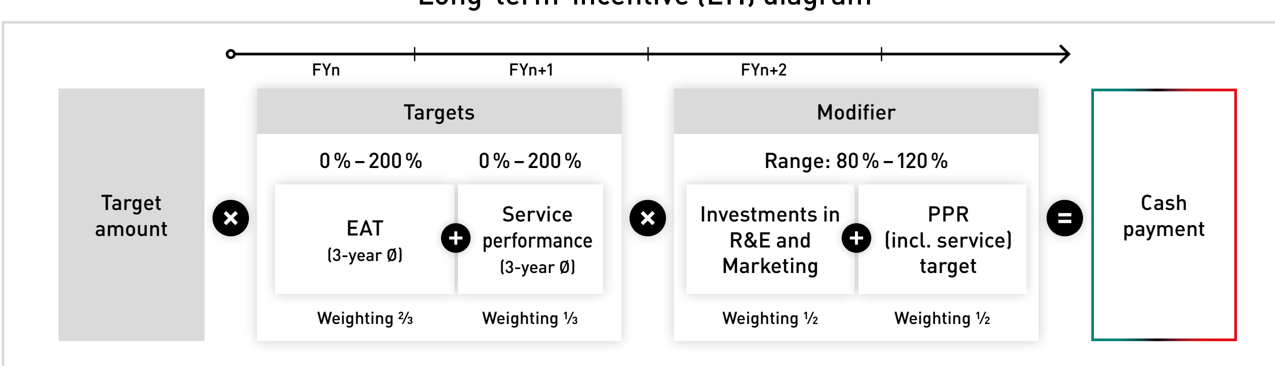
Malus and clawback provisions

The Supervisory Board may withhold or demand repayment of the short-term and the long-term variable remuneration in the case of serious breaches of duty or compliance infringements. The same applies in cases of serious unethical conduct.

In cases of grossly negligent or intentional breaches of a duty of care by a diligent business manager pursuant to Section 93 (1) German Stock Corporation Code (AktG) the company is further authorized to demand the Executive Board member repay all or part of the variable remuneration components (STI and/or LTI) paid for the relevant assessment period in which the breach of duty took place, or to withhold such payment before its remittance.

A claim for repayment also arises if the Executive Board member's office tenure or employment has already ended at the time repayment is demanded. This is without prejudice to claims for damages against the Executive Board member.

Long-term-incentive (LTI) diagram



Early resignation of Executive Board members

If an Executive Board member resigns upon request by the Supervisory Board due to reasons not attributable to the Executive Board member's person or conduct, all outstanding LTI tranches will be paid to the member at the end of the initially agreed performance period. The same applies if an Executive Board member resigns from the Executive Board for other reasons outside of his responsibility (e.g. regular expiry or mutually agreed termination of the employment contract, or other contractually recognized reasons for resignation). This also includes the transition into early retirement and the Executive Board member's rejection of an offer of reappointment.

If the company terminates and Executive Board member's employment for good cause, or if the Executive Board member terminates his service agreement without proper cause ("bad leaver"), all outstanding LTI allocations that have not completed the three-year performance period are forfeited.

Secondary appointments of Executive Board members

The Executive Board members are only permitted to accept secondary appointments (e.g. public offices, appointments to supervisory boards or advisory boards and similar appointments, including associated committee work and including appointments to scientific bodies) with the prior approval of the Supervisory Board. The remuneration received by Executive Board members for supervisory board or comparable appointments within the group are offset from the Executive Board remuneration. Where appointments to supervisory boards outside of the group are accepted, the Supervisory Board exercises due discretion in determining if and to what extent the remuneration for such appointments is to be offset in each individual case. The relevancy of the secondary appointment for the company's interests is an essential factor in the determination.

Loans to Executive Board members

No loans were granted to members of the Executive Board of DMG MORI AKTIENGESELSCHAFT in the reporting year.

Remuneration of the Executive Board for financial year 2020

All Executive Board members have, in addition to the reduced variable remuneration, been voluntarily walving 10 % of their base remuneration since 1 April 2020. Additionally, the Chairman of the Executive Board Christian Thönes has voluntarily waived the full amount of his fixed remuneration for the months of November 2020 and December 2020 amounting to € 200 K, as well as € 155 K of the recoverable advance payment for the LTI tranche 2020-2022. In total, the Executive Board waived payments totaling € 515 K of its claims for the reporting period.

The Executive Board was granted a total target remuneration of € 6,902 K for financial year 2020 (previous year: € 7,017 K). Of this amount, € 2,126 K (previous year: € 2,357 K) is attributable to the fixed, non-performance-based remuneration (base remuneration and fringe benefits), € 1,600 K (previous year: € 3,072 K) to the short-term variable remuneration (STI), and € 2,376 K (previous year: € 750 K) to the long-term variable remuneration (LTI) granted in the financial year, as well as contribution-based retirement provisions of € 800 K (previous year: € 838 K).

For financial year 2020 the total remuneration of the Executive Board amounted to € 5,152 K (previous year: € 10,219 K). Of this amount, € 2,126 K (previous year: € 2,357 K) is attributable to the fixed, non-performance-based remuneration (base remuneration and fringe benefits), and € 1,236 K (previous year: € 4,633 K) to the short-term variable remuneration (STI). The targets determining the variable remuneration were attained at a rate of 68 % for the performance indicator EBIT, and 57 % for order intake. The sustainability factor ("modifier") is set at 120 %.

The old LTI tranche 2018 to 2020, which was allocated on 31 December 2020 and will be paid in 2021, results in a total contribution of € 990 K (previous year: € 2,391 K from LTI tranche 2016-2019 and LTI tranche 2017-2019). This corresponds to the maximum target attainment.

The performance indicator for the LTI tranche 2018-2020 as a long-term remuneration component considers the earnings respectively the redemption contribution of DMG MORI AKTIENGESELLSCHAFT over a three-year period. The amount is capped at a maximum of 120 % of the awardable amount for each Executive Board member.

The expenditure for contribution-based retirement provisions amounted to € 800 K (previous year: € 838 K).

For the LTI tranche 2020-2022, a recoverable advance payment of € 1,508 K to be paid in 2020 (70 % of the awardable target amount) was agreed. The Chairman of the Executive Board Christian Thönes voluntarily waived € 155 K of the advance payment. Executive Board members were not granted any other advances. The companies belonging to DMG MORI AKTIENGESELLSCHAFT group did not pay any remuneration directly to members of corporate bodies for personally rendered services, particularly including consulting and intermediary services.

Former members of the Executive Board and their surviving dependents were paid € 1,434 K in pension benefits (previous year: € 1,287 K). The pension obligations to former members of the Executive Board and their surviving dependents amounted to € 34,908 K (previous year: € 35,717 K).

No Executive Board members were requested to repay any remuneration components. Malus and clawback provisions were not invoked.

The following presents the Executive Board's remuneration in accordance with the German Corporate Governance Code (DCGK). The table "Remuneration and Inflow for the financial year (incl. waiver)" particularly shows the remuneration paid to Executive Board members in the respective financial year. The amount waived by Executive Board members in financial year 2020 has been taken into account in the remuneration overview.

A.06 | REMUNERATION AND INFLOW FOR THE FINANCIAL YEAR (INCL. WAIVER)
in € K

	Christian Thönes Chairman		Björn Biermann Executive Board member	
	2019	**2020**	**2019**	**2020**
Base remuneration	900	930	600	555
Perquisite	26	12	19	17
Sum	**926**	**942**	**619**	**572**
STI	1,138	618	720	309
ind. performance remuneration	750	–	500	–
LTI 2016 – 2019	517	–	517	–
LTI 2017 – 2019	360	–	240	–
LTI 2018 – 2020	–	360	–	240
Sum	**2,765**	**978**	**1,977**	**549**
Pension [1]	450	450	200	200
Total remuneration	**4,141**	**2,370**	**2,796**	**1,321**
Recoverable advance payment LTI 2020 - 2022 [2]	–	650	–	429
Total inflow	4,141	3,020	2,796	1,750

	Michael Horn Executive Board member		Dr. Maurice Eschweiler Executive Board member until 31 March 2019	
	2019	**2020**	**2019**	**2020**
Base remuneration	600	555	150	–
Perquisite	57	57	5	–
Sum	**657**	**612**	**155**	**–**
STI	720	309	180	–
ind. performance remuneration	500	–	125	–
LTI 2016 – 2019	–	–	517	–
LTI 2017 – 2019	–	–	240	–
LTI 2018 – 2020	–	150	–	240
Sum	**1,220**	**459**	**1,062**	**240**
Pension [1]	150	150	38	–
Total remuneration	**2,027**	**1,221**	**1,255**	**240**
Recoverable advance payment LTI 2020 - 2022 [2]	–	429	–	–
Total inflow	2,027	1,650	1,255	240

	Executive Board total	
	2019	**2020**
Base remuneration	2,250	2,040
Perquisite	107	86
Sum	**2,357**	**2,126**
STI	2,758	1,236
ind. performance remuneration	1,875	–
LTI 2016 – 2019	1,551	–
LTI 2017 – 2019	840	–
LTI 2018 – 2020	–	990
Sum	**7,024**	**2,226**
Pension [1]	838	800
Total remuneration	**10,219**	**5,152**
Recoverable advance payment LTI 2020 – 2022 [2]	–	1,508
Total inflow	10,219	6,660

1) Payments for pension provisions as defined contribution
2) Contribution to be made in 2021

The table "Allocated grants" shows the total target remuneration of Executive Board members for the respective financial year together with the respective minimum and maximum remuneration amounts.

A.07 | ALLOCATED GRANTS
in € K

	Christian Thönes Chairman since 15 April 2016 // Executive Board member since 1 January 2012				Björn Biermann Executive Board member since 27 November 2015			
	2019 (Target)	2020 (Target)	2020 (Min)	2020 (Max)	2019 (Target)	2020 (Target)	2020 (Min)	2020 (Max)
Base remuneration	900	930	930	930	600	555	555	555
Perquisite	26	12	12	12	19	17	17	17
Sum	**926**	**942**	**942**	**942**	**619**	**572**	**572**	**572**
STI	690	800	0	1,600	375	400	0	800
ind. performance remuneration	690	–	–	–	377	–	–	–
LTI 2019 – 2021	300	–	–	–	200	–	–	–
LTI 2020 – 2022	–	1,150	0	2,300	–	613	0	1,225
Sum	**1,680**	**1,950**	**0**	**3,900**	**952**	**1,013**	**0**	**2,025**
Pension [1]	450	450	450	450	200	200	200	200
Total	**3,056**	**3,342**	**1,392**	**5,292**	**1,771**	**1,785**	**772**	**2,797**

	Michael Horn Executive Board member since 15 May 2018				Dr. Maurice Eschweiler Executive Board member (1 April 2013 – 31 March 2019)			
	2019 (Target)	2020 (Target)	2020 (Min)	2020 (Max)	2019 (Target)	2020	2020 (Min)	2020 (Max)
Base remuneration	600	555	555	555	150	–	–	–
Perquisite	57	57	57	57	5	–	–	–
Sum	**657**	**612**	**612**	**612**	**155**	**–**	**–**	**–**
STI	375	400	0	800	94	–	–	–
ind. performance remuneration	377	–	–	–	94	–	–	–
LTI 2019 – 2021	200	–	–	–	50	–	–	–
LTI 2020 – 2022	–	613	0	1,225	–	–	–	–
Sum	**952**	**1,013**	**0**	**2,025**	**238**	**–**	**–**	**–**
Pension [1]	150	150	150	150	38	–	–	–
Total	**1,759**	**1,775**	**762**	**2,787**	**431**	**–**	**–**	**–**

	Executive Board total			
	2019 (Target)	2020 (Target)	2020 (Min)	2020 (Max)
Base remuneration	2,250	2,040	2,040	2,040
Perquisite	107	86	86	86
Sum	**2,357**	**2,126**	**2,126**	**2,126**
STI	1,534	1,600	0	3,200
ind. performance remuneration	1,538	–	–	–
LTI 2019 – 2021	750	–	–	–
LTI 2020 – 2022	–	2,376	0	4,750
Sum	**3,822**	**3,976**	**0**	**7,950**
Pension [1]	838	800	800	800
Total	**7,017**	**6,902**	**2,926**	**10,876**

1) Payments for pension provisions as defined contribution

"Our AI-based instruments provide highly intelligent assistance functions with impressive added value within a short space of time."

CHRISTOPH GROSCH
Executive Director DMQP
DMG MORI AKTIENGESELLSCHAFT

DMQP_ Artificial intelligence bundles DMG MORI's entire global technology expertise. AI supports the perfect solution configuration of machine, automation, digitization and DMQP – any time, anywhere and intuitively.

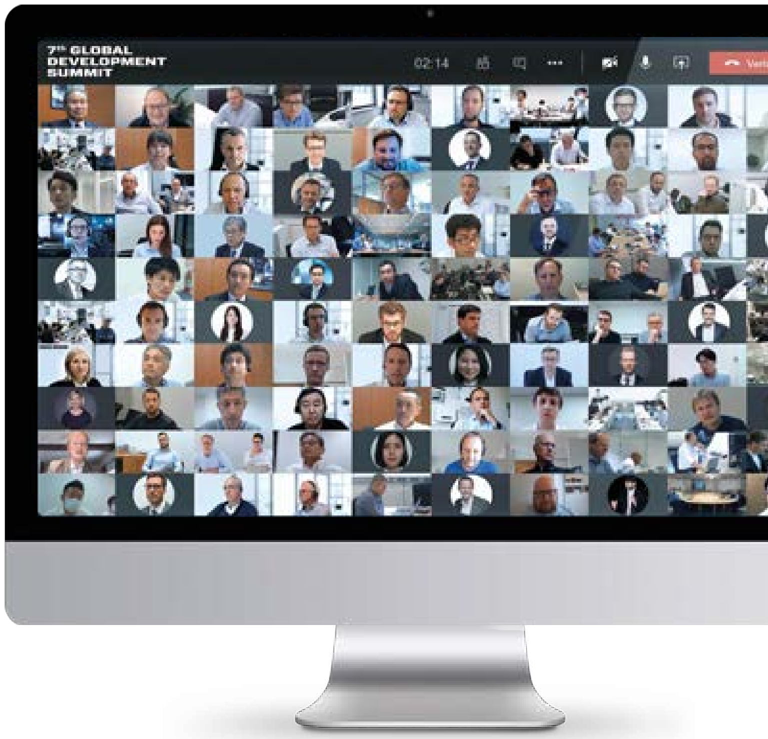
DMG MORI QUALIFIED PRODUCTS

>90,000
technology combinations for every customer situation

DMQP

Research and Development

The purpose of DMG MORI's research and development is to sustainably increase the value of our products for our customers. As a leading supplier of innovative machine tools, technology, automation and digitization solutions as well as services, we particularly push:



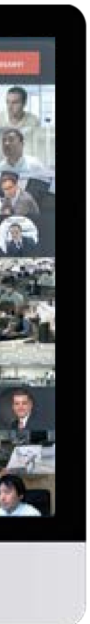
- continuous further development of the machine portfolio through **world premieres**,
- the standardization of components (SCOPE) and increase in value-added depth for core components (DMG MORI COMPONENTS),
- the **automation** of machines and complete plants with machine-specific, universal and scalable solutions through to DMG MORI Cell Controller technology and central tool management,
- integrated **digitization** processes with DMG MORI Digital (DMG MORI Connectivity, CELOS APPs, CELOS Update – e. g. in the Digital Manufacturing Package, Digital Twin, DMG MORI Technology Cycles, DMG MORI Powertools and much more),
- cloud-based production planning and control with ISTOS (Production Planning & Control with Planning Board, Production Feedback and Production Cockpit),
- easy access to digitization of process flows with the no-code platform TULIP,
- the further development of global standards in digitizing the machine and plant building industry using ADAMOS (scalable distribution of digital products with the DMG MORI Store powered by ADAMOS, via "single sign-on" from *my* DMG MORI, data exchange via ADAMOS HUB),
- expansion of the portfolio in the field of **Additive Manufacturing** (complete process chain for manufacturing complex parts using powder nozzle and powder bed technology),
- complementing the portfolio by perfectly tailored premium parts from our partner program **DMQP** (DMG MORI Qualified Products),
- consistent initiatives regarding **sustainability** (GREENMACHINE, GREENMODE, GREENTECH),
- **First Quality** for maximum customer satisfaction,
- **Service Excellence** amongst others with "*my* DMG MORI" customer portal and integrated service and maintenance through the upgrade to WERKBLiQ,
- **Technology Excellence** through industry-specific development of future-oriented and integrated production solutions (Aerospace, Automotive, Die & Mold, Medical and Semiconductor).

Innovations are the only way out of the crisis. Therefore DMG MORI keeps the development budget stable at a high level. Expenditure on research and development amounted to € 66.7 million (previous year: € 72.0 million). A total of 560 employees worked on developing our products (previous year: 583 employees). As in the previous year, this represents 15 % of the plants' workforce. The innovation ratio in the "Machine Tools" segment was 6.4 % (previous year: 5.0 %). Investments in new products are listed in Segment Information as capitalized development costs.

A.08 | RESEARCH AND DEVELOPMENT IN A YEAR BY YEAR VIEW

		2020	2019	2018	2017	2016	2015
R & D employees	number	560	583	581	525	502	510
Proportion of R & D employees [1]	in %	15	15	15	15	15	14
R & D expense [2]	€ million	66.7	72.0	70.9	60.9	57.1	55.2
Innovation ratio [3]	in %	6.4	5.0	4.9	4.7	4.6	4.4
Capitalization ratio [4]	in %	6.1	6.4	6.2	10.5	14.4	14.9

1) R & D employees in relation to the number of employees in the "Machine Tools" segment
2) R & D expenses inclusive expense for custom engineering
3) R & D expenses in relation to sales revenues in the "Machine Tools" segment
4) Capitalized development costs in relation to R & D expenses



Global Development Summit: New product ideas developed digitally for the first time by over 500 international experts from "Global One Company".

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 annual worldwide development conference: At the "Global Development Summit" in October, over 500 international experts from "Global One Company" developed new product ideas for the first time digitally.

At DMG MORI, technological leadership and sustainability go hand in hand. Already since May 2020 we have an equalized CO_2 balance (**Company Carbon Footprint**). Since January 2021, DMG MORI has also been focusing on green production worldwide: From raw material to delivery to the customer, all the machines along the entire value chain are produced CO_2-neutral. DMG MORI is thus one of the first industrial companies to also have a climate-neutral **Product Carbon Footprint**. Thereby DMG MORI takes an integrated approach and considers not only the production of the machine (GREENMACHINE), but also the energy and emission efficiency of its machines (GREENMODE) and pushes the production and further development of green technologies (GREENTECH).

In the reporting year, together with DMG MORI COMPANY LIMITED, we presented **22 innovations** – including 6 world premieres, 4 automation solutions and 12 digital innovations. With Dynamic and Excellence we are driving forward our future fields of Automation, Digitization, Additive Manufacturing, DMG MORI Qualified Products (DMQP), Sustainability as well as Service and Technology Excellence. Thus, we are consistently developing into an integrated solution provider in the manufacturing environment.

We have expanded our machine portfolio by **6 world premieres** in the reporting year. The newly introduced Turn&Mill centers NTX 2500|3000 and NTX 3000|3000 of the 2nd generation convince with a large work envelope and a particularly compact design and enable a fully automated 6-sided complete machining. Thanks to its innovative structure, the new DMF 200|8 convinces with the highest dynamics, a 20 % increase in milling performance and 60 % higher accuracy in 5-axis machining of long workpieces. The new DMC 65 H monoBLOCK combines the flexibility and ergonomics of a 5-axis universal machining center with the productivity and process reliability of a horizontal machining center. The monoBLOCK concept guarantees a particularly high rigidity and the working area is optimally accessible – both from the front and for crane loading. The new LASERTEC 30 DUAL *SLM* offers a DUAL laser system for up to 80 % higher productivity, the proven *re*PLUG powder module for fast material changes and a new permanent filter system that requires no consumables. The new LASERTEC 400 Shape enables for the first time laser texturing of large 3D shapes with a weight of up to of up to 20 tons. With our **DMG MORI Qualified Products (DMQP)**, we now support our customers with AI-based recommendations in the optimal selection of premium components.

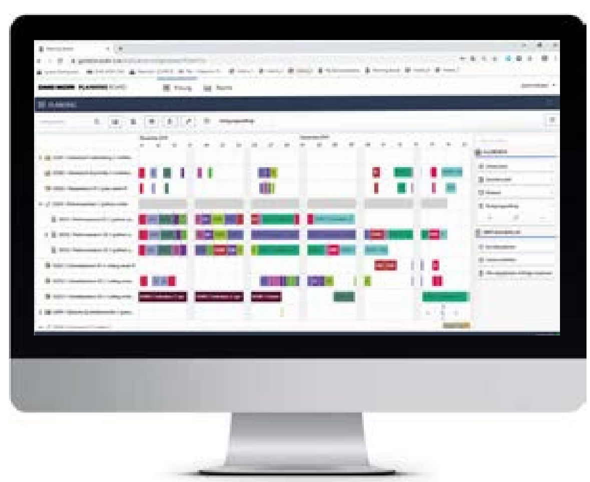
PH Cell // modular round storage system for up to 40 pallets

DMC 65 H monoBLOCK // universal 5-axis horizontal machining center – maximum precision, ergonomic performance, and productivity

DMG MORI's innovative **automation portfolio** of 53 products includes machine-specific (WH Cell, PH Wheel, RPS, etc.), universal (Robo2Go, PH Cell, PH 150) and scalable solutions (MATRIS, WH Flex, LPP, AGVs, etc.) to DMG MORI master computer technology and central tool management. Our Robo2Go is now also available for milling machines. It is quick and easy to use via CELOS, with no robot programming skills required. This makes Robo2Go – now also in Milling – the ideal and flexible solution for small and medium batch sizes. The newly introduced PH Cell convinces with its versatility. The modular round pallet storage system, with up to 40 storage spaces, can be tailored to meet customers' individual needs and easily expanded subsequently.

Integrated digitization solutions expand our core business of machine tools and integrated automation solutions. We are constantly extending our portfolio to include integrated digitization at every level of the value chain. Connectivity is a fundamental prerequisite for digital production. Through **DMG MORI Connectivity**, we are facilitating the complete networking of DMG MORI machines and selected third-party machines. Customers can carry out a PLC-independent update of our app-based control and operating system **CELOS** on the current version. This applies to all CELOS versions in existence since 2013. The latest generation of CELOS includes, amongst others, the new APPLICATION CONNECTOR, which visualizes every web-based service directly via the CELOS interface. Today there are around 20,000 CELOS machines in the market.

Our new **"Planning Board"** from the cloud-based product portfolio of "Production Planning Control" facilitates the entry to digitally optimized production planning, especially for small



Planning Board // easy access to digitally optimized cloud-based production planning – ideal for SMEs and medium-sized companies. It is immediately available and maintenance free. The "Planning Board" can be accessed from any device and is already being used by more than 30 customers. Our **"Digital Twin"** provides dynamic, machine-independent simulation of all production processes. The real-time simulation of machine, automation and process allows customers to specifically optimize components and processes. The result: faster commissioning times of up to 30 % and up to 30 % reduction in component costs.

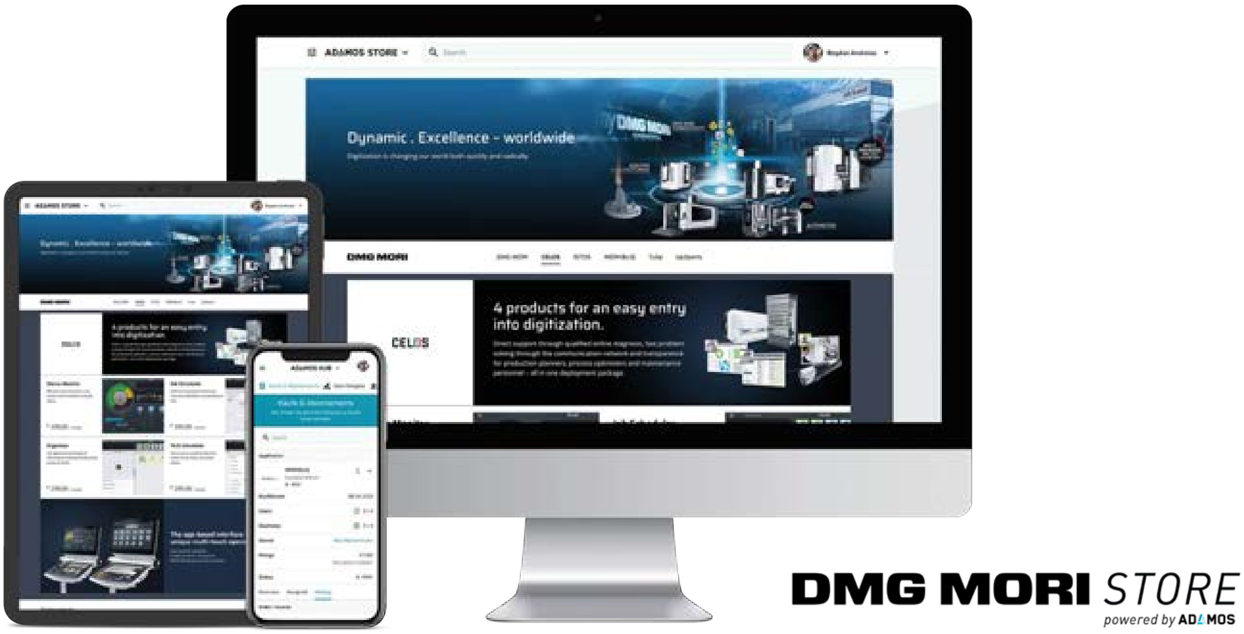
With the new "TULIP APP", employees can access their individual APPs – along the entire value chain – directly at the machine on CELOS. The innovative **TULIP platform** provides customers with easy access to digitizing process flows. With no programming skills required, TULIP allows users to quickly and intuitively create their own APPs using a wide range of templates – directly on the shopfloor. In principal, we first apply all our solutions internally before we offer them externally. More than 100 of our customers are currently using the system successfully. Moreover, our production plants already have over 600 TULIP workstations and are using more than 80 in-house developed APPs. In this way, we make use of the skills and experience of our shopfloor employees and enable them to directly digitize processes in their working environment themselves.

With 8 new **technology cycles**, we now provide 50 highly efficient assistants for precise and fast machine programming. The new cycles enable, among others, the complete technology integration of turning, milling and grinding and improve quality and productivity. The "ULTRASONIC axialGrinding" technology cycle allows e.g., ultrasonic cylindrical grinding of hard-brittle materials and provides for an increase in productivity of up to 65 %.

The "DMG MORI Store powered by ADAMOS" will in future offer fast and direct access to digital solutions such as Planning Solutions (ISTOS) or TULIP as a subscription model. Simply via "single sign-on" from the "*my* DMG MORI" customer portal – with a one-time authentication of the user. The ADAMOS Hub enables cross-manufacturer, automatic data exchange between the APPs.

"WERKBLiQ changes reactive service into proactive service. This helps customers to keep a close eye on their entire service cycle."

GERRIT SCHERMEIER
Customer Success Manager // WERKBLiQ



We have successfully established our **"*my* DMG MORI"** customer portal. This is our digital face to our customers. "*my* DMG MORI" is already being used by more than 20,000 customers with over 100,000 registered machines and new functions are being added steadily. We also offer all "*my* DMG MORI" users the option of upgrading to the manufacturer independent WERKBLiQ maintenance and servicing platform, so that third-party machines can also be integrated into the system. WERKBLiQ connects all parties involved in the maintenance process and facilitates the continuous optimization of service and maintenance processes. This allows us to provide open solutions, tailored to the heterogeneous manufacturing environment of our customers.

In the future field **Additive Manufacturing**, we have launched the highly productive LASERTEC 30 DUAL *SLM* with our innovative permanent filter system. Through an intelligent recycling concept and a service life of 3,000 hours, the filter system is particularly sustainable and requires low-maintenance. Moreover it sets new standards in occupational safety for powder handling. In addition to powder bed technology (*SLM*), DMG MORI's powder nozzle technology (DED – Direct Energy Deposition) is the second important manufacturing process in the future field of Additive Manufacturing. For highest component quality and process reliability in additive manufacturing with powder nozzle technology, the software and sensor package "AM Assistant" was successfully established. With both technologies DMG MORI covers the complete process chain for manufacturing complex components in additive manufacturing.

Purchasing

In the reporting year, the cost of materials and services purchased amounted to 983.9 million (previous year: € 1,524.0 million), of which € 842.6 million related to raw materials and consumables (previous year: € 1,278.4 million). The materials ratio improved to 54.4 % (previous year: 56.3 %). The real net output ratio was 26.5 % (previous year: 26.9 %).

We are consistently working on implementing a fully digitized supply chain and thus increasing sustainably our purchase efficiency. Our focus in 2020 was on expanding the newly implemented digital processes. One example: we successfully rolled out the cloud-based SAP Ariba procurement platform with its "Buying" module to the German and, in part, the European sales and service companies.

As a technology leader, a global network of high-performance partners and suppliers is of immense importance for the manufacture of competitive products. Through the active role of purchasing, technologies are driven forward and methods for the early involvement of suppliers in the innovation process are continuously developed. With our proven DMG MORI technology partners, 15 "Tech Days" were held during the reporting year, at which 50 new development projects were initiated. In addition, a further 51 future-oriented ideas were submitted and presented digitally via a web-based innovation platform.

The structural analysis of suppliers in the area of purchasing shows that 4 % cover a share of around 80 % of the total purchasing volume. We refer to these as our A-suppliers. Another 10 % of our suppliers have a share of 15 % of the purchasing volume (B-suppliers); 14 % of our suppliers thus cover 95 % of the total purchasing volume. The remaining 5 % of purchased materials is distributed among the other 86 % of our suppliers, the so-called C-suppliers.

In addition to intensive supplier management, material group management is also an important pillar of our purchasing activities. Divided into 30 material groups, it brings together global cooperation between purchasing and engineering throughout the group.

In this financial year, which was influenced by Corona, another focus of purchasing was on securing the supply chains. DMG MORI's consistent supply chain risk management – based on the global double sourcing strategy and the use of digital tools – enables risks in the supply chain to be identified at an early stage, the extent of damage to be assessed and suitable countermeasures to be initiated in good time. To minimize economic and geopolitical risks, we pay attention to the diversification and localization of the supplier portfolio. The supply of goods and services was ensured at all times.

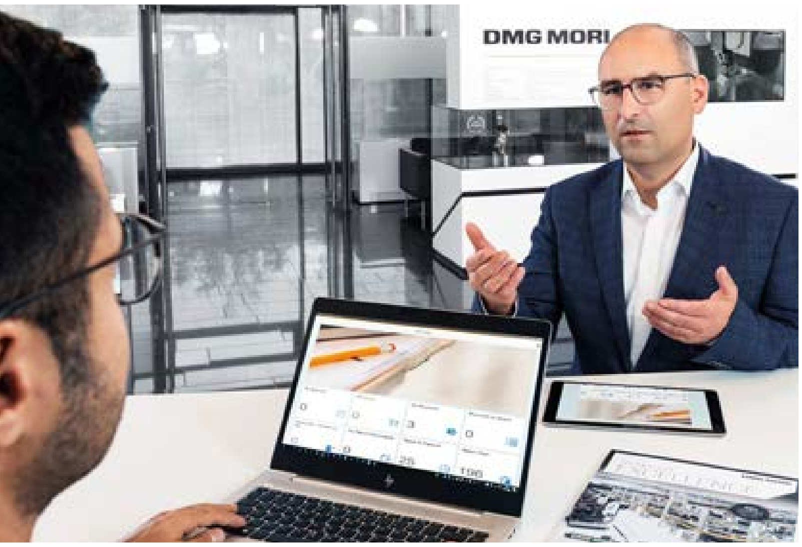
Procurement is organized globally at DMG MORI. Production material, goods and services can thus be procured in the required quality and at the best possible conditions. Due to the intensive networking of the individual procurement organizations, it is possible to achieve synergies on the various procurement markets throughout the group. Three regional purchasing units identify additional growth markets and qualify local suppliers in order to realize cost advantages for all production sites in the group.

As a result of the material group management together with DMG MORI COMPANY LIMITED, both companies benefit from improved cost structures as well as the use of synergies resulting from numerous group-wide projects.

With a total of 26 initiatives implemented to reduce costs and improve the efficiency of purchasing processes, significant savings of € 43.6 million were achieved in the reporting year. This includes cost reductions of € 13.4 million realized in the area of non-production materials.

"Product Cost Optimization" (PCO) has become an essential part of the product development process. In the reporting year, 15 machine projects in the areas of casting, machining and sheet metal parts were supported with the aim of optimizing the estimated costs at the earliest possible stage. Based on the close cooperation right at the beginning of the development phase and the transparency this created, we were able to significantly reduce product costs once again.

Sustainability is a duty. This also applies to purchasing. The basis for successful business relationships with our partners and suppliers is the observance of human rights and occupational health and safety standards, active environmental protection, and the fight against corruption. The digital compliance platform "Integrity Next" is used to obtain self-disclosures from suppliers in order to determine sustainability performance and ensure compliance with the above requirements. In the reporting year, 150 self-disclosures were available. We respond to existing sustainability risks and violations by systematically implementing measures. For example, supply partners are informed of shortcomings and proactively requested to remedy them within a specified period. Further details can be found in the Sustainability Report 2020 on page 26 et seqq.



"Adapt quickly and dynamically to new circumstances and cooperate digitally: With the procurement software, we sustainably increase efficiency in purchasing."

PETER BAUMERT
Director Purchasing Transformation
DMG MORI AKTIENGESELLSCHAFT

"All DMG MORI machines delivered worldwide since January 2021 are completely climate-neutral – from raw material to delivery."

PHILIPP KRIENER
Head of Design // DMG MORI AKTIENGESELLSCHAFT

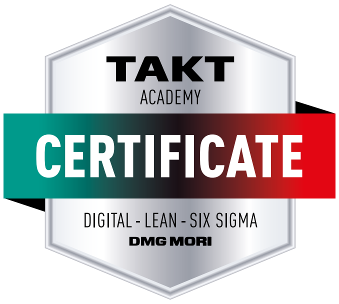
Sustainability_ As one of the first industrial companies DMG MORI is climate-neutral in its own value added ("**Company Carbon Footprint**"). All machines delivered worldwide since January 2021 are CO_2-neutral – thus DMG MORI also has a climate-neutral "**Product Carbon Footprint**".

+ ENERGY AND CARBON-EFFICIENT OPERATIONS
+ DMG MORI TAKES INTEGRATED RESPONSIBILITY
+ TECHNOLOGY EXCELLENCE FOR GREEN TECHNOLOGIES
+ 100 % CLIMATE-NEUTRAL

SUSTAINABILITY

Production and Logistics

In Production and Logistics, our goal is to ensure the efficient, sustainable and digitalized manufacture and assembly of our machines, including prompt delivery. In this respect, our activities are always based on compliance with our strict quality standards. All standard global quality processes are outlined in our "First Quality" strategy. Our goal: 100 % customer satisfaction. The key to first-class product and process quality is the continuous improvement of our quality management system and use of leading-edge digital solutions.



Certified: At the DMG MORI TAKT-Academy employees are trained in the "Digital-Lean-Six-Sigma" methodology.

The TAKT project allows us to forge ahead with the systematic implementation of our production strategy and transfer lighthouse projects, standards, and process optimization to all our production sites. Our components strategy is geared around strengthening and expanding our core competencies: By producing DMG MORI Components in-house, we can ensure the highest quality standards and reduce dependencies on suppliers. The key principles of our production strategy are maximum capacity utilization and sustainable production.

Our employees receive further training in the "Digital Lean Six Sigma" methodology through the TAKT Academy. The training courses include projects to eliminate waste, reduce lead times, increase productivity and ergonomically improve workplaces. In this context, we place a strong focus on the digitization of our processes and the integration of flexible automation solutions into our own value-added chain. We also promote actively digital transformation within the company, by implementing in-house software solutions from TULIP, ISTOS and WERKBLiQ. Moreover, our focus is on launching additional assembly and intralogistics concepts with Automated Guided Vehicles (AGVs) and collaborative robots (Cobots).

We cooperate intensively with DMG MORI COMPANY LIMITED in the development of our worldwide production network. The mutual use of global production capacities means that our customers benefit from shorter delivery times and reduced transport costs. In the future, we will continue to use our global production network to increase our flexibility, maximize capacity utilization and minimize distances to our customers through local production.

We pool our idea management on our digital platform, "DMG MORI Improve". In the reporting year, more than 14,000 ideas were submitted to this platform from within the group and thereof more than 75 % were implemented. As part of our continuous improvement process management, the workshop and project modules are used throughout the group at all production sites and support the implementation of TAKT Academy projects.

The introduction of a Transport Management System (TMS) has strengthened the digitization of our group logistics value chain. This increases transparency in our supply chain and forms the basis for the data-based optimization of our global logistics processes.

In the reporting year, DMG MORI introduced a future-oriented, digital, and automated assembly concept for up to 1,000 machine tools at the state-of-the-art 4,000 m² Excellence Factory at DECKEL MAHO in Pfronten. The flow assembly line with

"The new monoBLOCK Excellence Factory has revolutionized production of the successful monoBLOCK machining centers and offers a 30 % increase in productivity."

REINHARD MUSCH
Managing Director

DECKEL MAHO Pfronten GmbH

driverless AGV transport systems (Automated Guided Vehicles) and the fully digitalized value chain developed by our employees on the basis of TULIP results in a higher space efficiency and increase in productivity of 30 %. The logistics areas were also expanded by more than 5,000 m² to ensure a better supply of materials and intralogistics at the Pfronten site.

At DECKEL MAHO Seebach, we further enhanced the modernization, automation and digitization of our mechanical production facilities. In addition, a TAKT Academy project helped us to optimize assembly processes for the DMC 1850 V and thus reduce assembly times by around 15 %.

GILDEMEISTER Drehmaschinen GmbH launched the new "Quality Gates" TULIP APP at all stations for the CTX beta 800/1250 TC clocked flow assembly line. Not only does this allow us to digitize the entire process, but also actively involve our assembly workers in quality assurance procedures. A digitized supply of information supports us in the production process by enabling us to respond quickly to disruptions and to sustainably increase the delivery quality of our machines. In total TULIP is used at more than 100 different stations within GILDEMEISTER Drehmaschinen GmbH.

FAMOT in Poland is a cutting-edge production and supply plant and a digital lighthouse for customers and suppliers. This high-tech factory consistently pursues the implementation of our DMG MORI Components strategy. The expansion and ramp-up of mechanical production in the state-of-the-art XXL production hall has significantly increased capacity for the production of components for other DMG MORI plants. Moreover, the expansion of our heat treatment center means that high-precision, rotationally symmetrical parts can now be produced for in-house DMG MORI spindle production at FAMOT. By using the "Digital Twin" in our internal value chain, manufacturing processes can be digitally simulated and optimized. This enables us to significantly reduce machining times.

"We want TOP quality for our customers. In all our processes – starting with product development and the purchase of materials through to production and after-sales service. Root cause analysis is a key step in meeting our First Quality standards."

IZABELA SPIZAK
Managing Director

FAMOT Pleszew Sp. z o.o.

Our goal:

100 %

customer satisfaction

First Quality_ DMG MORI is committed to its "First Quality" strategy along the entire value chain. All our operations are focused on providing customer benefits and maximum customer satisfaction.

+ FAILURE PREVENTION
+ PROCESS TRANSPARENCY
+ ROBUST DESIGN
+ CLEAR COMMUNICATION

FIRST QUALITY

ECONOMIC REPORT

Business Environment

Overall Economic Development

2020 was dominated by the corona pandemic. The global economy was plunged into its deepest recession of the postwar period. The industrial sector experienced a sharp downturn, from which – in most parts of the world – it struggled to recover only at a low level during the year. According to preliminary figures from the Kiel Institute for the World Economy (IfW) at the University of Kiel, the global economy shrank by -3.8 % (previous year: +3.0 %).

Germany recorded one of the largest declines in gross domestic product (GDP) in its history at -5.6 % (previous year: +0.6 %). At -7.2 %, the negative economic trend in the euro zone was also of historic proportions (previous year: +1.3 %). Almost all European economies recorded an unprecedented economic slump, led by the countries hit particularly hard by the corona pandemic: Spain with a drop in GDP of -11.0 % (previous year: +2.0 %), Italy -9.2 % (previous year: +0.3 %) and France -9.0 % (previous year: +1.5 %). In the United Kingdom, the economy fell by -11.3 % (previous year: +1.3 %). In comparison, the Russian economy remained relatively unscathed with a -3.0 % decline (previous year: +1.3 %).

While the entire region of Asia was still struggling with the economic impact of corona and suffered a decline in GDP of -1.6 % (previous year: +5.5 %), China's economy was already recovering with a growth rate of +1.8 % (previous year: +6.1 %). India's economy experienced a particularly dramatic slump of -7.9 % (previous year: +4.9 %). Declining exports and downturns in business investments also had a negative effect on the Japanese economy in the wake of the coronavirus crisis. GDP fell by -5.2 % (previous year: +0.3 %).

Following the historic slump in the second quarter, the US economy recovered temporarily, but lost momentum again at the end of the year. GDP fell by -3.6 % over the whole year (previous year: +2.2 %). Latin America reported a -7.6 % decline (previous year: +0.7 %).

Development of the Machine Tool Industry

INTERNATIONAL DEVELOPMENT

In 2020, the worldwide market for machine tools fell into a deep recession as a result of the corona pandemic. The downward trend noticeable since autumn 2018 worsened significantly.

International Sales and Service meeting: At the beginning of February 2020, over 500 international DMG MORI experts from the "Global One Company" attended the open-house exhibition at DECKEL MAHO Pfronten to actively promote Sales and Service strategies for maximum customer benefits.

The lockdown at the beginning of the year led to production stoppages in many industrial sectors. The demand for machine tools plummeted worldwide. The German Machine Tool Builders' Association (Verein Deutscher Werkzeugmaschinenfabriken e.V. (VDW)) and the British economic research institute, Oxford Economics, reduced their forecasts significantly during the course of the year. According to their preliminary figures, global consumption in 2020 thus again dropped clearly by -23.2 % to € 55.1 billion (previous year: -8.4 %; € 71.8 billion). For the first time since 2003, the global market for machine tools declined for two consecutive years.

In Europe, demand for machine tools experienced the sharpest decline at -29.2 % (previous year: -2.4 %). Asia recorded a significant decline for the second year in succession of -16.8 % (previous year: -12.5 %). Development in the North and South America regions was also extremely weak at -22.8 % (previous year: -12.0 %).

In China, the world's largest market, the consumption of machine tools fell by -7.3 % to € 18.4 billion (previous year: € 19.9 billion). As the second most important machine tools market with € 6.1 billion, the USA recorded a sharp decline of -22.6 % (previous year: € 7.9 billion). In Germany, the third-largest market, consumption fell sharply by -35.2 % to € 4.6 billion (previous year: € 7.1 billion). Consumption in Japan fell significantly by -41.2 % and at € 3.1 billion, ranked fourth worldwide (previous year: € 5.3 billion). Despite a sharp fall in consumption of -30.2 % to € 2.8 billion (previous year: € 4.0 billion), Italy maintained its position as the fifth-strongest market ahead of South Korea with € 2.5 billion (previous year: € 2.8 billion).The ten largest consumption markets accounted in total for around 78 % of worldwide machine tool consumption (previous year: 76 %).

For world production the VDW calculated a volume of € 55.1 billion (previous year: € 71.8 billion). According to preliminary estimates, China was again the worldwide largest producer of machine tools in 2020, with a volume of € 16.3 billion (previous year: € 17.3 billion). Germany at € 8.8 billion (previous year: € 12.6 billion) and Japan at € 7.7 billion (previous year: € 11.5 billion) follow in second and third place. The ten key production countries account for a total of 91 % of all machine tools worldwide (previous year: 90 %).

GERMAN MACHINE TOOL INDUSTRY

As a result of the coronavirus pandemic, the German machine tool industry experienced one of the most difficult years in recent decades: At € 8.6 billion, orders received by the plants in Germany were significantly under the level of the previous year (€ 12.3 billion), down -30.1 % for the second year in succession. Both domestic demand, which was down -35.3 % (previous year: -26.6 %) and international orders, which were down -27.5 % (previous year: -31.1 %), continued to show a marked downward trend. Order intake for cutting machines fell just as sharply by -30.9 % (previous year: -31.2 %). Domestic orders declined by -41.5 % (previous year: -27.6 %). International orders decreased by -25.1 % (previous year:-33.0 %) In the forming machines area, order intake fell by -28.7 % (previous year: -25.4 %). Order intake at the foreign plants of German manufacturers is not included in these figures.

Sales revenues of German machine tool manufacturers fell by -30.5 % to € 11.8 billion (previous year: € 17.0 billion). The production of machinery, parts and accessories totaled € 10.8 billion and at -30.6 % was also significantly below the previous year (€ 15.5 billion).

German machine exports fell by -29.8 % to € 7.0 billion (previous year: € 10.0 billion). The export ratio rose by just under one percentage point to 65.2 %. China was again the most important export market for German machine tools, but with a sharp -36.2 % drop to a current € 1.2 billion (previous year: € 1.9 billion). This constitutes 17.5 % of machine tool exports (previous year: 19.3 %).

As in the previous year, the USA ranked second with exports of € 0.9 billion (export share: 12.9 %). Austria was the third most important export market with € 0.3 billion and an export share of 4.9 % closely followed by France and Poland. The import of machine tools fell by -37.5 % to € 2.4 billion (previous year: € 3.8 billion). With an import share of 26.1 %, approximately every fourth machine tool imported came from Switzerland, followed again by Japan (9.3 %) and Italy (8.6 %).

Domestic consumption of machines, parts and accessories fell sharply by -34.2 % to € 6.1 billion. Over the course of the year, the capacity utilization of German machine tool builders fell by around 18 percent points. The capacity utilization of manufacturers of cutting machines saw a marked drop to 70.9 % (previous year: 88.4 %).

The average number of employees at German machine tool companies for the year at around 70,000 was 4.5 % lower than in the previous year (73,353).

The ifo business climate index is the leading indicator of economic development in Germany. According to the ifo publication of January 2021, sentiment in the German economy has clouded over again somewhat. In almost all major branches of the manufacturing industry (mechanical engineering, manufacture of fabricated metal products and electrical equipment), the business climate – in the wake of a second corona wave – has deteriorated again after a slight recovery phase in recent months. In particular companies' expectations for the first half of 2021 were more pessimistic.

Results of Operations, Financial Position and Net Worth

Order Intake

Demand for machine tools declined significantly due to the already weak global economy and rapid spread of the corona virus. Under extremely difficult global market and economic conditions, DMG MORI achieved an order intake of € 1,599.4 million, which, as expected, was significantly below the high level of the previous year (-38 %; previous year: € 2,563.1 million). The previous year's figure includes orders from the Energy Solutions division, whose main business operations were sold in July 2019 in the course of the concentration on our core business. Adjusted comparable order intake in financial year 2019 was € 2,401.9 million. Thus, order intake in the core machine tools and services business decreased by -34 % in the reporting year. In the fourth quarter orders reached € 411.6 million (-26 %; previous year: € 554.7 million). Adjusted for Energy Solutions, order intake amounted to € 526.1 million in the previous year. This represents a -22 % decline.

In the "Machine Tools" segment, orders amounted to € 844.3 million (previous year: € 1,373.7 million). Order intake in the fourth quarter reached € 206.9 million (previous year: € 281.2 million). The "Industrial Services" segment recorded order intake of € 754.9 million (previous year: € 1,189.2 million). Thereof € 750.1 million was attributable to the Services division (previous year: € 1,028.0 million). This figure includes order intake from our original Service business (€ 506.5 million), which includes LifeCycle Services (i.a. spare parts, maintenance and repair) and sales commission (previous year: € 664.5 million). Orders for machines by DMG MORI COMPANY LIMITED amounted to € 243.6 million (previous year: € 363.5 million). The Energy Solutions business recorded € 4.8 million in order intake (previous year: € 161.2 million). In the fourth quarter, order intake in the "Industrial Services" segment reached € 204.6 million (previous year: € 273.4 million).

Domestic orders were € 462.0 million (previous year: € 714.8 million). International orders amounted to € 1,137.4 million (previous year: € 1,848.3 million). The share of international orders was thus 71 % (previous year: 72 %). With 3,654 machines sold, the number of orders was below the previous year's figure (5,830). Sales prices across the entire product range were mostly kept at a constant level.

Sales Revenues

The development of sales revenues was also characterized by the corona pandemic. In April, there was a temporary partial shutdown in our European production plants and in some areas of selected sales and service companies. In addition, the service and spare parts business was influenced by increasing travel restrictions over the course of the year.

As expected, sales revenues of € 1,831.3 million were significantly below the previous year (-32 %; € 2,701.5 million). In operational terms, this represents a -27 % decline, as sales revenues in the previous year – adjusted for Energy Solutions – amounted to € 2,491.5 million. In the fourth quarter, sales revenues amounted to € 526.0 million (previous year: € 808.9 million). This represents a -35 % decline. Adjusted for Energy Solutions, sales revenues in the fourth quarter of 2019 amounted to € 682.3 million. In operational terms, this represents a -23 % decline.

The "Machine Tools" segment at € 1,047.0 million was below the previous year (-27 %; € 1,433.2 million). Besides the coronavirus-related temporary partial shutdown and the decline in global demand, this decline is also the result of machines being unable to be delivered due to international border and factory closures, as well as bottlenecks in transport and logistics. Sales revenues in the fourth quarter reached € 300.0 million (previous year: € 405.0 million). In the "Industrial Services" segment, sales revenues in the full year fell to € 784.1 million (-38 %; previous year: € 1,268.1 million). Sales revenues in the Services division amounted to € 778.8 million (previous year: € 1,058.1 million). Sales revenues from our original service business were increasingly influenced by travel restrictions and amounted to € 430.2 million (previous year: € 540.0 million). Sales revenues from trade with products of DMG MORI COMPANY LIMITED accounted for € 348.6 million (previous year: € 518.1 million). Energy Solutions accounted for € 5.3 million (previous year: € 210.0 million). In the fourth quarter, sales revenues in the "Industrial Services" segment reached € 225.9 million (previous year: € 403.8 million).

Domestic sales were € 553.1 million (previous year: € 769.2 million). International sales revenues amounted to € 1,278.2 million (previous year: € 1,932.3 million). The export share was 70 % (previous year: 72 %).

Order Backlog

As of 31 December 2020, the group's order backlog amounted to € 852.2 million (31 Dec 2019: € 1,197.4 million). The domestic order backlog was € 366.2 million (31 Dec 2019: € 458.3 million). The international order backlog amounted to € 486.0 million (31 Dec 2019: € 739.1 million). International orders accounted for 57 % of the current order backlog (same date in the previous year: 62 %).

The order backlog for the individual segments developed as follows: In the "Machine Tools" segment, it amounted to € 346.2 million (31 Dec 2019: € 612.1 million). The "Industrial Services" segment had an order backlog totaling € 506.0 million as of 31 December 2020 (31 Dec 2019: € 585.3 million).

The order backlog in the "Machine Tools" segment results in a calculated production range of around 4 months (previous year: around 5 months) – a solid foundation for the current financial year. Capacity utilization does, however, vary between the individual production companies.

Results of Operation

2020 was an exceptional year: Corona pandemic plus economic weakness, geopolitical uncertainties, industrial restructuring. Also DMG MORI could not escape these consequences: Sales revenues and result were clearly below the record year 2019. The negative effects of the crisis could successfully be limited by rapidly introduced and consistently implemented measures to reduce costs, increase flexibility and secure liquidity.

The earnings situation developed successfully despite more difficult market and economic conditions: EBITDA amounted to € 156.7 million (previous year: € 299.8 million). EBIT was € 81.7 million (previous year: € 221.7 million). EBIT margin reached 4.5 % (previous year: 8.2 %). EBT reached € 74.9 million (previous year: € 219.1 million). As of 31 December 2020, the group reported EAT of € 52.1 million (previous year: € 154.4 million).

The individual income statement items are discussed in more detail below. As expected, sales revenues were significantly below the previous year at € 1,831.3 million (-32 %; € 2,701.5 million). The Energy Solutions division accounted for € 5.3 million (previous year: € 210.0 million). Total operating income amounted to € 1,809.8 million (previous year: € 2,706.1 million).

The cost of materials fell by € 540.1 million to € 983.9 million (previous year: € 1,524.0 million) mainly as a result of the reduction in total work done. The materials ratio improved to 54.4 % (previous year: 56.3 %). This change was mainly due to the decline in material-intensive sales revenues in the Energy Solutions division, changes in inventories, as well as a change in the company's product and country mix.

Gross profit reached € 825.9 million (previous year: € 1,182.1 million). Personnel expenses fell significantly to € 486.9 million (previous year: € 592.4 million). Of this amount, € 26.2 million was attributable to the use of the short-time work instrument. With a significant reduction in total work done, the personnel ratio was 26.9 % (previous year: 21.9 %).

The balance of other income and expenses improved by € 107.6 million to € -182.3 million (previous year: € -289.9 million). Other operating income decreased by € 8.7 million to € 74.3

B.01 | INCOME STATEMENT

in € million	2020		2019		Changes against previous year	
Sales revenues	**1,831.3**	**101.2 %**	**2,701.5**	**99.8 %**	**-870.2**	**32.2 %**
Changes in finished goods and work in progress	-35.5	-2.0 %	-16.4	-0.6 %	-19.1	116.5 %
Own work capitalized	14.0	0.8 %	21.0	0.8 %	-7.0	33.3 %
Total work done	**1,809.8**	**100.0 %**	**2,706.1**	**100.0 %**	**-896.3**	**33.1 %**
Cost of materials	-983.9	-54.4 %	-1,524.0	-56.3 %	540.1	35.4 %
Gross profit	**825.9**	**45.6 %**	**1,182.1**	**43.7 %**	**-356.2**	**30.1 %**
Personnel costs	-486.9	-26.9 %	-592.4	-21.9 %	105.5	17.8 %
Other expenses and income	-182.3	-10.1 %	-289.9	-10.7 %	107.6	37.1 %
EBITDA	**156.7**	**8.6 %**	**299.8**	**11.1 %**	**-143.1**	**47.7 %**
Depreciation	-75.0	-4.1 %	-78.1	-2.9 %	3.1	4.0 %
EBIT	**81.7**	**4.5 %**	**221.7**	**8.2 %**	**-140.0**	**63.1 %**
Financial result	-4.5	-0.3 %	-5.1	-0.2 %	0.6	11.8 %
Other financial result	-2.3	-0.1 %	2.5	0.1 %	-4.8	192.0 %
EBT	**74.9**	**4.1 %**	**219.1**	**8.1 %**	**-144.2**	**65.8 %**
Income taxes	-22.8	-1.3 %	-64.7	-2.4 %	41.9	64.8 %
EAT	**52.1**	**2.8 %**	**154.4**	**5.7 %**	**-102.3**	**66.3 %**

million (previous year: € 83.0 million). As in the previous year, this mainly includes income from cost allocations of € 10.4 million (previous year: € 9.5 million) and exchange rate gains in the amount of € 34.0 million (previous year: € 37.4 million), which are related to the exchange rate losses in other operating expenses. In financial year 2020, there was a net exchange rate gain of € 3.0 million (previous year: € 3.8 million). As a result of the consistent implementation of cost reduction measures, other operating expenses fell by € 116.3 million to € 256.6 million (previous year: € 372.9 million). Expenses for exhibitions and trade fairs fell by € 14.9 million to € 25.5 million and expenses for travel and entertainment expenses fell by € 22.0 million to € 19.7 million. Expenses for temporary employment and contractors were down by € 21.4 million to € 5.4 million and for outward freight and packaging by € 16.1 million to € 41.3 million. Exchange rate losses were € 31.0 million (previous year: € 33.6 million).

Depreciation fell to € 75.0 million (previous year: € 78.1 million). Depreciation includes impairments in an amount of € 3.5 million (previous year: € 5.3 million), which largely relate to technical equipment. Depreciation of rights of use assets pursuant to IFRS 16 amounted to € 20.2 million (previous year: € 19.9 million).

The financial result was € -4.5 million (previous year: € -5.1 million). This was due to interest income of € 4.5 million (previous year: € 5.6 million) and interest expenses in the amount of € 9.0 million (previous year: € 10.7 million). Other financial income and expenses include the share of profits and losses of at equity-accounted investments in an amount of € 2.1 million (previous year: € 2.5 million) and expenses from impairment losses on interests in companies valued at equity in an amount of € 4.4 million (previous year: € 0 million). With a significant reduction in EBT, tax expenses fell to € 22.8 million (previous year: € 64.7 million). The tax ratio was 30.4 % (previous year: 29.5 %). For more details, see the Group notes on page 122 et seq.

Financial Position

The financial situation was also affected by the consequences of corona. Stringent liquidity securing enabled us to achieve a positive free cash flow of € 15.7 million (previous year: € 168.8 million).

Cash flow from operating activities (cash inflow) amounted to € 67.3 million (previous year: € 234.1 million). Substantial contributions to this cash flow came from earnings before taxes (EBT) in the amount of € 74.9 million (previous year: € 219.1 million) and depreciation of € 75.0 million (previous year: € 78.1 million). The reduction of inventories by € 61.2 million and trade debtors from third parties by € 73.8 million also improved cash flow. The planned decrease in trade creditors of € 69.4 million contributed to a reduction in cash flow. Due to the decline in order intake, advance payments received fell by € 53.0 million, while payments for income taxes (€ 51.5 million) and interest (€ 6.6 million) contributed to a reduction in cash flow.

B.02 | CASH FLOW
in € million

	2020	2019
Cash flow from operating activity	67.3	234.1
Cash flow from investment activity	21.7	-114.2
Cash flow from financing activity	-117.1	-118.9
Changes in cash and cash equivalents	-30.5	1.3
Liquid funds at the start of the reporting period	154.0	152.7
Liquid funds at the end of the reporting period	123.5	154.0

Cash flow from investment activities (cash inflow) amounted to € 21.7 million (previous year: € -114.2 million). The cash outflow for investments in property, plant and equipment amounted to € 41.7 million (previous year: € 71.2 million) and € 26.3 million for intangible assets (previous year: € 25.5 million). The sale of financial assets resulted in total receipts of € 44.5 million (expenditures previous year: € -49.7 million), which are due to the sale of shares in Magnescale Co. Ltd. The partial repayment of the loan to DMG MORI GmbH resulted in cash inflows of € 30.0 million (previous year: € 0 million).

At € 15.7 million, free cash flow was positive (previous year: € 168.8 million). Free cash flow is defined as the balance of cash flow from operating activities and cash flow from investment activities. This does not include outflows and inflows relating to the sale and acquisition of subsidiaries (€ 0.1 million; previous year: € -4.7 million), or to financial assets (€ +43.2 million; previous year: € -44.2 million), or the repayment and disbursement of the loan to DMG MORI GmbH (€ 30.0 million; previous year: € 0 million).

B.03 | FREE CASH FLOW
in € million

	2020	2019
Free cash flow from operating activity	67.3	234.1
Free cash flow from investment activity	-51.6	-65.3
Free cash flow	15.7	168.8

Cash flow from financing activities (cash outflow) amounted to € -117.1 million (previous year: € -118.9 million). This cash flow resulted from the profit transfer payment to DMG MORI GmbH for 2019 in the amount of € 95.7 million (previous year: € 99.3 million). Due to the adoption of IFRS 16"Leases", lease payments amounting to € 20.0 million (previous year: € 19.6 million) are recognized in cash flow from financing activities. The change in cash flow resulted in cash and cash equivalents of € 123.5 million (previous year: € 154.0 million) as of 31 December 2020. DMG MORI thus had a cash surplus of € 123.5 million as of 31 December 2020 (previous year: € 154.0 million).

DMG MORI covers its capital requirements from the operating cash flow, cash and cash equivalents and short- and long-term financing. The amount of the agreed financing lines totaled € 761.8 million in financial year 2020 (previous year: € 850.7 million). These consist of a cash tranche in the amount

“Already in April 2020, DMG MORI was able to extend the existing syndicated credit line for another five years at improved conditions.”

MARTIN POSCHMANN
Director of Finance & Treasury
DMG MORI AKTIENGESELLSCHAFT

of € 200.0 million and a guarantee tranche in the amount of € 300.0 million, additional guarantee lines of € 87.3 million and factoring agreements of € 167.5 million.

A key component is a syndicated credit line totaling € 500.0 million with an original maturity period until February 2022. In April 2020, this current syndicated credit line was renewed early at more favorable conditions and will run until February 2025. The syndicated credit line comprises a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan bears interest at the current money market rate (1 to 6-month Euribor) plus a premium. This interest mark-up may change depending on group key figures. As of 31 December 2020, the cash tranche had not been utilized. The company also has a number of short-term bilateral loan commitments to subsidiaries with a total volume of € 7.0 million (previous year: € 5.9 million).

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

Thanks to this financing mix, we have sufficient financing lines that allow us to make available the liquidity required for our business activities. Our syndicated loan agreement requires us to observe a market-standard covenant. This was complied with on a quarterly basis and as of 31 December 2020. This financing is supplemented by lease agreements. Future obligations from lease liabilities totaled € 52.3 million (previous year: € 61.4 million).

Net Worth

The balance sheet total fell to € 2,191.5 million (previous year: € 2,469.6 million) as of 31 December 2020. The equity ratio increased by 5.6 percentage points to 57.5 % (previous year: 51.9 %).

On the assets side, fixed assets fell by € 78.0 million or 9.6 % to € 737.9 million (previous year: € 815.9 million). Property, plant and equipment declined by € 42.1 million to € 464.5 million (previous year: € 506.6 million). Intangible assets were € 211.2 million (previous year: € 199.5 million). Financial assets fell by € 47.6 million to € 62.2 million (previous year: € 109.8 million). This change was mainly due to the sale of shares in Magnescale Co. Ltd. (Japan) to DMG MORI COMPANY LIMITED. For an explanation of key investments, please see the chapter “Capital expenditure” on page 60 et seqq.

Long-term receivables and other assets fell by € 3.1 million to € 72.9 million (previous year: € 76.0 million). Deferred tax assets amounted to € 58.5 million (previous year: € 62.6 million). Inventories fell by 11.9 % or € 73.1 million to € 538.7 million (previous year: € 611.8 million). Inventories of raw materials and consumables fell by € 44.5 million to € 231.3 million (previous year: € 275.8 million), work in progress by € 23.1 million to € 115.4 million (previous year: € 138.5 million) and finished products by € 5.5 million to € 192.0 million (previous year: € 197.5 million). The inventory turnover ratio was 3.4 (previous year: 4.4). The share of inventories in the balance sheet total amounted to 24.6 % (previous year: 24.8 %).

B.04 | BALANCE SHEET OF DMG MORI in € million	**31 Dec 2020**		**31 Dec 2019**		**Changes against previous year**	
Assets						
Long-term assets	810.8	37.0 %	891.9	36.1 %	-81.1	9.1 %
Fixed assets	737.9	33.7 %	815.9	33.0 %	-78.0	9.6 %
Long-term receivables and other assets	72.9	3.3 %	76.0	3.1 %	-3.1	4.1 %
Short-term assets	1,380.7	63.0 %	1,577.7	63.9 %	-197.0	12.5 %
Inventories	538.7	24.6 %	611.8	24.8 %	-73.1	11.9 %
Short-term receivables and other assets	718.5	32.8 %	811.9	32.9 %	-93.4	11.5 %
Liquid funds	123.5	5.6 %	154.0	6.2 %	-30.5	19.8%
Balance Sheet total	**2,191.5**	**100.0 %**	**2,469.6**	**100.0 %**	**-278.1**	**11.3%**
Equity and liabilities						
Long-term financing resources	1,390.7	63.5%	1,429.1	57.9 %	-38.4	2.7 %
Equity	1,259.5	57.5 %	1,281.4	51.9 %	-21.9	1.7 %
Outside capital	131.2	6.0 %	147.7	6.0 %	-16.5	11.2 %
Long-term provisions	84.7	3.9 %	94.4	3.8 %	-9.7	10.3 %
Long-term liabilities	46.5	2.1 %	53.3	2.2 %	-6.8	12.8 %
Short-term financing resources	800.8	36.5 %	1,040.5	42.1 %	-239.7	23.0 %
Short-term provisions	221.0	10.1%	231.4	9.4 %	-10.4	4.5 %
Short-term liabilities	579.8	26.4 %	809.1	32.7 %	-229.3	28.3 %
Balance Sheet total	**2,191.5**	**100.0 %**	**2,469.6**	**100.0 %**	**-278.1**	**11.3 %**

Short-term receivables and other assets dropped by 11.5 % or € 93.4 million to € 718.5 million (previous year: € 811.9 million). Trade receivables declined by € 78.7 million to € 133.9 million despite a lower factoring volume (previous year: € 212.6 million). The turnover rate of trade receivables was 6.8 (previous year: 8.5). Receivables from related parties were € 466.2 million (previous year: € 461.6 million). Other assets amounted to € 98.3 million (previous year: € 115.8 million).

On the balance sheet date, liquid funds amounted to € 123.5 million (previous year: € 154.0 million). This is a 5.6 % share of reduced balance sheet total (previous year: 6.2 %). On the liabilities side, equity fell by € 21.9 million or 1.7 % to € 1,259.5 million (previous year: € 1,281.4 million). The equity ratio rose to 57.5 % (previous year: 51.9 %). As in the same period last year, the company has a cash surplus and therefore no gearing.

Long-term debts fell by € 16.5 million to € 131.2 million (previous year: € 147.7 million). The share in the balance sheet total was 6.0 % as in the previous year. Long-term provisions declined by € 9.7 million to € 84.7 million. € 1.8 million of the long-term liabilities related to deferred tax liabilities (previous year: € 3.1 million). Long-term financing resources, comprising equity and long-term debts, decreased by € 38.4 million or 2.7 % to € 1,390.7 million in the reporting year.

Short-term funding amounted to € 800.8 million (previous year: € 1,040.5 million). Short-term provisions amounted to € 221.0 million (previous year: € 231.4 million). Trade creditors fell by € 70.3 million to € 137.1 million (previous year: € 207.4 million). Advance payments received declined by € 58.0 million to € 156.6 million (previous year: € 214.6 million). This change is due to the corona-related and cyclical decline in demand in the "Machine Tools" segment. Liabilities to other related parties decreased by € 94.0 million to € 140.0 million (previous year: € 234.0 million) and include the transfer of profits to DMG MORI GmbH (2020: € 27.1 million; 2019: € 95.7 million). This item within liabilities to other related parties is recognized in cash flow from financing activities upon payment.

In addition to the assets recognized in the consolidated balance sheet, DMG MORI also uses off-balance-sheet assets. The group uses factoring for off-balance-sheet financial instruments.

Investments

Capital expenditure in property, plant and equipment and intangible assets amounted to € 80.0 million (previous year: € 110.0 million). This included additions from right of use assets pursuant to IFRS 16 in an amount of € 12.0 million (previous year: € 13.3 million). Investments in financial assets amounted to € 1.2 million (previous year: € 45.1 million). Investments thus totaled € 81.2 million (previous year: € 155.1 million).

At DECKEL MAHO in Pfronten we have put into operation the 4,000 m² monoBLOCK Excellence Factory. The centerpiece of the pioneering new assembly concept are autonomous AGV transport systems (Automated Guided Vehicles), on which our monoBLOCK machines are manufactured in a state-of-the-art synchronized assembly line. Sustainable productivity gains are assured by highly efficient processes. A new logistics warehouse was also constructed. In our polish production and supply plant

FAMOT, we have expanded the mechanical manufacturing by six machines from our portal series. All machines are equipped with our machine specific automation, the rotary pallet storage system RPS. In addition, the focus was on our "GLOBE – Global One Business Excellence" project for the implementation of a new, global ERP system.

Depreciation of non-current assets taking into account capitalized development costs and leases amounted to € 75.0 million (previous year: € 78.1 million). Depreciation of capitalized development costs amounted to € 6.5 million (previous year: € 7.0 million).

Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT (Summary)

The following tables are a summary of the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT according to HGB (German Commercial Code). The complete Annual Financial Statements and Business Report are set out in a separate report. DMG MORI AKTIENGESELLSCHAFT's income is largely determined by the income from domestic subsidiaries amounting to € 51.3 million resulting from the profit transfers (previous year: € 156.3 million).

B.05 | INCOME STATEMENT OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB)
in € million

	2020	2019
Sales revenues	12.2	16.1
Other operating income	43.3	28.5
Other expenses	-69.7	-72.0
Income from financial assets	51.3	156.3
Financial result	2.6	2.5
Income taxes	-12.6	-35.7
EAT	27.1	95.7
Transfer of profits to DMG MORI GmbH	-27.1	-95.7
Net income	0	0
Net profit	**0**	**0**

Other income rose to € 43.3 million (previous year: € 28.5 million). They include exchange rate gains of € 28.4 million (previous year: € 22.2 million) and income from the sale of shares in an affiliated company amounting to € 8.4 million.

Other expenses decreased to € 69.7 million (previous year: € 72.0 million). The change is attributable in particular to personnel expenses, which decreased to € 19.8 million (previous year: € 23.4 million). By contrast, other operating expenses increased to € 45.0 million (previous year: € 42.9 million). These were mainly the result of currency losses of € 24.5 million (previous year: € 16.8 million). Excluding the effects of exchange rate changes, other operating expenses decreased by € 5.6 million to € 20.5 million (previous year: € 26.1 million). This was due in particular to reductions in travel and entertainment expenses, consulting costs as well as other third-party services.

The financial result was € 2.6 million (previous year: € 2.5 million). Tax expenses amounted to € 12.6 million (previous year: € 35.7 million). Income taxes include the taxes charged by DMG MORI GmbH, as a result of fiscal unity and a tax allocation agreement. As per domination and profit transfer agreement, EAT in the amount of € 27.1 million (previous year: € 95.7 million) will be transferred to DMG MORI GmbH.

The DMG MORI AKTIENGESELLSCHAFT balance sheet total decreased by € 149.6 million in total to € 1,740.3 million (previous year: € 1,889.9 million). Fixed assets were € 754.8 million (previous year: € 792.9 million).

Current assets and other assets decreased to € 985.5 million (previous year: € 1,097.0 million). This change is mainly due to the decrease in receivables from affiliated companies, which declined to € 906.9 million (previous year: € 998.9 million). Cash and cash equivalents decreased to € 52.5 million (previous year: € 72.3 million).

On the liabilities side, equity remained the same as in the previous year at € 921.2 million. The equity ratio rose to 52.9% (previous year: 48.7%), due to the lower balance sheet total. Liabilities to affiliated companies decreased to € 791.0 million (previous year: € 934.4 million). These include the transfer of profits to DMG MORI GmbH for financial year 2020 in the amount of € 27.1 million, income taxes of € 13.1 million which are charged by DMG MORI GmbH as a result of fiscal unity and a tax allocation agreement, as well as finance and cost allocations with affiliated companies.

B.06 | BALANCE SHEET OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB)
in € million

	2020	2019
Assets		
Fixed assets	**754.8**	**792.9**
Shares in affiliated companies	717.8	753.9
Equity investments	6.7	6.7
Other fixed assets	30.3	32.3
Current and other assets	**985.5**	**1,097.0**
Receivables from affiliated companies	906.9	998.9
Other current assets and other assets	78.6	98.1
Balance Sheet total	**1,740.3**	**1,889.9**
Equity and liabilities		
Equity	**921.2**	**921.2**
Provisions	**25.2**	**30.6**
Liabilities	**793.9**	**938.1**
Liabilities to affiliated companies	791.0	934.4
Other liabilities	2.9	3.7
Balance Sheet total	**1,740.3**	**1,889.9**

"Accessibility, quick assistance and transparency are the foundation of excellent service. *my* DMG MORI allows our customers to have complete control over these areas – at no extra cost."

DR.-ENG. THOMAS FROITZHEIM
Managing Director
DMG MORI Global Service GmbH

REGISTRATION IN < 3 MINS

QUICKER SERVICE, NO CALL QUEUES, EVERYTHING IN VIEW

my DMG MORI_ More than 20,000 customers with over 100,000 machines are already using our online customer portal. DMG MORI customers value easy and direct access to our service experts and the transparency that *my* DMG MORI offers throughout the entire service call – from the initial request through to the final solution.

- + NO CALL QUEUES, NO MISUNDERSTANDINGS
- + DIRECT LINK TO SERVICE EXPERTS
- + PROCESSING STATUS ALWAYS LIVE AND UP TO DATE
- + ALL RELEVANT DOCUMENTS DIGITALLY AVAILABLE
- + FREE USE

>20,000
registered customers

SERVICE EXCELLENCE

Segment Report

Our business activities comprise the "Machine Tools" and "Industrial Services" segments. "Corporate Services" mainly comprises DMG MORI AKTIENGESELLSCHAFT with its group-wide holding functions. The selected machines of DMG MORI COMPANY LIMITED, which we produce under license, are included in "Machine Tools". The trade and services for these machines are recognized under "Industrial Services".

Machine Tools

The "Machine Tools" segment includes the group's new machine business with the divisions Turning and Milling, Advanced Technologies (Ultrasonic / Lasertec / Additive Manufacturing) and Digital Solutions. The Turning division comprises GILDEMEISTER Drehmaschinen GmbH and GILDEMEISTER Italiana S.r.l. Our portfolio of turning machines covers the full range from universal turning machines through to turn-mill centers, production turning and multi-spindle machining centers. DECKEL MAHO Pfronten GmbH and DECKEL MAHO Seebach GmbH are part of the Milling division. Our range includes vertical and horizontal processing centers and 5-axis milling. Our universal turning and milling machines belonging to the CLX and CMX series are built at our plants FAMOT Pleszew Sp.z o.o. and GRAZIANO Tortona S.r.l. At Ulyanovsk Machine Tools ooo, we produce the ECOLINE series machines locally – in Russia for Russia. In production, we also work in close cooperation with DMG MORI COMPANY LIMITED. By using global production capacities, we can reduce delivery times and transport costs – for the benefit of our customers.

The Advanced Technologies business unit comprises DMG MORI Ultrasonic Lasertec GmbH (formerly SAUER GmbH) and DMG MORI Additive GmbH (formerly REALIZER GmbH). This business unit includes ultrasonic milling and grinding (Ultrasonic), as well as laser processing technology (Lasertec) and Additive Manufacturing. In this future field, DMG MORI Additive GmbH offers selective laser melting in powder bed and DMG MORI Ultrasonic Lasertec GmbH provides laser build-up welding technology using powder nozzles.

Within the Digital Solutions division, DMG MORI Digital GmbH is the main point of contact for our customers on all topics relating to their digitization. It supports our sales and service companies with customer-oriented consulting, implementation and qualification services. With effect from 1 January 2021, DMG MORI Digital GmbH consolidates our entire digitization expertise within the group. This new unit incorporates the control and software development of DMG MORI Software Solutions GmbH and WERKBLiQ products for an integrated, multi-vendor maintenance and servicing platform, where all parties involved in the maintenance process are networked with each other. Moreover, ISTOS GmbH provides sustainable digitization in the manufacturing sector and efficient production planning along the entire supply and value chain.

TULIP Interfaces, Inc. in which we have held an interest since September 2019, makes it easier for our customers to access production digitization processes with employee-centered Apps that can be created without any specific programming

B.07 | SEGMENT KEY INDICATORS DMG MORI in € million	2020	2019	Changes against previous year	
Order Intake	**1,599.4**	**2,563.1**	**-963.7**	**-38 %**
Machine Tools	844.3	1,373.7	-529.4	-39 %
Industrial Services	754.9	1,189.2	-434.3	-37 %
Corporate Services	0.2	0.2	0.0	0 %
Sales revenues	**1,831.3**	**2,701.5**	**-870.2**	**-32 %**
Machine Tools	1,047.0	1,433.2	-386.2	-27 %
Industrial Services	784.1	1,268.1	-484.0	-38 %
Corporate Services	0.2	0.2	0.0	0 %
EBIT	**81.7**	**221.7**	**-140.0**	**-63 %**
Machine Tools	50.2	112.2	-62.0	-55 %
Industrial Services	54.3	136.2	-81.9	-60 %
Corporate Services	-22.8	-26.2	3.4	13 %

“Also when it comes to service, our goal is to be our customers’ no. 1 partner. Every spare part in stock can be delivered within one hour of receiving the order – to any place in the world.”

DR. CHRISTIAN HOFFART
Managing Director

DMG MORI Spare Parts GmbH

DMG MORI’s Spare Parts Center has over 300,000 original spare parts in stock – of which over 6,000 spindles alone.

skills. ADAMOS GmbH pools expertise from machine building, production and information technology. Together with the global market leaders Dürr, Software AG, ZEISS and ASM PT, DMG MORI is establishing the open, manufacturer-independent IoT platform as a global industry standard – by machine tool builders for machine tool builders, their suppliers and customers. Since the company was founded in 2017, three well-known associates – Engel, Karl Mayer and PwC – have joined the company, as well as fourteen other partners. The ADAMOS network currently has a total of 30 partners.

In our future field of Automation, our focus is on the intelligent automation of machines and plants using machine-specific, universal and scalable solutions, as well as DMG MORI cell control technology and central tool management. The production plants are responsible for automation solutions. This means our customers receive perfectly coordinated machines and automation solutions from a single source. The joint venture, DMG MORI HEITEC GmbH, speeds up the development of harmonized modular solutions and offers an end-to-end automation concept, especially for small and medium-sized companies.

In financial year 2020, the reluctance of our customers to invest as a result of the coronavirus pandemic and the continuing downturn in the global economy was clearly felt. A high level of uncertainty prevailed worldwide in the market for machine tools. As a result, order intake in the “Machine Tools” segment was down significantly to € 844.3 million (previous year: € 1,373.7 million). Order intake in the fourth quarter was € 206.9 million (previous year: € 281.2 million). Domestic order intake amounted to € 211.6 million for the financial year (previous year: € 370.4 million). International orders amounted to € 632.7 million

B.08 | KEY FIGURES "MACHINE TOOLS" SEGMENT in € million	2020	2019	Changes against previous year	
Order intake				
Total	844.3	1,373.7	-529.4	-39 %
Domestic	211.6	370.4	-158.8	-43 %
International	632.7	1,003.3	-370.6	-37 %
% International	75	73		
Sales revenues				
Total	1,047.0	1,433.2	-386.2	-27 %
Domestic	308.4	441.4	-133.0	-30 %
International	738.6	991.8	-253.2	-26 %
% International	71	69		
Order backlog *				
Total	346.2	612.1	-265.9	-43 %
Domestic	45.1	141.9	-96.8	-68 %
International	301.1	470.2	-169.1	-36 %
% International	87	77		
Investments	67.0	135.8	-68.8	-51 %
EBITDA	96.3	155.5	-59.2	-38 %
EBIT	50.2	112.2	-62.0	-55 %
EBT	42.2	110.5	-68.3	-62 %
	2020	**2019**	**Changes against previous year**	
Employees *	3,780	4,077	-297	-7 %
including trainees	240	274	-34	-12 %

* Reporting date 31 December

(previous year: € 1,003.3 million). The share of international business was 75 % (previous year: 73 %). The "Machine Tools" segment accounted for 53 % of all orders (previous year: 54 %).

Sales revenues at € 1,047.0 million were below the previous year (€ 1,433.2 million). The decline is due not only to the temporary part-shutdown of plants and globally declining demand, but also to the fact that machines could no longer be delivered owing to the closure of international borders and factories, and to bottlenecks in transport and logistics. In the fourth quarter sales revenues amounted to € 300.0 million (previous year: € 405.0 million). Domestic sales revenues for the financial year amounted to € 308.4 million (previous year: € 441.4 million). International sales revenues rose to € 738.6 million (previous year: € 991.8 million). The export share was 71 % (previous year: 69 %). The "Machine Tools" segment contributed 57 % of sales revenues (previous year: 53 %).

On 31 December 2020, order backlog was € 346.2 million (previous year: € 612.1 million). Domestic order backlog amounted to € 45.1 million (previous year: € 141.9 million). At € 301.1 million, international orders had a share of 87 % (previous year: € 470.2 million; 77 %).

EBITDA reached € 96.3 million (previous year: € 155.5 million). EBIT amounted to € 50.2 million (previous year: € 112.2 million). EBT was € 42.2 million (previous year: € 110.5 million).

Investments in property, plant and equipment and in intangible assets amounted to € 65.8 million (previous year: € 91.8 million). This also includes additions from rights of use assets pursuant to IFRS 16 amounting to € 1.5 million (previous year: € 1.8 million). Investments in financial assets amounted to € 1.2 million (previous year: € 44.0 million). Investments thus totaled € 67.0 million (previous year: € 135.8 million). Capitalized development costs amounted to € 4.1 million (previous year: € 4.6 million).

At DECKEL MAHO in Pfronten, we put into operation the 4,000 m² monoBLOCK Excellence Factory. The new, pioneering assembly concept is based on driverless AGV (Automated Guided Vehicles) transport systems, on which our monoBLOCK machines are manufactured using a state-of-the-art synchronized assembly line. AGVs move the machines autonomously through the assembly process at a continuous speed of 45 mm per minute. The complete model mix of the monoBLOCK 5-axis machining centers is thus produced in 34 cycles. This innovative concept increases production capacities by 30 %. We also expanded our logistics area, in particular, for machine dispatch and large parts storage. At our Polish production and supply plant FAMOT we expanded mechanical production by six machines from our Portal series. All machines are equipped with our machine-specific automation system, the RPS circular pallet storage system. In addition, our "GLOBE – Global One Business Excellence" project for implementing a new, global ERP system continued to play a central role.

The "Machine Tools" segment had 3,780 employees at year-end (previous year: 4,077 employees). The percentage of employees in this segment was 57 % (previous year: 56 %). The personnel expenses ratio was 22.4 % (previous year: 19.7 %). Personnel expenses decreased to € 234.5 million (previous year: € 282.3 million).

Industrial Services

In the reporting year, the "Industrial Services" segment mainly comprised the business activities of the Services division. The Energy Solutions business has played a minor role, since the disposal of its main business operations in 2019. In the Services division, we combine the marketing activities and LifeCycle Services for both our machines and those of DMG MORI COMPANY LIMITED. DMG MORI LifeCycle Services allow our customers to maximize the productivity of their machine tools across their entire life cycle – from commissioning to part exchange as a used machine. The wide range of service agreements, maintenance and training services offered, enables our customers to achieve maximum cost-effectiveness for their machine tools. Our online customer portal, "*my* DMG MORI", digitizes service processes, setting new standards for transparent communication.

B.09 | KEY FIGURES "INDUSTRIAL SERVICES" SEGMENT
in € million

	2020	2019	Changes against previous year	
Order intake				
Total	754.9	1,189.2	-434.3	-37 %
Domestic	250.2	344.2	-94.0	-27 %
International	504.7	845.0	-340.3	-40 %
% International	67	71		
Sales revenues				
Total	784.1	1,268.1	-484.0	-38 %
Domestic	244.5	327.6	-83.1	-25 %
International	539.6	940.5	-400.9	-43 %
% International	69	74		
Order backlog *				
Total	506.0	585.3	-79.3	-14 %
Domestic	321.1	316.4	4.7	1 %
International	184.9	268.9	-84.0	-31 %
% International	37	46		
Investments	13.3	17.0	-3.7	-22 %
EBITDA	78.1	166.8	-88.7	-53 %
EBIT	54.3	136.2	-81.9	-60 %
EBT	49.5	130.7	-81.2	-62 %
	2020	**2019**	**Changes against previous year**	
Employees *	2,808	3,081	-273	-9 %
including trainees	39	73	-34	-47 %

* Reporting date 31 December

"With a wide range of high-performance digital service tools, we can respond quickly to customer requests and make accurate remote diagnoses."

KEVIN WANG
Vice President Service China

DMG MORI Machine Tools Trading Co., Ltd.

Orders in the "Industrial Services" segment were also severely impacted by the corona pandemic, which significantly impaired global market and economic conditions. Order intake reached € 754.9 million (previous year: € 1,189.2 million). Of which € 750.1 million was attributable to the Services division (previous year: € 1,028.0 million). This includes orders from our original business, LifeCycle Services (inter alia spare parts, servicing and maintenance), as well as from sales commissions of € 506.5 million (previous year: € 664.5 million). Orders for machines from DMG MORI COMPANY LIMITED were € 243.6 million (previous year: € 363.5 million). The Energy Solutions business recorded € 4.8 million in order intake (previous year: € 161.2 million). Order intake in the fourth quarter amounted to € 204.6 million (previous year: € 273.4 million). Domestic orders in the reporting year reached € 250.2 million (previous year: € 344.2 million). International orders amounted to € 504.7 million (previous year: € 845.0 million). 67 % of all orders came from abroad (previous year: 71 %). 47 % of all orders were for "Industrial Services" (previous year: 46 %).

Sales revenues at € 784.1 million were also declining as a result of corona (previous year: € 1,268.1 million). Services accounted for € 778.8 million (previous year: € 1,058.1 million). Sales revenues from our original service business were impacted by the increasing travel restrictions during the year, which influenced our service and spare parts business. They amounted to € 430.2 million (previous year: € 540.0 million). Sales revenues from trade with products from DMG MORI COMPANY LIMITED were € 348.6 million (previous year: € 518.1 million). Energy Solutions accounted for € 5.3 million (previous year: € 210.0 million). Sales revenues in the fourth quarter reached € 225.9 million (previous year: € 403.8 million). Domestic sales revenues amounted to € 244.5 million for the financial year (previous year: € 327.6 million). International sales revenues amounted to € 539.6 million (previous year: € 940.5 million). Their share was 69 % (previous year: 74 %). "Industrial Services" were attributed a share of 43 % in sales revenues (previous year: 47 %).

As of 31 December 2020, order backlog amounted to € 506.0 million (previous year: € 585.3 million). In the reporting year, EBITDA in the "Industrial Services" segment amounted to € 78.1 million (previous year: € 166.8 million). EBIT amounted to € 54.3 million (previous year: € 136.2 million), EBT was € 49.5 million (previous year: € 130.7 million).

Investments in property, plant and equipment and in intangible assets amounted to € 13.3 million (previous year: € 15.9 million) and was mainly attributable to rights of use assets pursuant to IFRS 16 (€ 10.3 million). Investments in financial assets in the previous year amounted to € 1.1 million. We also continued to invest in providing our service staff with high-tech tools, measuring equipment and diagnostic tools.

Sustainable Service Excellence: With digital service tools, such as *my* DMG MORI, Messenger and NET*service*, Kevin Wang performs remote root cause analyses to find quick and accurate solutions.

There were 2,808 employees in the "Industrial Services" segment at the end of the financial year (previous year: 3,081 employees). The percentage of employees in this segment was 42 % (previous year: 43 %). The personnel expenses ratio was 29.9 % (previous year: 22.6 %). Personnel expenses amounted to € 234.4 million (previous year: € 287.2 million).

Corporate Services

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

Order intake and sales revenues of € 0.2 million respectively mainly comprised rental income (previous year: € 0.2 million). As in the previous year, the "Corporate Services" segment accounted for less than 0.1 % of sales revenues in the group. EBIT rose to € -22.8 million (previous year: € -26.2 million). The financial result was positive and amounted to € 6.0 million (previous year: € 4.6 million). EBT rose to € -16.8 million (previous year: € -21.6 million).

Investments in property, plant and equipment and in intangible assets amounted to € 0.9 million (previous year: € 2.3 million). This included the modernization of our site in Bielefeld and the introduction of various fire safety measures. Investments also included additions from rights of use pursuant to IFRS 16, amounting to € 0.2 million (previous year: € 0.4 million).

As of 31 December 2020, the "Corporate Services" segment had 84 employees (previous year: 87). As in the previous year, this represents 1 % of the group's workforce.

B.10 | KEY FIGURES "CORPORATE SERVICES" SEGMENT

in € million	2020	2019	Changes against previous year
Order intake	0.2	0.2	0
Sales revenues	0.2	0.2	0
Investments	0.9	2.3	-1.4
EBITDA	-17.7	-22.0	4.3
EBIT	-22.8	-26.2	3.4
EBT	-16.8	-21.6	4.8
	2020	2019	Changes against previous year
Employees *	84	87	-3

* Reporting date 31 December

DMG MORI MEDICAL EXCELLENCE CENTER

"We support our customers from start to finish – from the initial idea through to the choice of technology and the final concept."

HORST LINDNER
Head of DMG MORI Medical Excellence Center
DECKEL MAHO Seebach GmbH

Solution provider for Medical Technology_ At the DMG MORI Medical Excellence Center, DMG MORI creates solutions for individual customer requirements.

+ FULL-SERVICE PROVIDER – MACHINE, AUTOMATION AND TECHNOLOGY
+ WIDE-RANGING EXPERTISE IN STANDARDIZING PROCESSES AND PRODUCTION REQUIREMENTS
+ INTEGRATED TURNKEY PROJECTS: FROM THE INITIAL CONCEPT THROUGH TO COMMISSIONING

>100
customer projects successfully implemented in the medical technology industry since 2018

TECHNOLOGY EXCELLENCE

Non-Financial Key Performance Indicators

↗ business report information not reviewed for content

Sustainability

At DMG MORI, technological leadership and sustainability are in harmony. Climate change is the biggest challenge of our time. Climate protection concerns everyone.

This is why sustainability has been an integral part of our corporate strategy for many years. Our many projects and initiatives demonstrate how we deliver on our promise of taking responsibility as a business – with a sustainable and consistent approach: from our suppliers and production to our employees and customers.

GOAL ACHIEVED: DMG MORI IS CLIMATE-NEUTRAL!

The **"Company Carbon Footprint"**, which relates to the internal value chain, has been climate-neutral since May 2020. DMG MORI is reducing emissions across the board, including by implementing modern heating, ventilation and air conditioning concepts. At the same time, DMG MORI uses in-house-produced regenerative energies and has switched virtually almost all of its sites to 100 % eco-friendly electricity. The CO_2 emissions that could not be prevented in the reporting year were compensated by the company investing in sustainable and certified climate protection projects.

But DMG MORI takes consistent responsibility. The entire value chain of our machines and automation solutions has become CO_2-neutral in January 2021 – from the raw material all the way to delivery of our machines to the customer. DMG MORI is thus one of the first industrial companies to also have a climate-neutral **Product Carbon Footprint**. All DMG MORI production plants are now delivering machines from 100 % climate-neutral production processes to customers around the world.

Green machine production: All machines delivered worldwide since January 2021 are completely CO_2-neutral.

Our Sustainability Report provides detailed information on the issues attributed special significance in DMG MORI's materiality analysis. These issues include environmental and climate protection, employees and compliance. In particular, we made significant progress and set new standards in the area of environmental and climate protection.

With the Sustainability Report 2020, which also contains the Separate Non-Financial Group Report 2019, we are complying with the statutory provisions as per the CSR Directive Implementation Act for the Implementation of Directive 2014 / 95 / EU (Section 289 HGB (German Commercial Code)) dated 11 April 2017. Thus, the separate Non-Financial Group Report is not part of the Group Business Report. Moreover, DMG MORI compiles the Sustainability Report in accordance with the international reporting guidelines, "GRI Standards 2016: Core Option" of the Global Reporting Initiative (GRI) and thus provides a number of voluntary disclosures. Therefore, we are going far beyond the minimum statutory requirements. The separate Sustainability Report is enclosed with this Annual Report and is available on the website at the following link: → **en.dmgmori-ag.com/sustainability**

DMG MORI also plays an active role in many associations and initiatives. An example: As a partner in the VDMA sustainability initiative "Blue Competence", we are firmly committed to the twelve sustainability principles and pro-actively promote the notion of sustainability in the machine and plant industry.

We stand united for sustainable environmental action: DMG MORI has bundled its climate neutrality initiatives in three areas: GREENMACHINE (100 % climate-neutral machine production), GREENMODE (machine operation with energy and emissions efficiency) and GREENTECH (commitment to the development of new green technologies).

1. GREENMACHINE_

The beginning of 2021 saw DMG MORI starting to compensate the CO_2 emissions from its supply chain – e. g. the emissions from the production of raw materials like cast steel – in addition to its climate-neutral internal value creation. The DMG MORI energy management system is ISO 50001-certified.

2. GREENMODE_

DMG MORI has been optimizing the energy and emissions efficiency of its machines for many years, e. g. by using specific CELOS APPs or consumption-optimized components like LED lights, the recovery of brake energy and intelligent controlling of systems. DMG MORI products are also gentle on the environment and resources during their service time at the customer.

3. GREENTECH_

DMG MORI is the innovation leader in the production of environmentally friendly technologies and a driving force in the manufacturing and progressive development of green technologies. Our customers use DMG MORI machines to manufacture highly innovative components, including for wind turbines, hydropower plants, fuel cells and electric mobility solutions. Our Excellence Centers assure that the specific know-how is readily available to DMG MORI at all times.

100 % CLIMATE-NEUTRAL MACHINE PRODUCTION

SUPPLIERS + DMG MORI

DMG MORI GREEN MACHINE

CO_2-NEUTRAL FOOTPRINT FOR ALL DMG MORI MACHINES – FROM RAW MATERIALS THROUGH TO DELIVERY

1. NEUTRAL PRODUCT CARBON FOOTPRINT ✓

All DMG MORI machines delivered worldwide since January 2021 are completely climate-neutral.

2. NEUTRAL COMPANY CARBON FOOTPRINT ✓

DMG MORI's own value added has been climate-neutral since May 2020.

MACHINE USAGE

CUSTOMERS

DMG MORI GREEN MODE

ENERGY AND EMISSION-EFFICIENT MACHINE OPERATION ✓

DMG MORI GREEN TECH

TECHNOLOGY EXCELLENCE FOR GREEN TECHNOLOGIES ✓

Employees

As of 31 December 2020, the group had 6,672 employees, including 279 apprentices (previous year: 7,245 employees, including 347 apprentices). The number of employees fell by 573. In connection with the downturn in economic development due to the Corona pandemic we introduced short-time: between 1 April and 31 December 2020, on average 1,500 employees (22 %) were affected by short-time, which accounted for around 30 % of the weekly work hours. The number of agency workers employed within the group fell to 51 persons (previous year: 313).

The early introduction of a bundle of measures delivered cost savings of € 126.6 million in the personnel area. Of this amount, € 26.2 million was attributable to the use of short-time work as an instrument. Expenses for agency workers decreased to € 5.4 million (previous year: € 26.5 million).

Total personnel expenses fell significantly to € 486.9 million (previous year: € 592.4 million). Of this amount, wages and salaries accounted for € 408.1 million (previous year: € 501.8 million), social insurance contributions for € 75.5 million (previous year: € 86.6 million), and expenses for retirement provisions for € 3.3 million (previous year: € 4.0 million). Personnel expenses ratio accounted for 26.9 % (previous year: 21.9 %).

The qualifications of our employees have been of particular importance to us for many years. Our qualification structure continues to maintain a high level: 97 % of employees have a qualified education or are in training (previous year: 97 %). In total, expenses for vocational and continued training amounted to € 12.8 million (previous year: € 18.5 million). The age structure of our employees is balanced.

The employee sickness rate was 3.5 % (previous year: 3.9 %), again falling below the recent industry average of 5.7 %. The fluctuation rate amounted to 12.7 % (previous year: 9.9 %). The proportion of employees in key positions or of high potentials who have left our company (dysfunctional fluctuation) was 0.9 % (previous year: 2.0 %).

In the reporting year, DMG MORI has successfully managed the corona situation despite the high pandemic dynamics. The comprehensive package of preventative measures pro-actively initiated by the Executive Board were implemented immediately and adhered to in a highly disciplined manner by all employees. Thanks to a comprehensive, consistent and fast communication we could provide daily information to all employees worldwide.

TOP employer: As an attractive employer, DMG MORI is the winner of the family-friendly employer award.

Outstanding education: DMG MORI is again one of Germany's best training training companies.

Dedicated: DMG MORI has been a member of "Fair Company" for some years, Germany's largest and best-known employer initiative for young professionals.

Full of energy: From day one, our apprentices are well prepared for the demands of a modern work environment and receive the best in digital skills.

Overall Statement of the Executive Board on Financial Year 2020

2020 was an exceptional year: Corona pandemic plus economic weakness, geopolitical uncertainties, industrial restructuring. According to provisional figures from the German Machine Tool Builders' Association (VDW) and British economic research institute, Oxford Economics, global machine tool consumption in 2020 fell significantly to € 55.1 billion (previous year: € 71.8 billion). For the first time since 2003, the global market for machine tools declined for two consecutive years.

Also DMG MORI could not escape these consequences: Order intake, sales revenues and result were clearly below the record year 2019. Order intake reached € 1,599.4 million (previous year: € 2,563.1 million). Sales revenues were € 1,831.3 million (previous year: € 2,701.5 million). The earnings situation developed successfully despite more difficult market and economic conditions: EBIT amounted to € 81.7 million (previous year: € 221.7 million). The EBIT margin reached 4.5 % (previous year: 8.2 %). The financial situation was also affected by the consequences of corona. However, free cash flow was positive at € 15.7 million (previous year: € 168.8 million). With the existing syndicated credit line of € 500.0 million which was extended early in April 2020 at improved conditions DMG MORI has enough financial resources.

All key figures are in line with our most recently communicated forecasts for 2020 which we adjusted during the year and revised upwards in October for sales revenues and earnings (→ Table A.02, page 21). DMG MORI was able to successfully limit the negative effects of the crisis by rapidly introduced and consistently implemented measures to reduce costs, increase flexibility and secure liquidity.

During the crisis, DMG MORI succeeded in optimizing structures and costs to position itself as a resilient and future-proof company. Innovations are the only way out of the crisis. We have been focusing on the right future fields for years. Dynamic . Excellence – the driving force behind our active expansion of Automation, Digitization, Additive Manufacturing, DMG MORI Qualified Products (DMQP) and Sustainability. Already since May 2020 DMG MORI has a CO_2-neutral "Company Carbon Footprint" and since January 2021 with group-wide green production as one of the first industrial companies also a climate-neutral "Product Carbon Footprint". This is supplemented by our high "First Quality" standards, service and technology excellence and the harmonization of systems and processes via the "GLOBE" ERP project. For our highly qualified employees, we are a stable and reliable employer.

>250

key users and programmers from all DMG MORI production plants support our system conversion

“I am convinced that the renewal of our process map with GLOBE will pave the way for our innovative digitization strategy!”

RAINER HANSJÜRGENS
Managing Director

GILDEMEISTER Drehmaschinen GmbH

+ REAL-TIME ACCESS TO BUSINESS AND PRODUCTION DATA
+ GLOBAL HARMONIZATION OF SYSTEMS AND PROCESSES
+ BASIS FOR DIGITIZATION OF OUR OWN VALUE CHAIN
+ MAXIMUM PERFORMANCE ENHANCEMENT THROUGH AUTOMATED PROCESSES

GLOBE – Global One Business Excellence_ A global ERP system is being created on the basis of SAP S4 HANA. Employees have all the information they need for assembly jobs, delivered straight to their workstations. We provide end-to-end project transparency – from the quotation through to customer service. In this way, DMG MORI focuses on maximum added value for its customers.

GLOBE

OPPORTUNITIES AND RISK REPORT

Opportunities Management System (CMS)

Opportunities at DMG MORI are systematically identified, analyzed and managed. Alongside annual and medium-term planning, we prepare "Rolling Forecasts" (RFCs) on an ongoing basis. Potential positive deviations from the current RFC that may realize over a horizon of twelve months are defined as operational opportunities. We further analyze existing strategic opportunities over the next five years against the background of current and expected future fundamental conditions.

Our global customer relationship management system (CRM) documents and analyzes our sales and service activities in the areas of machine tools and industrial services. Our CRM is based on a number of operational early indicators, such as market potential, order intake or trade fair evaluations. This allows for the targeted management of our sales and service activities and focused exploitation of opportunities. We also continuously monitor our markets and thereby identify macroeconomic and industry-specific opportunities at an early stage.

Our focused and comprehensive activities in all established market regions and current growth markets assist us in identifying macroeconomic opportunities. DMG MORI is present worldwide with 138 sales and service companies. Due to a possible waning of the Corona pandemic and government subsidy programs in numerous countries opportunities could arise on the basis of a recovery in the economy. Our innovative product portfolio and consistent digitization strategy allow us to exploit industry-specific opportunities. In order to meet the technological requirements, our balanced product portfolio consists of various machine types at different price levels.

Company strategic opportunities for DMG MORI arise from continuous product innovations and integrated technology solutions. A particular focus is on the digitization, which we expect an accelerated development. To this end, we are driving our future field forward at all levels: Internally by the digitization of our own value chain and business processes. Externally by software tools that make our machines more modern, productive and future-proof, the sale of digital products and data-based services, as well as completely novel, digital business models of the future.

As part of the "Global One Company" with clearly organized global sales and service structures, we are directly particpating in the German domestic market, Austria and Switzerland (DACH), in the EMEA region (Europe, Middle East, Africa) and in the Chinese and Indian markets. Through DMG MORI COMPANY LIMITED, we are also successful on site in Japan, North and South America, and other regions in Asia. In these regions, opportunities arise from early signs of a noticeable recovery of the growth dynamics in China along with an again improved investment propensity.

Performance-related opportunities arise from the constant optimization of our processes in the areas of production, technology, quality, purchasing and logistics. We are gradually introducing fully digitized processes in our manufacturing factories, particularly in the areas of production and logistics. We also take action to assure that our services are sustainable for the environment and the society. We believe that our sustainability strategy opens up opportunities as an ecologically responsible and sustainable manufacturer of capital goods and provider of integrated technology solutions. The **"Company Carbon Footprint"** of DMG MORI, which relates to the internal value added, has been climate-neutral already since May 2020. The entire value chain of our manufacturing solutions – from the raw material to the delivery of our machines to the customer – became CO_2-neutral in 2021. Thus, as one of the first industrial companies DMG MORI also has a climate-neutral **"Product Carbon Footprint"**. We are also consistently improving the energy efficiency of our machines

Risk Management System (RMS)

Our international business activities as a worldwide leading manufacturer of machine tools and supplier of integrated technologies, automation and digitization solutions expose us to potential risks. An active risk management system is therefore essential for DMG MORI. It serves the purpose of early risk identification, assessment as well as active minimization and extends across all organizational levels. Our risk management system comprises among others the risk early warning system, the internal control system (ICS) and the central insurance management.

Risk early warning system

Our risk early warning system is based on the COSO concept and allows us to ascertain and control risks that affect the future development of our company. We define operational risk as being a negative deviation from our planned earnings target (EBIT) within the next twelve months when compared with the current RFC. In addition, we also take tax and interest rate risks into account.

Our risk early warning system consists of five elements:

1. the company-specific Risk Management Manual, in which the system is defined,
2. a corporate risk management officer who develops, implements and monitors the present risk management concept, and who coordinates the measures aimed at risk reduction or risk elimination,
3. local risk officers in the individual subsidiaries for the decentralized ascertainment, analysis and communication of existing risks,
4. area-specific risk ascertainment for specified risk fields and review of the associated measures aimed at risk minimization and elimination, including a quantitative assessment in consideration of the risk-bearing capacity of the group and the individual subsidiaries,
5. the risk reporting on the level of the group and individual subsidiaries, including ad-hoc reporting on existential risks.

DMG MORI determines risks as the result of the reported maximum risk potentials and their probability of occurrence (gross risks), and then subtracting the effect of the risk minimization and elimination measures (net risks). The subsidiaries report to the Risk Management on the basis of the existing net risks, with the reported risks broken down into three categories: current risks, catalog risks and other risks. Current risks are ascertained in central areas of all group companies by representatives and specifically investigated in "pre-risk assessment meetings". Additionally, a risk catalog is prepared on the basis of the annual risk inventory. The risks listed in the catalog are subject to compulsory assessment and reporting. Additional risks are assigned to the other risks. The risk early warning system is structured in a way that allows us to determine the individual local and central risks as well as group effects and, on that basis, present the overall risk situation.

- Local risks are individual risks the group companies are exposed to but can be assessed locally.
- Central risks are risks that can, at least in part, only be assessed centrally. They include, for example, risks arising from the group's financing circumstances.
- Group effects usually arise from consolidation requirements. This includes, for example, the double counting of risks, which then have to be adjusted correspondingly.

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

C.01 | PROBABILITY OF OCCURRENCE	
No risk	0 %
Low	5 %
Unlikely	25 %
Possible	50 %

Risks with a probability of occurrence of more than 50 % are considered at their net risk value directly in the ongoing corporate planning, or as accruals to the provision of risks. Any risks that could jeopardize the company as a going concern are reported without delay, including outside of the regular reporting schedule. In addition to the potential financial effects, the risk-bearing capacity – defined as the proportion of the accumulated expected value of all recognized risks after elimination of relevant group effects to the total consolidated equity – is an important risk management indicator.

C.02 | POSSIBLE FINANCIAL EFFECT	
Insignificant	€ 1 – 10 million
Moderate	> € 10 – 25 million
Significant	> € 25 million

The categories of possible financial effects were determined on the basis of the prevailing risk strategy in consideration of sales revenues, EBIT and equity, as well as the risk-bearing capacity.

The Supervisory Board and the Executive Board are informed at regular intervals of the current total risk situations of the group and the individual business units. The risk early warning system set up by the Executive Board pursuant to section 91 (2) of the German Stock Corporation Act (AktG) is reviewed by the auditors.

Internal control system (ICS)

The ICS of DMG MORI is an additional key component of the group-wide risk management system. It complies with German statutory requirements from the German Stock Corporation Act (AktG) as well as the necessary Japanese legal requirements of the "Japanese Financial Instruments and Exchange Act" in the form of documentation in accordance with the J-SOX/ Naibutousei.

Our ICS records the controllable risks based on the information from an annually updated analysis and documentation of the essential business processes. We eliminate or reduce these risks to an appropriate level by optimizing our structural and procedural organization, as well as by suitable control activities. Our ICS is comprised of our existing internal guidelines and instructions, as well as preventative and detecting control activities, such as authorizations and releases, plausibility checks, reviews and the 4-eyes principle. Our transparent organizational and procedural structure assures an adequate functional separation of business processes.

The ICS covers the principles, procedures and measures for ensuring the regularity of the group's financial reporting. Rules that bear group-wide relevancy are codified in accounting-related guidelines, such as the Accounting Manual. These guidelines and the group-wide financial reporting calendar form the basis for preparing the financial statements. The local companies are responsible for compliance with the relevant rules and regulations. They are supported by group accounting. There are also local regulations that are coordinated with Group Accounting, such as compliance with local accounting requirements. The consolidation is carried out centrally by the group accounting department. DMG MORI engages external service providers, for example for the valuation of pension obligations. Employees who have been assigned financial reporting duties receive regular internal and external training.

The appropriateness and effectiveness of the ICS is evaluated based on annual management testing in the group subsidiaries and central departments of DMG MORI AKTIENGESELLSCHAFT. This is carried out by the internal audit department on the basis of random samples. The results are reported to the Supervisory Board and the Executive Board. The appropriateness and effectiveness of ICS is also reviewed and evaluated on the basis of random samples, with the results reported to the Supervisory Board and Executive Board.

Insurance management

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

Overview of significant risk fields

C.03 Type of risk	Probability of occurrence	Possible financial efect
Overall economic, industry-specific and sales-related	Possible	Significant
Corporate strategy	Unlikely	Moderate
Production	Unlikely	Moderate
Procurement and purchasing	Possible	Moderate
Research & development	Possible	Insignificant
Personnel	Unlikely	Insignificant
IT	Possible	Moderate
Financial	Unlikely	Insignificant
Legal	Unlikely	Insignificant
Tax	Unlikely	Insignificant
Other	Unlikely	Insignificant

Presentation of the individual risk fields

Macroeconomic risks may arise from a sustained economic downturn accompanies by a low investment propensity. In addition to the negative macroeconomic development, this must also consider the effects of the global corona pandemic which could be exacerbated by the mutation of the virus. The economic situation in most countries of the world reached record lows. This directly affects the consumption of private households as well as the investment climate in the industry and trade professions. Against the background of a contracting demand and an uncertain economic recovery, current investment projects could be postponed. The deteriorated financial resources caused by the crisis can also result in a significantly more stringent short to medium-term spending cuts with a noticeable impact on the investment activities. The thus increased competitive pressure is built up further by high price discounts offered by our competitors on the markets. This affects companies in virtually all industries and size categories worldwide. Especially industries that are already challenged by the climate-related structural change, such as the automotive industry and associated suppliers, but also the aerospace industry, are gravely affected by the consequences of the corona pandemic. Forecasts about the nature, extent and time frame of a possible economic recovery that also give credit to potential catch-up effects are virtually impossible and depend on the further development of the corona situation. This is aggravated by global uncertainties, such as the trade conflict between the United States and China, the consequences of further conflicts around the world, and the Brexit consequences. Moreover, our future competitive position may be affected by exchange rate fluctuations (economic currency risk). In particular, a possible devaluation of the US dollar, Chinese renminbi, Russian ruble and British pound could lead to our products becoming more expensive in these countries as well as in the markets that are dependent on the dollar. A potential upward valuation of the Japanese yen would also increase the acquisition costs of machines procured from DMG MORI COMPANY LIMITED. We counteract this risk through international sourcing and regionalized production.

Industry-specific and sales-related risks arise from a sustained heavy competition with high price pressure in the markets for machine tools, which could possibly increase further during the economic downturn caused by the corona pandemic. We are responding to this heavy competition with the technological edge of our products and a clear focus on our customers and markets. Specific sales-related risks may arise from a strong downturn in capital goods purchasing in the automotive industry and associated suppliers adjusting to the ongoing structural changes in their industry. The aerospace industry has also been severely affected by the corona pandemic. Circumstances resulting from export control regulations may give rise to risks stemming from their direct influence on potential trade restrictions affecting countries, markets, industry segments or specific customers. Changes resulting from sanctions may, including on short notice, give rise to significant sales-related risks.

Corporate strategy risks predominantly concern misjudgments of future industry-specific developments and technological developments. We counteract these risks by intensified market and competition surveillance, regular strategy meetings with customers and suppliers, a comprehensive presence on trade fairs worldwide, digital customer events, and a corporate strategy focused on innovation. As a result of the group-wide implementation of a new ERP system, unforeseeable events may have negative effects on our operational business activities. Risks from the existing domination and profit transfer agreement arise insofar as the company's economic development can be influenced by potential instructions issued by DMG MORI GmbH. These instructions do not necessarily have to be in the sole interest of DMG MORI AKTIENGESELLSCHAFT, but they can be issued in the best interest of the group.

Procurement and purchasing risks may arise in the area of key goods due to price increases in materials for machine tools. Additional risks arise from potential supplier failures and quality problems, particularly against the background of a further corona wave and the possible closure of supplier factories. We counteract these risks by standardizing parts and components, as well as international sourcing with at least two suppliers for the essential materials, and a strengthened in-sourcing of key components.

Production risks, such as production ineffectiveness or potential quality risks, are subject to permanent monitoring of key performance indicators for order intake and backlog, assembly and manufacturing progress, contribution margin per machine type and the turnover rate of raw materials and consumables as well as of other inventories. We avoid production projects with uncertain calculation bases and thereby keep these risks at a manageable and controllable level. We can however not categorically exclude further factory closures and production downtimes caused by the corona pandemic. Our response to counterfeit products is our innovation-focused product strategy in combination with a pro-active IP management, which includes the securing of rights for proprietary intellectual property and the vigorous enforcement of our rights. These measures are proposed to secure our technological edge. Risks in the technical work safety are addressed by the stringent application and implementation of statutory occupational safety regulations and the highest certified technical standards at all of our sites. We carry out all inspections prescribed by law as well as voluntary audits. We counteract environmental risks by fully implementing statutory environmental standards, appropriate and safe storage of hazardous goods, and the environmentally conscious disposal of hazardous goods and other waste. Furthermore, we ensure efficient use of resources in our internal business processes to protect the environment.

In the area of **research and development**, risks may arise from overshot budgets, failed developments, increased start-up costs for new products, and delayed market launches of innovations. We counteract this risk with a group-wide standardized product development process and involving our sales and service teams at an early stage. We also rely on the closely coordinated cooperation with DMG MORI COMPANY LIMITED, customers, suppliers and universities. We avoid incalculable research and development projects and thereby keep these risks at a manageable and controllable level.

Personnel risks arise from our continuous demand for highly qualified specialists and executives. An insufficient recruitment and retention of these employees may negatively affect the group's development. These risks are limited by our modern corporate culture, employee surveys, sophisticated training programs and personnel development, performance-rewarding remuneration packages with performance-based incentives, and early succession planning and representation rules. A permanent availability of highly qualified managers and specialist personnel could also be negatively affected by a higher rate of sick leave. Negative effects from the corona pandemic cannot be excluded. We counteract this risk in particular through preventive occupational health care measures and an active and comprehensive corona-management.

IT risks arise from the increased networking of our internal systems. Network could fail or data could be manipulated or destroyed as a result of user and program errors or external circumstances. We are also exposed to the risks of organized data theft, extortion, cyber-crime and fraudulent activities ("scams"). The concrete threat level has increased significantly. These IT risks are addressed by a variety of measures, which include the relocation of resource-heavy software into the cloud, increasing the resilience of our most important data centers, the use of SaaS solutions, a security-optimized organization of our IT landscape, regular investment in hardware and software, the use of anti-virus software and firewall systems, as well as entry and access controls. In addition, we create an adequate awareness among our employees by keeping them informed and regularly educating them about the relevant risks and the prevailing threat situation.

Financial risks result across all segments e.g. from our international business activities and manifest in the form of currency risks, which we measure and hedge on the basis of our currency strategy. The essential components of DMG MORI's finance structure are a syndicated loan, which comprises a cash tranche and a guarantee tranche and confirmed until February 2025, and factoring services. The finance contracts contain a clause that prescribes compliance with a market standard covenant. The liquidity of the group is considered sufficient. There is the risk that the corona pandemic results in our customers being exposed to increased bad debt and insolvency risks. This may result in the recognition of value impairments, or in certain cases even credit losses. Further information on the risks pursuant to IFRS 7 can be found in the Notes on page 140 et seqq.

Legal risks may in particular arise from legal disputes with suppliers, public authorities and former employees, as well as potential warranty claims from customer complaints, which even our quality management is unable to prevent in every single case. To keep the existing risks at a manageable and quantifiable level, all warranty and liability obligations are limited both in terms of their extent and limitation period. Any different arrangement must be approved separately by the Executive Board.

Tax risks arise from deferred tax assets on losses carried forward or interest carryforwards not being adjusted. We assume that these tax reduction potentials can be used against future taxable income. We further assume that the tax returns and social security returns submitted by our company are complete and accurate. In the case of tax audits, additional claims may arise due to a different assessment of facts. Should it not be possible to use loss and interest carryforwards, this could adversely affect the company's results of operations, financial and net asset position.

Overall Statement of the Executive Board on the Risk Situation

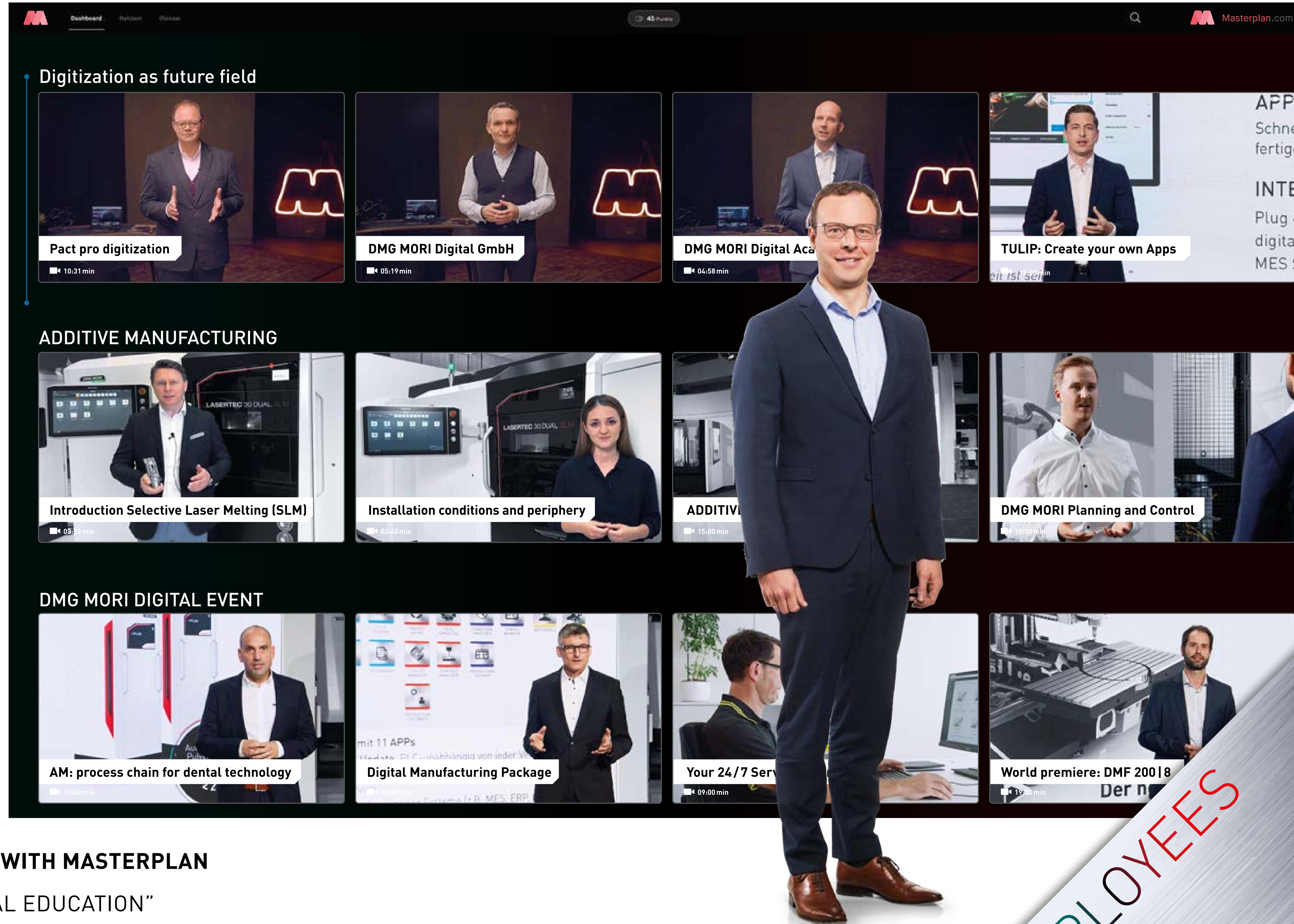
The Executive Board considers the existing risks as manageable and, based on current information, does not view the continued existence of the group to be endangered. Compared with the reporting in the Annual Report 2019, the total exposure to risk has increased slightly. The Executive Board responds to the risk development by an always up-to-date supervision of business development and by regular Executive Board meetings and status meetings. The risks-bearing capacity of equity is determined on the basis of the calculated accumulated total expected risk value. The group's equity significantly exceeds the assessed total expected risk value.

Modern flow production: With 34 automated guided vehicles (AGVs), the monoBLOCK Excellence Factory revolutionizes the production of the monoBLOCK machining centers. With this future-oriented assembly concept, DMG MORI increases productivity by 30 %.

"In-house training is playing an increasingly important role as a result of digitization. At DMG MORI, our training is based completely on Masterplan – intuitive videos with exclusive contents."

JAN MÖLLENHOFF
Managing Director
DMG MORI Academy GmbH

>100,000
videos already used by DMG MORI employees for training



DMG MORI DIGITAL ACADEMY WITH MASTERPLAN

+ "NETFLIX FOR PROFESSIONAL EDUCATION"
+ CREATION OF DMG MORI CONTENT WITH TOP SPEAKERS
+ EMPLOYEES ACTIVELY SHAPE THE FUTURE
+ STRATEGIC PARTNERSHIP WITH VIDEO-BASED LEARNING PLATFORM

Employees_ DMG MORI employees make up to 30 DMG MORI films a month for in-house training – and over 750 digitization learning videos are available on the Masterplan platform.

EMPLOYEES

FORECAST REPORT

Future Business Environment

The Kiel Institute for Economic Research (IfW) forecasts global economic growth of +6.1 % for financial year 2021. However, in view of the global economic slump in 2020, recovery is likely to be far slower, as the pandemic has not yet been overcome and key economic sectors are expected to feel the long-term effects of coronavirus-related restrictions. For Germany, a +3.1 % increase in GDP is forecast for the current year. The euro zone economy is only expected to recover restraint from the downturn and GDP is forecast to increase by +4.9 %. With an expected growth rate of +9.3 %, Asia will continue to be the region with the strongest growth in the current year. According to IfW estimates, China, which already recovered completely in 2020, is expected to achieve strong growth of +9.2 % in 2021. The Japanese economy is only expected to recover restraint with growth of +3.7 %. For the USA, the forecast was slightly revised downward at +3.7 %.

Global machine tool consumption is expected to recover slowly in 2021, following the historically sharp decline of the previous year. Following the economic slump in 2020, VDW and Oxford Economics are forecasting growth of +17.7 % to € 64.9 billion for 2021 (previous year: -23.2 %; € 55.1 billion). With regard to the current global uncertainties, it cannot be excluded that these forecasts will have to be adjusted during the course of the year.

According to VDW and Oxford Economics, machine tool consumption in Germany is expected to increase by +14.0 %, following two extremely weak years (previous year: -35.2 %).

In Europe, consumption is predicted to increase by +21.0 % (previous year: -29.2 %). Considering of the dramatic slump in the machine tool market, the recovery stage in countries severely affected by the pandemic, such as France, Italy and Spain, is expected to be stronger in the current year.

Consumption in Asia is expected to rise by +15.5 % (previous year: -16.8 %). At country level, the Chinese market for machine tools is expected to grow by +9.1 % (previous year: -7.3 %). After several weak years, a significant catch-up effect is expected in Japan with growth of +29.9 % (previous year: -41.2 %). In the USA, the VDW and Oxford Economics are also expecting a +24.3 % rise in machine tool consumption (previous year: -22.6 %).

Globally, the demand for capital goods should regain momentum. However, further recovery is likely to be far slower than the forecasts suggest at first glance. The high level of uncertainty about the pandemic's future course, sales and income losses from previous effects of the crisis, ongoing global trade conflicts and industrial structural change will strongly affect investment activity in the machine tool industry. Potential exchange rate fluctuations and future price movements for raw materials and energy in global markets could also have a major impact on demand. Against this background, an adjustment of the forecasts – if global economic conditions continue to deteriorate – cannot be excluded.

Future Development of DMG MORI

As a worldwide leading manufacturer of machine tools and supplier of integrated, sustainable technology solutions for the manufacturing industry, our aim is to continue to expand our market position in the future. As "Global One Company" together with DMG MORI COMPANY LIMITED we are advancing our motto of "Dynamic . Excellence" and DMG MORI's mission **"Empower our customers in manufacturing and digitization"**. DMG MORI is only successful in the long term, if our more than 100,000 customers can deliver long-term performance. Our global presence is represented by 138 sales and service locations – including 15 production plants. Our high level of diversification makes us a strong and reliable partner, even in challenging times.

Our corporate strategy is aimed at actively promoting innovation in the manufacturing industry and, with end-to-end solutions, meeting increasingly demanding customer requirements even more effectively in the future. With a wide and sustainable range of machine tools, automation and digitization solutions as well as our DMQP, our aim is to be the world's number 1 for our customers in the future: From development and production through to the global sales and service of innovative machine tools.

The manufacturing industry – reinforced by the effects of the coronavirus pandemic – is experiencing fundamental changes on a global scale. The "next normal" caused by the coronavirus is rapidly accelerating DMG MORI's strategic triad: Automation, digitization and sustainability. From the machine through to the process chain and open ecosystems, including platform-based business models, we are developing more and more into an integrated solution provider in the manufacturing environment. DMG MORI's strategic fit is more suitable than ever.

In 2021, we will continue to advance our future fields with "Dynamic . Excellence". On the way into the next normal, we are becoming even more digital, sustainable and resilient. DMG MORI is holding course and goes strengthened into the future.

Moreover, we are achieving an ambitious sustainability target: All machine delivered worldwide since January 2021 are – from raw material through to delivery – produced climate neutrally.

"In China, our WeChat conferences are held every two weeks – in total over 60,000 attendees are registered. At this digital event, our sales and service experts talk to customers about the latest technologies and success stories with DMG MORI machines."

TINA SHEN
Operations Director // DMG MORI Machine Tools Trading Co., Ltd., Shanghai

2021 will also remain challenging. Uncertainty in the market remains unchanged high and our order backlog is significantly lower than at the beginning of the previous year. Moreover, the duration and consequences of the corona pandemic are still not fully foreseeable, neither for the overall economy nor for the machine tool industry.

Against this background, we expect order intake and sales revenues of around € 1.7 billion for the financial year 2021. EBIT should amount to around € 30 million and free cash flow to around € 20 million – provided that there will be no significant effects from the corona mutations.

Our agreed financing framework will cover the necessary liquidity requirements in financial year 2021. We therefore have sufficient financial scope in the group at all times. In terms of market interest rates, we are expecting around the same level future financial year 2021 as in the reporting year.

Our financing structure will remain essentially unchanged. There are no plans for strategic financing measures. Seasonally required liquidity can be covered from existing financial resources.

For the financial year 2021, we are currently planning to invest € 60 million in tangible and intangible assets. Our activities are focused on constructing a high-tech, automated logistics center in Pfronten with the aim of optimizing the sustainable supply of materials to production. All externally located logistics areas will be centralized across an area of 7,100 m^2. Innovative transport and automation solutions will allow an efficient and assembly-ready supply of materials. We are also promoting sustainability in production by significantly reducing packaging materials and transport distances. Moreover, we are continuing to invest in our "GLOBE – Global One Business Excellence" ERP project to harmonize and optimize systems and processes.

In the area of research and development, we will continue to pursue our innovation strategy. For the current financial year, we are again planning a wide range of world premieres and innovations – especially in the future fields of automation, digitization and sustainability. Innovations are the only way out of a crisis. For this reason, DMG MORI keeps the development budget stable at a high level. Research and development expenses are expected to amount to around € 70 million. A total of 16 % of the workforce at the plants is expected to work in research and development.

Overall Statement of the Executive Board on Future Business Development 2021

The global economy continues to suffer from the corona pandemic. In view of the global economic slump in 2020, normalization is likely to be slow, as key economic sectors will suffer from corona-related limitations for a longer time. Global machine tool consumption is expected to recover slowly in 2021. VDW and Oxford Economics are forecasting growth to € 64.9 billion (previous year: € 55.1 billion). However, it cannot be excluded that these forecasts will have to be adjusted during the year due to the continuing global uncertainties.

Against this background, we expect order intake and sales revenues of around € 1.7 billion for the financial year 2021. EBIT should amount to around € 30 million and free cash flow to around € 20 million – provided that there will be no significant effects from the corona mutations. For the financial year 2021, we are currently planning to invest € 60 million in tangible and intangible assets, that are financed primarily from our own funds.

DMG MORI is strategically and financially well positioned to overcome the crisis and emerge stronger. Our efficiency measures, high cost discipline and the further expansion of our future fields make DMG MORI resilient and strong for the future. We are focusing in particular on automation, digitization and sustainability. We want to sustainably strengthen our high innovative power as "Global One Company". The current financial year will also be characterized by dynamic and excellence in quality, service and technology.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 January to 31 December 2020

D.01	Notes	2020 € K	2019 € K
Sales revenues	6	1,831,293	2,701,489
Changes in finished goods and work in progress		-35,465	-16,388
Own work capitalised	7	14,011	20,962
Total work done		**1,809,839**	**2,706,063**
Other operating income	8	74,261	83,029
Operating performance		**1,884,100**	**2,789,092**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		842,592	1,278,463
Cost of purchased services		141,259	245,580
		983,851	1,524,043
Personnel costs	10		
Wages and salaries		408,150	501,829
Social security contributions, pensions and other benefits		78,796	90,536
		486,946	592,365
Depreciation, amortization and impairment losses	11	75,025	78,104
Other operating expenses	12	256,564	372,842
Operating result		**81,714**	**221,738**
Financial income	13		
Interest income		4,435	5,431
Other income		27	215
		4,462	5,646
Financial expenses	14		
Interest payable		6,645	9,538
Interest expense from pension provisions		248	506
Other financial expenses		2,051	722
		8,944	10,766
Financial result		-4,482	-5,120
Impairment of shares in at equity accounted companies	22	-4,432	0
Share of profits and losses of at equity-accounted investments	15	2,095	2,548
Earnings before taxes		**74,895**	**219,166**
Income taxes	16	22,781	64,724
Annual profit		**52,114**	**154,442**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		51,893	151,874
Of which attributed to non-controlling interests	17	221	2,568
Earnings per share pursuant to IAS 33 in € (undiluted)	**18**	**0.66**	**1.93**
Earnings per share pursuant to IAS 33 in € (diluted)	**18**	**0.66**	**1.93**

Consolidated Statement of Other Comprehensive Income

for the period 1 January to 31 December 2020

D.02	Notes	2020 € K	2019 € K
Annual profit		**52,114**	**154,442**
Other comprehensive income			
Remeasurement of benefit-oriented pension plans	30	998	-6,164
FVOCI – Equity instruments – net change of fair value	39	-2,173	-322
Income taxes	16	-237	1,759
Sum of items never reclassified to income statement		**-1,412**	**-4,727**
Differences from currency translation		-49,511	21,511
Net investments		-1,545	1,035
Changes in market value of hedging instruments	37	304	-49
Market value of hedging instruments – reclassification to the income statement	37	-216	-46
Income taxes	16	-26	28
Sum of items which are reclassified to the income statement		**-50,994**	**22,479**
Other comprehensive income for the period after taxes		**-52,406**	**17,752**
Total comprehensive income for the period		**-292**	**172,194**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		213	169,215
Of which attributed to non-controlling interests		-505	2,979

Consolidated Cash Flow Statement

For the period 1 January to 31 December 2020

D.03		2020	2019
CASH FLOW FROM OPERATING ACTIVITY	Notes	€ K	€ K
Earnings before taxes (EBT)		74,895	219,166
Depreciation, amortisation and impairment losses		75,025	78,104
Financial result	13, 14	4,482	5,120
Other income and expenses not affecting payments		4,527	-6,484
Change in provisions	30, 31	-6,897	12,819
Result from the disposal of fixed assets		-7,683	-833
Income tax refunds		5,194	1,541
Income taxes paid		-51,513	-77,620
Interest received		4,327	4,349
Interest paid		-6,600	-9,298
Dividends received	22	283	0
Changes in asset and liabilities items			
Inventories	24	61,158	18,802
Trade debtors	23, 25	41,387	43,934
Other assets not from investments or financing activity		12,158	27,925
Trade creditors	33,34	-69,402	30,767
Other liabilities not from investments or financing activity		-74,058	-114,165
	40	**67,283**	**234,127**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		16,387	31,379
Amounts paid out for investments in tangible assets		-41,720	-71,225
Amounts paid out for investments in intangible assets		-26,282	-25,502
Cash flow from the takeover of control over subsidiaries	40	97	-5,450
Cash flow from the loss of control over subsidiaries	40	0	812
Amounts paid out for investments in financial assets	40	-1,254	-44,237
Repayment for loans to other related parties	25	30,000	0
Amounts received from disposal in financial assets	40	44,500	40
		21,728	**-114,183**
CASH FLOW FROM FINANCING ACTIVITY			
Dividends paid to non-controlling interests in subsidiaries		-1,358	0
Profit transfer to DMG MORI GmbH	40	-95,742	-99,326
Cash outflows of principal for lease liabilities		-20,026	-19,588
	40	**-117,126**	**-118,914**
Changes affecting payments		-28,115	1,030
Effects of exchange rate changes on financial securities		-2,401	294
Cash and cash equivalents as at 1 January	27	154,005	152,681
Cash and cash equivalents as at 31 December	**27**	**123,489**	**154,005**

Consolidated Balance Sheet

As at 31 December 2020

D.04		31 Dec 2020	31 Dec 2019
ASSETS	Notes	€ K	€ K
LONG-TERM ASSETS			
Goodwill	19	138,103	138,082
Other intangible assets	19	73,075	61,464
Tangible assets	20	464,468	506,579
Equity-accounted investments	22	37,147	84,202
Other equity investments	21	25,068	25,595
Trade receivables from third parties	23	1,196	7
Other long-term financial assets	23	8,082	9,627
Other long-term assets	23	5,071	3,747
Deferred tax assets	28	58,468	62,555
		810,678	**891,858**
SHORT-TERM ASSETS			
Inventories	24	538,683	611,810
Trade receivables from third parties	25	133,918	212,637
Receivables from at equity accounted companies	25	9,865	12,472
Receivables from other related companies	25	466,241	461,550
Receivables from other equity investments	25	37	33
Receivables from down payment invoices	6	8,578	9,060
Other short-term financial assets	26	35,865	46,740
Other short-term assets	26	62,453	69,125
Income tax receivables		1,727	276
Cash and cash equivalents	27	123,489	154,005
		1,380,856	**1,577,708**
Balance Sheet Total		**2,191,534**	**2,469,566**

D.04		31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES	Notes	€ K	€ K
EQUITY			
Subscribed capital	29	204,927	204,927
Capital reserve	29	498,485	498,485
Retained earnings and other reserves	29	542,253	563,702
Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT		**1,245,665**	**1,267,114**
Non-controlling equity interests	29	13,830	14,335
Total equity		**1,259,495**	**1,281,449**
LONG-TERM DEBTS			
Provisions for pensions	30	40,678	43,008
Other long-term provisions	31	43,967	51,389
Long-term lease liabilities	35	35,905	43,469
Trade payables to third parties	33	244	0
Contract liabilities from performance obligations	6	5,983	4,072
Other long-term financial liabilities	33	343	157
Other long-term liabilities	33	2,254	2,444
Deferred tax liabilities	28	1,775	3,124
		131,149	**147,663**
SHORT-TERM DEBTS			
Other short-term provisions	31	221,029	231,408
Short-term lease liabilities	35	16,431	17,886
Trade payables to third parties	34	137,093	207,368
Liabilities to at equity accounted companies	34	4,740	7,401
Liabilities to other related companies	34	139,977	234,038
Liabilities to other equity investments	34	1,432	800
Tax liabilites		17,854	20,329
Contract liabilities from payments received on account	6	156,579	214,551
Contract liabilities from performance obligations	6	29,537	23,698
Contract liabilities from down payment invoices	6	8,578	9,060
Other short-term financial liabilities	34	30,027	28,064
Other short-term liabilities	34	37,613	45,851
		800,890	**1,040,454**
Balance Sheet Total		**2,191,534**	**2,469,566**

Development of Group Equity

For the period 1 January 2019 to 31 December 2020

D.05

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves: Revenue reserves	Difference from currency translation	Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2020	**204,927**	**498,485**	**571,328**	**-7,540**	**-86**	**1,267,114**	**14,335**	**1,281,449**
Total comprehensive income								
Annual profit			51,893			51,893	221	52,114
Other comprehensive income								
Differences from currency translation				-48,785		-48,785	-726	-49,511
Net investments				-1,545		-1,545		-1,545
FVOCI – Equity instruments – net change of fair value			-2,173			-2,173		-2,173
Change in fair value of derivative financial instruments (after taxes)					62	62		62
Remeasurement of benefit-oriented plans (after taxes)			761			761		761
Other comprehensive income for the period after taxes			**-1,412**	**-50,330**	**62**	**-51,680**	**-726**	**-52,406**
Total comprehensive income for the period			**50,481**	**-50,330**	**62**	**213**	**-505**	**-292**
Transactions with owners								
Sale of non-controlling interests without change of control								
Sale of non-controlling interests with change of control								
Capital contribution								
Dividends								
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)			5,401			5,401		5,401
Profit transfer to DMG MORI GmbH for 2020			-27,063			-27,063		-27,063
Sum of transactions with owners			**-21,662**			**-21,662**	**0**	**-21,662**
As at 31 Dec 2020	**204,927**	**498,485**	**600,147**	**-57,870**	**-24**	**1,245,665**	**13,830**	**1,259,495**

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements page 127 et seq.

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves Revenue reserves	Difference from currency translation	Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIEN-GESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2019	**204,927**	**498,485**	**519,517**	**-29,675**	**-19**	**1,193,235**	**4,453**	**1,197,688**
Total comprehensive income								
Annual profit			151,874			151,874	2,568	154,442
Other comprehensive income								
Differences from currency translation				21,100		21,100	411	21,511
Net investments				1,035		1,035		1,035
FVOCI – Equity instruments – net change of fair value			-322			-322		-322
Change in fair value of derivative financial instruments (after taxes)					-67	-67		-67
Remeasurement of benefit-oriented plans (after taxes)			-4,405			-4,405		-4,405
Other comprehensive income for the period after taxes			**-4,727**	**22,135**	**-67**	**17,341**	**411**	**17,752**
Total comprehensive income for the period			**147,147**	**22,135**	**-67**	**169,215**	**2,979**	**172,194**
Transactions with owners								
Sale of non-controlling interests without change of control			-3,217			-3,217	7,311	4,094
Sale of non-controlling interests with change of control							405	405
Capital contribution							1,147	1,147
Dividends							-1,960	-1,960
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)			3,623			3,623		3,623
Profit transfer to DMG MORI GmbH for 2019			-95,742			-95,742		-95,742
Sum of transactions with owners			**-95,336**			**-95,336**	**6,903**	**-88,433**
As at 31 Dec 2019	**204,927**	**498,485**	**571,328**	**-7,540**	**-86**	**1,267,114**	**14,335**	**1,281,449**

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements page 127 et seq.

Consolidated Fixed Asset Movement Schedule

As at 31 December 2020 (Part of the notes)

D.06

ACQUISITION AND PRODUCTION COSTS

in € K
Intangible assets
Goodwill
Assets arising from development
Industrial property and similar rights
Tangible assets
Land and buildings
Right of use Land and buildings
Technical equipment and machinery
Right of use Technical equipment and machinery
Other equipment, factory and office equipment
Right of use Other equipment, factory and office equipment
Payments on account and construction in progress
Financial assets
Equity-accounted investments
Other equity investments
Securities
Total fixed assets

DEPRECIATION

in € K	As at 1 Jan 2020	Difference from currency translation	Other changes
Intangible assets			
Goodwill	0	0	0
Assets arising from development	123,563	-6	0
Industrial property and similar rights	106,453	-100	0
	230,016	**-106**	**0**
Tangible assets			
Land and buildings	144,355	-2,387	0
Right of use Land and buildings	2,845	-49	0
Technical equipment and machinery	79,638	-2,567	262
Right of use Technical equipment and machinery	3,273	-97	0
Other equipment, factory and office equipment	190,760	-1,830	-251
Right of use Other equipment, factory and office equipment	10,272	-155	-38
Payments on account and construction in progress	238	-20	0
	431,381	**-7,105**	**-27**
Financial assets			
Equity-accounted investments	-10,438	0	-1,729
Other equity investments	7,384	0	1,472
Securities	6	0	0
	-3,048	**0**	**-257**
Total fixed assets	**658,349**	**-7,211**	**-284**

As at 1 Jan 2020	Difference from currency translation	Other changes	Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2020
138,082	21	0	0	0	0	0	138,103
138,183	-6	0	0	4,069	-1,037	0	141,209
153,297	-254	-2	0	22,213	-731	225	174,748
429,562	**-239**	**-2**	**0**	**26,282**	**-1,768**	**225**	**454,060**
430,852	-21,334	0	0	5,963	-9,149	23,278	429,610
31,106	-225	90	0	3,766	-2,061	582	33,258
140,633	-7,201	322	0	4,296	-3,345	7,126	141,831
14,932	-310	-49	0	26	-1,236	-582	12,781
251,447	-2,961	-172	0	9,273	-5,409	3,194	255,372
32,538	-342	229	0	8,225	-6,083	0	34,567
36,452	-1,018	15	0	22,188	-345	-33,823	23,469
937,960	**-33,391**	**435**	**0**	**53,737**	**-27,628**	**-225**	**930,888**
73,764	-330	-20	0	245	-36,123	0	37,536
32,977	0	0	0	936	0	0	33,913
8	0	0	0	9	0	0	17
106,749	**-330**	**-20**	**0**	**1,190**	**-36,123**	**0**	**71,466**
1,474,271	**-33,960**	**413**	**0**	**81,209**	**-65,519**	**0**	**1,456,414**

					Net book value	
Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019
0	0	0	0	0	138,103	138,082
0	6,546	-1,037	0	129,066	12,143	14,620
0	7,475	-12	0	113,816	60,932	46,844
0	**14,021**	**-1,049**	**0**	**242,882**	**211,178**	**199,546**
0	13,287	-2,154	0	153,101	276,509	286,497
0	4,629	-1,774	0	5,651	27,607	28,261
0	9,269	-2,882	0	83,720	58,111	60,995
0	3,524	-1,152	0	5,548	7,233	11,659
0	18,230	-5,227	0	201,682	53,690	60,687
0	12,065	-5,644	0	16,500	18,067	22,266
0	0	0	0	218	23,251	36,214
0	**61,004**	**-18,833**	**0**	**466,420**	**464,468**	**506,579**
0	4,432	8,124	0	389	37,147	84,202
0	0	0	0	8,856	25,057	25,593
0	0	0	0	6	11	2
0	**4,432**	**8,124**	**0**	**9,251**	**62,215**	**109,797**
0	**79,457**	**-11,758**	**0**	**718,553**	**737,861**	**815,922**

Consolidated Fixed Asset Movement Schedule

As at 31 December 2019 (Part of the notes)

D.06

ACQUISITION AND PRODUCTION COSTS

in € K
Intangible assets
Goodwill
Assets arising from development
Industrial property and similar rights
Tangible assets
Land and buildings
Right of use Land and buildings
Technical equipment and machinery
Right of use Technical equipment and machinery
Other equipment, factory and office equipment
Right of use Other equipment, factory and office equipment
Payments on account and construction in progress
Financial assets
Equity-accounted investments
Other equity investments
Securities
Total fixed assets

DEPRECIATION

in € K	As at 1 Jan 2019	Difference from currency translation	Other changes
Intangible assets			
Goodwill	0	0	0
Assets arising from development	118,552	1	-1,970
Industrial property and similar rights	103,091	58	1,258
	221,643	**59**	**-712**
Tangible assets			
Land and buildings	142,953	948	27
Right of use Land and buildings	0	225	0
Technical equipment and machinery	78,025	897	1,017
Right of use Technical equipment and machinery	0	11	0
Other equipment, factory and office equipment	183,915	931	830
Right of use Other equipment, factory and office equipment	0	14	0
Payments on account and construction in progress	236	2	0
	405,129	**3,028**	**1,874**
Financial assets			
Equity-accounted investments	-7,890	0	-2,548
Other equity investments	7,384	0	0
Securities	6	0	0
	-500	**0**	**-2,548**
Total fixed assets	**626,272**	**3,087**	**-1,386**

* Recognition right of use according to the first-time adoption of IFRS 16

As at 1 Jan 2019	Difference from currency translation	Other changes	Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2019
139,399	-6	0	-1,311	0	0	0	138,082
135,490	1	-1,859	-68	4,619	0	0	138,183
137,126	76	1,248	-104	20,883	-6,009	77	153,297
412,015	**71**	**-611**	**-1,483**	**25,502**	**-6,009**	**77**	**429,562**
440,606	10,433	-307	0	10,391	-47,032	16,761	430,852
27,991*	940	0	-138	1,552	761	0	31,106
117,317	2,510	5,433	-43	16,868	-7,086	5,634	140,633
12,580*	634	0	0	2,202	-484	0	14,932
251,679	1,428	-3,194	-235	13,736	-13,686	1,719	251,447
25,718*	841	0	-39	9,571	-3,774	221	32,538
30,407	446	-17	0	30,230	-202	-24,412	36,452
906,298	**17,232**	**1,915**	**-455**	**84,550**	**-71,503**	**-77**	**937,960**
50,961	944	0	0	21,859	0	0	73,764
9,785	0	0	0	23,273	-81	0	32,977
8	0	0	0	0	0	0	8
60,754	**944**	**0**	**0**	**45,132**	**-81**	**0**	**106,749**
1,379,067	**18,247**	**1,304**	**-1,938**	**155,184**	**-77,593**	**0**	**1,474,271**

					Net book value	
Change in the group of consolidated companies	Additions	Disposals	Book transfers	As at 31 Dec 2019	As at 31 Dec 2019	As at 31 Dec 2018
0	0	0	0	0	138,082	139,399
-67	7,047	0	0	123,563	14,620	16,938
-100	8,138	-5,992	0	106,453	46,844	34,035
-167	**15,185**	**-5,992**	**0**	**230,016**	**199,546**	**190,372**
0	18,199	-17,772	0	144,355	286,497	297,653
-20	3,778	-1,138	0	2,845	28,261	0
-39	6,488	-6,750	0	79,638	60,995	39,292
0	3,647	-385	0	3,273	11,659	0
-215	18,295	-12,996	0	190,760	60,687	67,764
-4	12,512	-2,250	0	10,272	22,266	0
0	0	0	0	238	36,214	30,171
-278	**62,919**	**-41,291**	**0**	**431,381**	**506,579**	**434,880**
0	0	0	0	-10,438	84,202	58,851
0	0	0	0	7,384	25,593	2,401
0	0	0	0	6	2	2
0	**0**	**0**	**0**	**-3,048**	**109,797**	**61,254**
-445	**78,104**	**-47,283**	**0**	**658,349**	**815,922**	**686,506**

Segmental Reporting

In the Consolidated Financial Statements 2020 (Part of the notes)

D.07
SEGMENTATION BY BUSINESS SEGMENTS

in € K	"Machine Tools" 2020	2019	Changes against previous year		"Industrial Services" 2020	2019	Changes against previous year	
Sales revenues with other segments	729,262	1,117,024	-387,762	-34.7 %	46,937	72,113	-25,176	-34.9 %
Sales revenues with third parties	1,046,959	1,433,209	-386,250	-27.0 %	784,159	1,268,106	-483,947	-38.2 %
EBIT	50,197	112,236	-62,039	-55.3 %	54,352	136,202	-81,850	-60.1 %
Financial result	-2,485	-1,597	-888	-55.6 %	-5,269	-5,464	195	3.6 %
thereof interest income*	2,439	3,123	-684	-21.9 %	3,193	4,661	-1,468	-31.5 %
thereof interest expenses*	-4,864	-4,758	-106	-2.2 %	-8,264	-10,217	1,953	19.1 %
Share of profit for the period of at equity accounted investments	-1,070	-185	-885	-478.4 %	474	0	474	100.0 %
EBT	42,210	110,454	-68,244	-61.8 %	49,557	130,738	-81,181	-62.1 %
Carrying amount of at equity accounted investments	23,624	28,984	-5,360	-18.5 %	1,291	1,100	191	17.4 %
Segment assets	1,175,355	1,363,906	-188,551	-13.8 %	1,628,484	1,877,800	-249,316	-13.3 %
Investments	67,031	135,879	-68,848	-50.7 %	13,309	17,054	-3,745	-22.0 %
Depreciation	46,137	43,248	2,889	6.7 %	23,780	30,618	-6,838	-22.3 %
Employees	3,780	4,077	-297	-7.3 %	2,808	3,081	-273	-8.9 %

See accompanying explanations in notes under segmental reporting page 149 et seq

* Previous year adjusted.

INFORMATION ON GEOGRAPHICAL AREAS

in € K	Germany 2020	2019	Changes against previous year		Rest of Europe 2020	2019	Changes against previous year		North America 2020	2019	Changes against previous year	
Sales revenues with third parties	838,273	1,104,982	-266,709	-24.1 %	777,799	1,248,165	-470,366	-37.7 %	0	0	0	0.0 %
Long-term assets	332,162	327,827	4,335	1.3 %	338,280	374,294	-36,014	-9.6 %	0	0	0	0.0 %

"Corporate Services"		Changes against previous year		Total segments		Transition		Group		Changes against previous year	
2020	2019			2020	2019	2020	2019	2020	2019		
11,764	14,802	-3,038	-20.5 %	787,963	1,203,939	-787,963	-1,203,939	0	0	0	0.0 %
175	174	1	0.6 %	1,831,293	2,701,489	0	0	1,831,293	2,701,489	-870,196	-32.2 %
-22,789	-26,250	3,461	13.2 %	81,760	222,188	-46	-450	81,714	221,738	-140,024	-63.1 %
3,272	1,941	1,331	68.6 %	-4,482	-5,120	0	0	-4,482	-5,120	638	12.5 %
11,633	12,601	-968	-7.7 %	17,265	20,385	-12,830	-14,954	4,435	5,431	-996	-18.3 %
-7,542	-10,066	2,524	25.1 %	-20,670	-25,041	12,828	14,913	-7,842	-10,128	2,286	22.6 %
2,691	2,733	-42	-1.5 %	2,095	2,548	0	0	2,095	2,548	-453	-17.8 %
-16,826	-21,576	4,750	22.0 %	74,941	219,616	-46	-450	74,895	219,166	-144,271	-65.8 %
12,232	54,118	-41,886	-77.4 %	37,147	84,202	0	0	37,147	84,202	-47,055	-55.9 %
1,733,465	1,892,465	-159,000	-8.4 %	4,537,304	5,134,171	-2,415,672	-2,741,035	2,121,632	2,393,136	-271,504	-11.3 %
869	2,251	-1,382	-61.4 %	81,209	155,184	0	0	81,209	155,184	-73,975	-47.7 %
5,108	4,238	870	20.5 %	75,025	78,104	0	0	75,025	78,104	-3,079	-3.9 %
84	87	-3	-3.4 %	6,672	7,245	0	0	6,672	7,245	-573	-7.9 %

Asia		Changes against previous year		Other		Changes against previous year		Total segments		Transition		Group		Changes against previous year	
2020	2019			2020	2019			2020	2019	2020	2019	2020	2019		
215,221	348,342	-133,121	-38.2 %	0	0	0	0.0 %	1,831,293	2,701,489	0	0	1,831,293	2,701,489	-870,196	-32.2 %
12,387	12,118	269	2.2 %	0	0	0	0.0 %	682,829	714,239	-7,183	-8,114	675,646	706,125	-30,479	-4.3 %

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT FOR THE FINANCIAL YEAR 2020

Accounting principles applied in the Consolidated Financial Statement

1. APPLICATION OF REGULATIONS

The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT for the Financial Year from 1 January 2020 to 31 December 2020 were prepared at the end of the reporting period with mandatory use of the International Financial Reporting Standards (IFRS) as adopted by the European Union and their interpretation by the International Accounting Standards Board (IASB), London, Great Britain, as applicable on the reporting date. The Notes to the Consolidated Financial Statements include further explanations pursuant to Section 315e of the German Commercial Code (HGB).

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

To allow for a better presentation, individual items have been combined in the balance sheet and the income statement; these are shown separately in the notes to the Consolidated Financial Statements with further disclosures.

The Consolidated Financial Statements are drawn up in euros. The reporting currency is the euro. Unless otherwise specified, all amounts are shown in thousand euro (€ K). All amounts have been rounded in accordance with standard commercial practise. For computational reasons, rounding differences may occur in the tables.

DMG MORI AKTIENGESELLSCHAFT with its registered office in Bielefeld, Gildemeisterstrasse 60, is listed at the Bielefeld (Germany) District Court, section B, under the number 7144 and is the parent company of the DMG MORI group and is a listed company under German law. As a leading manufacturer of cutting machine tools worldwide, the DMG MORI group offers innovative machine technologies, expert services, and needs-based software products. The Consolidated Financial Statements and the Group Management Report of DMG MORI AKTIENGESELLSCHAFT for the reporting period as at 31 December 2020 will be available through the electronic Federal Gazette (Bundesanzeiger), the Commercial Register as well as from our website → **www.dmgmori-ag.com**. DMG MORI COMPANY LIMITED, Nara, Japan, is the ultimate parent company of the DMG MORI group. DMG MORI GmbH, Bielefeld (Germany), is the direct parent company of DMG MORI AKTIENGESELLSCHAFT. The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT are included in the Consolidated Financial Statements of DMG MORI COMPANY LIMITED, Nara (Japan). These Consolidated Financial Statements can be found online at → **www.dmgmori.co.jp**.

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

The Executive Board of DMG MORI AKTIENGESELLSCHAFT released the Consolidated Financial Statements and the Group Management Report for publication on 8 March 2021.

2. CONSOLIDATION PRINCIPLES

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

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

Contingent consideration obligations are measured at fair value at the acquisition date.

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

If the group loses control over a subsidiary, it derecognizes the subsidiary's assets and liabilities and all related non-controlling interest and other components of equity. Any profit or loss generated is recognized through profit or loss.

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

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

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

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

Other related parties of the DMG MORI group are the ultimate parent company, DMG MORI COMPANY LIMITED, Nara (Japan), and its subsidiaries and major holdings outside the DMG MORI group, with the exception of Magnescale Co. Ltd. and its subsidiaries, which were recognized as associated companies until the date of their disposal. If not shown separately, any information on other related parties refers to this group of companies and also includes DMG MORI COMPANY LIMITED.

The applied consolidation methods remained unchanged from the previous year.

3. ACCOUNTING AND VALUATION PRINCIPLES

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

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

Changes in accounting and valuation methods due to new standards

On 1 January 2020, DMG MORI group initially applied the following new and revised IFRS and IFRIC standards bearing relevance for the Consolidated Financial Statements. [→ D.08]

The effects of these new standards on the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT are explained below.

Amendments to the Conceptual framework – Amendments to references to the conceptual framework in IFRS standards

The revised conceptual framework comprises a new chapter, "Status and purpose of the conceptual framework" and thus has eight complete chapters. They include chapters on "The reporting entity" and "Presentation and disclosure". The section "Recognition" has been supplemented by "Derecognition".

D.08	
Amendments to the conceptual framework	Amendments to references to the conceptual framework in IFRS standards
Amendments to IFRS 3	Definition of a "business"
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS1 and IAS 8	Definition of "material"

The framework's contents have also been amended: For example, the distinction between "income" with regard to "revenue", on the one hand, and "gains", on the other hand has been abandoned.

The amendments to the conceptual framework were also accompanied by amendments to references to the conceptual framework in various standards.

The amendments have no material effect on the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Amendments to IFRS 3 – Definition of a "business"
The IASB has issued this amendment to clarify that a business is a set of activities and assets that includes, at a minimum, an input and a substantive process that together significantly contribute to the ability to produce outputs. Furthermore, with regard to output, focus is now placed on goods and services provided to customers – removing the reference to an ability to reduce costs. The new requirements also include an optional concentration test that is designed to permit a simplified assessment of a business. Subject to EU endorsement, the amendments must be applied to business combinations where the acquisition date is on or after 1 January 2020. Early application is permitted.

The amendments do not result in any material implications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform
These amendments are based on uncertainties arising from the IBOR reform. Under current hedge accounting rules, the forthcoming changes in reference interest rates would, in many cases, result in the discontinuation of hedging relationships. It is now possible to continue existing hedge accounting relationships for a transitional period. For this purpose, the amendments include selective mandatory exceptions from previous hedge accounting requirements, e.g., for assessing the highly probable requirement for forecast transactions in cash flow hedges.

The amendments do not result in material implications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Amendments to IAS 1 and IAS 8 – Definition of "material"
These amendments provide IFRSs with a more uniform and precisely defined concept of the materiality of financial statement disclosures, accompanied by illustrative examples. Thus, they help align the definitions used in the Conceptual Framework, IAS 1, IAS 8 and IFRS Practice Statement 2 "Making Materiality Judgements". These amendments must be initially applied as of 1 January 2020. Early application is permitted.

The amendments do not result in any material implications for the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

a) These have already received EU endorsement

D.9	
Amendments to IFRS 4	Extension of temporary exemption from applying IFRS 9
Amendments to IFRS 16	COVID-19-related rent concessions

Amendments to IFRS 4 – Amendments to IFRS 4: Extension of the temporary exemption from applying IFRS 9
The amendments to IFRS 4 are intended to address temporary accounting issues arising from the different effective dates of IFRS 9 – Financial instruments and the upcoming new IFRS 17 – Insurance Contracts. In particular, this will extend the temporary exemption from applying IFRS 9 to 2023, in order to align the effective date of IFRS 9 with the new IFRS 17.

IFRS 4 has no impact on the DMG MORI group.

Amendments to IFRS 16 – COVID-19-related rent concessions
The amendment to IFRS 16 "Leases" grants lessees an optional practical expedient in assessing whether a COVID-19-related rent concession (e.g., rent deferral or waiver) is a modification.

Under this provision, a lessee may elect to not assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic are lease modifications, but instead may account for those rent concessions as if they were not lease modifications. The practical expedient may only be applied to rent concessions occurring as a direct consequence of the COVID-19 pandemic that reduce lease payments due on or before 30 June 2021. Further requirements for applying the practical expedient are: The revised consideration for the lease is substantially the same as, or less than, the consideration for the lease immediately preceding the change and there is no substantive changes to other terms and conditions of the lease.

The practical expedient is not available to lessors.

An entity shall apply these amendments no later than 1 June 2020 for annual periods beginning on or after 1 January 2020.

The DMG MORI group did not apply the amendment to IFRS 16 "Leases" regarding lease concessions directly related to the COVID-19 pandemic in financial year 2020.

b) EU Endorsements are still pending

Furthermore, the following standards and interpretations were issued by IASB and not yet recognized by the European Union:
[→ D.10]

D.10	
IFRS 17	Insurance contracts
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR reform – Phase 2
Amendments to IAS 1	Classification of debt as short or long-term
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Improvements to IFRS cycle 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

IFRS 17 – Insurance Contracts

IFRS 17 replaces IFRS 4 and thus, for the first time, specifies standard international requirements for the recognition, measurement, presentation and disclosure of and notes on insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.

IFRS 17 has no impact on the Consolidated Financial Statements of DMG MORI.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In March 2018, the IASB issued a revised version of its conceptual framework, where the previous definitions of assets and liabilities were changed. In order to address conflicts between the conceptual framework and IFRS 3, the IASB has now decided to update IFRS 3 so that it refers to the revised conceptual framework and by adding to IFRS 3 a requirement that an acquirer applies IAS 37 or IFRIC 21, instead of the conceptual framework, when identifying the liabilities, it has assumed under IAS 37 or IFRIC 21. Contingent liabilities, for which the exemption in IFRS 3.23 continues to apply, are an exception to this principle.

Subject to EU endorsement, the amendments must be applied to mergers where the acquisition date is on or after 1 January 2022.

The DMG MORI group is not currently expecting any material ramifications for the Consolidated Financial Statements.

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

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

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

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

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

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 – IBOR reform – Phase 2

The amendments to the second phase of the IBOR reform project (amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases) are supplemental to the requirements of the first phase of the project and are generally applied when an existing interest rate benchmark is replaced with an alternative reference interest rate.

With regard to the presentation of financial instruments, these amendments have an effect on the following areas:

In the event of changes in contractual cash flows, entities may not need to adjust or derecognize the carrying amount of financial instruments due to the changes required by the IBOR reform. Under certain conditions, it could instead update the effective interest rate to reflect the change in the alternative reference rate.

In terms of hedge accounting, under certain conditions, entities may not need to discontinue a hedge relationship designated for hedge accounting purposes due to the changes required by the IBOR reform.

Entities must disclose information about new risks arising from the reform and also how it will manage the transition to alternative reference rates.

In addition to amendments to IFRS 9, IAS 39 and IFRS 7, the IASB adopted minor amendments to IFRS 4 and IFRS 16.

The amendments are applicable to reporting periods beginning on or after 1 January 2021.

The DMG MORI group is not currently expecting any material ramifications for the Consolidated Financial Statements.

Amendments to IAS 1 – Classification of debt as short or long-term

The narrow-scope amendment to IAS 1 clarifies that liabilities are either classified as short or long-term, depending on the rights that the entity has on the reporting date.

The amendment requires liabilities to be classified as long-term if, at the end of the reporting period, the entity has a substantive right to defer settlement of the liability for at least 12 months after the reporting date.

In assessing whether a (substantive) right exists, no consideration should be given to whether the entity will exercise its right. Thus, the management's expectations do not affect classification. The Board removed the previous requirement for a right to be 'unconditional'. In the case of the right to defer settlement, which is subject to the entity complying with specified conditions, after the amendments, the emphasis will be on whether the entity complies with these conditions at the reporting date.

In July 2020, the date of first-time application was deferred by one year to reporting periods beginning on or after 1 January 2023.

The amendments are thus applicable to reporting periods beginning on or after 1 January 2023, subject to adoption by the EU. Earlier application of the amendments is permitted, but in the EU generally requires an endorsement.

The DMG MORI group does currently not expect any material ramifications for the Consolidated Financial Statements.

Amendments to IAS 16 – Property, Plant & Equipment – Proceeds before Intended Use

IAS 16 requires that the costs for acquiring or producing an item of property, plant and equipment include any costs directly attributable to bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management. These include e.g., costs for testing whether the asset is functioning properly.

It was unclear, whether to deduct from the costs of acquiring or producing an item of property, plant and equipment, any proceeds that exceeded the costs of testing and that were earned from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating or to recognize this item in profit or loss. The amendment to IAS 16 specifies that in the future, such proceeds will no longer be allowed to be deducted from the costs of acquiring or producing an item of property, plant and equipment.

Moreover, the amendment to IAS 16 adds an explanation of the term "costs of testing". These are costs incurred to assess whether an asset is technically and physically capable of performing its intended use. The asset's financial performance is not relevant to this assessment. Thus, an asset can already be considered "ready for use" and depreciation can begin before it has reached the (operating) level expected by management.

These amendments specify that proceeds received by an entity from the sale of items produced while preparing the asset for its intended use (for example, product samples) and any related costs should be recognized in profit or loss. The recognition of these amounts when measuring Property, plant and equipment items at cost is not allowed.

The amendments are applicable to reporting periods beginning on or after 1 January 2022, subject to adoption by the EU. Earlier application of the amendments is permitted, but in the EU generally requires an endorsement.

The group is not currently expecting any material ramifications for the Consolidated Financial Statements.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

IAS 37 defines an onerous contract as one in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. By definition, the unavoidable costs again reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. However, IAS 37 did not previously specify which costs should be included in determining the cost of fulfilling a contract.

The amendments recently issued now specify that all costs that relate directly to fulfilling the contract should be included when assessing whether the contract is onerous under IAS 37. Costs that directly relate to the contract include both the incremental costs incurred by an entity for fulfilling that contract and an allocation of other costs that relate directly to fulfilling the contract.

The amendments are applicable to reporting periods beginning on or after 1 January 2022, subject to adoption by the EU. Earlier application of the amendments is permitted, but in the EU generally requires an endorsement. An endorsement of the amendments is expected (as at November 2020) in the second half of 2021.

The group is not currently expecting any material ramifications for the Consolidated Financial Statements.

Annual Improvements to IFRSs (2018 – 2020 cycle) with amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

The "Annual Improvements to IFRSs" amended the following standards.

In IFRS 1, subsidiaries that adopted IFRS 1.D16 (a) for the first time, were given the option to measure cumulative translation differences using the amounts reported by the parent.

The amendment to IFRS 9 clarifies which fees should be included in the 10 % test (IFRS 9.B3.3.6) in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender.

In IFRS 16, the amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements.

In IAS 41, the amendment removes the requirement for entities to exclude tax payments when measuring fair value.

The amendments are applicable to reporting periods beginning on or after 1 January 2022, subject to adoption by the EU. Earlier application of the amendments is permitted, but in the EU generally requires an endorsement.

The group is not currently expecting any material ramifications for the Consolidated Financial Statements.

Impact of the coronavirus pandemic on the consolidated financial statements

General situation

The coronavirus pandemic had a negative impact on the consolidated financial statements in financial year 2020. Demand for machine tools fell significantly due to the rapid spread of the coronavirus. DMG MORI was also not immune to the negative effects of the global spread of the virus and experienced severe losses in order intake and production downtime. Moreover, there was a temporary partial shutdown in April at our European production plants and in some sections of our service and sales companies. Heightened travel restrictions also adversely affected our service and spare parts business.

The second half of the year was also dominated by the coronavirus pandemic. Order intake and sales revenues continued to decline. The negative effects of the crisis were successfully contained by the swift introduction and systematic implementation of cost-cutting measures.

As a result of the effects described above, group earnings were significantly lower than the previous year. For further details on developments, please see the section on "Results of operations, financial position and net worth" in the group management report.

Valuation and accounting principles

The effects on the different valuation and accounting principles for the DMG MORI consolidated financial statements are described in the section "Use of discretionary decisions and estimates" and the section "Accounting and valuation methods".

USE OF DISCRETIONARY DECISIONS AND ESTIMATES

The preparation of the Consolidated Financial Statements in accordance with IFRS necessitates discretionary decisions, estimates and assumptions concerning the application of accounting methods and the reported amounts of assets, debts, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of estimates are recorded prospectively.

When using the recognition and measurement methods, the Executive Board is required to make the following discretionary decisions and estimates, which significantly influence the amounts in the financial statements.

Impairment of goodwill

The group reviews goodwill for impairment at least once a year as of 31 December, and whenever there is an indication to do so. This requires the creation of cash-generating units and an allocation of goodwill to the cash-generating units as well as the higher of the two values of fair value less purchase costs and the value in use of the cash-generating units, to which the goodwill is allocated. To assess the value in use, the company management must assess the foreseeable future cash flow of the cash generating unit and, moreover, select an appropriate discount rate in order to determine the cash value of this cash flow. As of 31 December 2020, the carrying amount of goodwill totaled € 138,103 K (previous year: € 138,082 K). This change from the previous year is due to currency effects. Further information can be found on pages 124 et seq.

Pension provisions

The amount of the provisions and the expenses from benefit-based plans are determined on the basis of actuarial calculations. The actuarial calculations take place on the basis of assumptions with respect to discount interest rates, future wage and salary increases, the mortality rate and future pension increases. Corresponding to the long-term focus of these plans, such assessments are subject to significant uncertainties. As of 31 December 2020, provisions for pensions amounted to € 40,678 K (previous year: € 43,008 K). Further information can be found on pages 132 et seq.

Intangible assets arising from development

Intangible assets arising from development are capitalized according to the recognition and measurement methods presented on page 108 et seq. To determine the amounts to be capitalized, the company management must make assumptions as to the amount of expected future cash flow from intangible assets, the interest rates to be applied, and the period of accrual of expected future cash flow that the intangible assets generate. As of 31 December 2020, the carrying amount of intangible assets arising from development amounted to € 12,143 K according to the best possible assessment (previous year: € 14,620 K).

Inventories

Inventories are capitalized according to the recognition and measurement methods presented on page 110 et seq.

When measuring and recognizing inventories, assumptions about the net realizable value are required. In order to calculate the net net realizable value, the Executive Board has to make assumptions about the amount of this value, that are mainly based on assumptions about the recoverable selling prices of the machine tools and services on the market.

Write-downs of inventories to net realizable value amounted to € 50,670 K (previous year: € 31,992 K). In assessing expected net realizable values, past experience and current market trends were taken into account, allowing for the effects of the coronavirus crisis.

Discretionary decisions and estimations are additionally required for leases (see Note 35), revenue from contracts with customers (see Note 6), allowances for doubtful debts (see Note 25), as well as for contingent liabilities (see Note 36), and other provisions (see Note 31). Moreover, they are required for determining the fair value of long-term fixed assets (see Note 20) and intangible assets (see Note 19), as well as for the assessment of deferred taxes on tax losses carried forward (see Note 28).

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

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

RECOGNITION AND MEASUREMENT METHODS

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

Impairment test

Due to the increasing global spread of the coronavirus pandemic and the subsequent decline in sales and earnings, impairment tests were performed on capitalized goodwill, and a recoverability test was conducted for property, plant and equipment and intangible assets. The tests were performed both at midyear and at the end of the financial year. Based on these tests, no impairment losses were recognized for capitalized goodwill, property, plant and equipment and intangible assets.

Current corporate planning, which already reflects adjustments to business expectations in relation to the coronavirus pandemic, was used to determine the value in use as of 31 December 2020. For a detailed description of this approach and the underlying assumptions, please see the explanations in Note 19.

Intangible and tangible assets

D.11 | USEFUL ECONOMIC LIFE OF ASSETS	
Software and other intangible assets	1 to 5 years
Assets arising from development	2 to 10 years
Office and factory buildings	10 to 50 years
Technical equipment and machinery	2 to 30 years
Other fixed assets, factory and office equipment	1 to 23 years

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

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

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

Tangible assets were evaluated at acquisition or production costs, reduced by scheduled depreciation. Borrowing costs are recognized as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled (see page 115 "Borrowing costs"). Depreciation was carried out using the straight-line method in accordance with useful life. A re-evaluation of tangible assets pursuant to IAS 16 "Property, Plant and Equipment" was not carried out. No property was held as a financial investment pursuant to IAS 40 "Investment Property".

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

Leases
IFRS 16 has been applied by DMG MORI since 1 January 2019.

Leases where the DMG MORI group is the lessee
At inception of the contract, the DMG MORI group assesses whether the contract constitutes or contains a lease. This is the case, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract contains the right to control the use of an identified asset, the DMG MORI group defines a lease pursuant to IFRS 16.

The DMG MORI group has, for all leases, recognized rights to use leased assets and liabilities for the payment obligations entered into on the balance sheet.

The right-of-use asset is initially measured at cost, consisting of the amount equal to the lease liability at its initial recognition, adjusted for payments made on or before the commencement date of the lease, less any lease incentives received plus amounts for any initial direct costs and the estimated costs incurred in dismantling or removing the underlying asset or restoring the underlying asset or the site on which it is located.

The initial recognition of lease liabilities is determined as the present value of outstanding lease payments. These are discounted using the interest rate implicit in the lease or, if this cannot be readily determined, the incremental borrowing rate. In order to determine its incremental borrowing rate, the DMG MORI group obtains interest rates from various financial sources and makes specific adjustments to take into account the terms and conditions of the lease.

The lease payments included in the measurement of the lease liability comprise:

› fixed payments, including de facto fixed payments,

› variable lease payments that depend on an index or (interest) rate, initially measured using the index or (interest) rate as at the commencement date,

› amounts expected to be payable under a residual value guarantee, and

› the exercise price of a purchase option, if the group is reasonably certain to exercise that option, lease payments for an extension option, if the group is reasonably certain to exercise that option, and penalties for early termination of the lease, unless the group is reasonably certain not to exercise an early termination option for such a lease.

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the DMG MORI group at the end of the lease term, or if the cost of the right-of-use asset reflects that the DMG MORI group will exercise a purchase option. In this case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in accordance with the requirements for property, plant and equipment. Where required, the right-of-use asset is also continually adjusted for impairment losses and for any remeasurements of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured, if changes in future lease payments result from changes in the index or (interest) rate, if there are changes in the DMG MORI group's assessment of amounts expected to be payable under a residual value guarantee, if there are changes in the DMG MORI group's assessment of whether a purchase, extension or termination option will be exercised or if there are changes in a de facto fixed lease payment. Adjustments are made to the carrying amount of the right-of-use asset to reflect remeasurement of the lease liability.

Sale and leaseback
With regard to a sale and leaseback transaction, an entity first needs to assess if the transfer of an asset should be recognized as a sale based on the criteria in IFRS 15. If this is the case, the DMG MORI group measures the right-of-use asset arising from the leaseback as the proportion of the previous carrying amount that relates to the right of use retained. Thus, gains or losses are only recognized, if they relate to the rights transferred.

Leases where the DMG MORI group is the lessor
If the group acts as a lessor, it classifies each lease as a finance or operating lease at inception of the contract.

In order to classify each lease, the DMG MORI group makes an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is an operating lease. Within the scope of this assessment, the DMG MORI group takes into account certain indicators, such as whether the lease covers a major part of the economic life of the asset.

The DMG MORI group records the head lease and sublease separately on the balance sheet, if it acts as an intermediate lessor. The sublease is classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. If the head lease is a short-term lease to which the group applies the exception described above, it classifies the sub-lease as an operating lease.

Lease payments from operating leases are recognized by the DMG MORI group as income on a straight-line basis over the term of the lease.

Impairment
Pursuant to IAS 36 "Impairment of Assets", the assets of the DMG MORI group, with the exception of assets as defined by IAS 36.2, are tested for signs of impairment at each balance sheet date. Where such indicators exist, the recoverable amount

of the assets is calculated and, if necessary, the assets are written down. An impairment test for individual assets is only possible if recoverable amounts can be allocated to the individual asset. If this is not possible, the recoverable amount of the cash-generating unit pertaining to the asset must be determined (asset's cash-generating unit).

Pursuant to IAS 36 "Impairment of Assets", goodwill has to be tested for impairment at least once a year and whenever criteria are met for an impairment test. DMG MORI AKTIENGESELLSCHAFT carried out an impairment test on 31 December 2020. In the impairment test, the carrying amount of a cash-generating unit is compared with the re-coverable amount. The recoverable amount of the cash-generating unit is the higher of the asset's fair value less costs to sell and its value in use.

Shares in companies accounted for using the equity method

The group's interests, which are accounted for using the equity method, include shares in associated companies and in one joint venture.

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

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

At every balance sheet date, the group reviews whether there is reason to believe that impairment loss has to be taken into account when accounting for the investment in associates. In these cases, the difference between the carrying amount and the re-coverable amount is recognized as an impairment in the income statement item "Impairment of investments in equity-accounted companies".

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

Joint ventures are likewise accounted for at equity pursuant to IFRS 11.24. Unrealized interim gains or losses from transactions with joint ventures are eliminated proportionately within the scope of consolidation insofar as the underlying assets are significant.

Equity investments

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

Equity instruments not held for trading are measured at fair value. At initial recognition, the entity may elect to present any subsequent changes in the investment's fair value in other comprehensive income. This election is made for each investment on an instrument-by-instrument basis.

Inventories

Measuring of inventories was carried out at the acquisition or production costs or the lower net selling price. Pursuant to IAS 2 "Inventories", elements of the production costs include production material, manufacturing labor, prorated materials and production overheads. Expenses for administration and expenses arising in the social contribution area are included insofar as these are allocated to production. The proportion of overheads is evaluated on the basis of ordinary employment. Borrowing costs are recognized as part of the acquisition or production costs, if the requirements of IAS 23 are met (see page 115 "Borrowing costs"). When determining the net selling price, inventory risks arising from the period of storage and reduced usability were recognized through appropriate reductions in values. If the causes that led to a reduction in value no longer exist, a reversal will be made.

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

Financial Instruments

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

Initial recognition and measurement

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

Within the scope of factoring agreements, selected trade debtors are sold on a revolving basis to banks. Factoring is a standard financial instrument in the industry and an additional component of the financing mix. As in the previous year, factoring agreements with a total amount of € 167.5 million had been concluded as of 31 December 2020. As at the reporting date, receivables had been sold in an amount of € 93.1 million (previous year: € 120.0 million).

The risks relating to the risk assessment of the receivables sold are the credit risk and, insignificantly, the risk of late payment (late payment risk). The credit risk is fully transferred to the seller of the receivables in exchange for payment of a fixed purchase price. The late payment risk continues to be fully borne by DMG MORI.

Trade debtors sold under these arrangements are excluded from accounts at the time of sale insofar as the risks and rewards have been substantially transferred to the buyer and the transmission of the cash flows related to those receivables is assured. The late payment risk was insignificant as of the reporting date.

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

Classification and subsequent measurement

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

- At amortized cost
- Debt instruments that are measured at fair value with value changes recognized in other income (FVOCI debt instruments)
- Equity instruments that are measured at fair value with value changes recognized in other income (FVOCI equity instruments)
- At fair value with value changes recognized in profit or loss (FVTPL)

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

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

- It is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

- It is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Any financial assets that are not measured at amortized cost or FVOCI, are measured at fair value through profit or loss (FVTPL). This includes all derivative financial assets (see Note 37). At initial recognition, the entity can irrevocably elect to designate financial assets, that otherwise meet the criteria for measurement at amortized cost or FVOCI, as measured at FVTPL, if doing so eliminates or significantly reduces accounting mismatches that would otherwise arise.

Business Model Test

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

- The guidelines and targets for the portfolio and implementation of these guidelines in practice. This includes, whether the management's strategy is focused on collecting contractual interest income, maintaining a particular interest rate profile, matching the duration of a financial asset to the duration of its liability or to its expected cash outflows or realizing cash flows through the sale of assets.
- How portfolio performance is assessed and reported to group management.
- The risks that affect the performance of the business model (and the financial assets held in this business model) and how these risks are managed.
- How managers are compensated – for example, whether compensation is based on the fair value of the assets being managed or the contractual cash flows that are collected – and
- The frequency, volume and timing of sales of financial assets in prior periods and expectations about future sales activities.

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

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

SPPI (Solely Payments of Principal and Interest) test

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

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

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

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

› Prepayment or renewal options and

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

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

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

Subsequent measurement

Financial assets at FVTPL (Fair Value through profit and loss): These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss. For derivatives designated as hedging instruments, please see Note 37.

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

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

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

In financial year 2020 and in the previous year, financial asset conditions were not re-negotiated.

Impairment

IFRS 9 is based on the "expected credit loss" model.

The valuation based on the expected credit loss model over the entire contractual term must be applied if the credit risk of a financial asset has increased significantly between the initial journal entry and the balance sheet date; in all other scenarios, the valuation concept using 12-month credit defaults must be used. However, the full life-time expected credit loss method must always be used to measure trade debtors and contract assets without significant financing components. There is also an option to use this method for trade debtors and contract assets with a significant financing component. DMG MORI has decided to use the full lifetime expected credit loss method for all trade debtors and contract assets ("simplified approach").

The impairment model must be used for financial assets measured at amortized cost or FVOCI – with the exception of equity securities held as financial assets – and for contract assets.

Impairments in the form of individual value allowances adequately reflect the expected non-payment risks. Specific credit losses lead to de-recognition of the respective receivables. Within the scope of individual value allowances, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, adjusted. The calculation of specific allowances for doubtful receivables is largely based on estimates and measurements of individual receivables, which not only take account of the creditworthiness and default of the respective customer, but also of current economic trends and historical default experience. Impairments of trade debtors are carried out in some cases using value adjustment accounts. The decision to account for non-payment risks using a value adjustment account or by directly reducing the receivables will depend on the reliability of the risk assessment.

This requires considerable discretionary decisions when assessing the impact of changes in economic factors on expected credit defaults. The credit losses recognized for trade debtors are calculated based on experience with actual credit defaults over the past three years. Credit risks within each group are segmented by common default risk characteristics. For the companies, these are, for example, the credit risk assessment, e.g., based on overdue items and the geographical location. The default rates used for DMG MORI, depending on the maturity (not overdue and overdue) and geographic distribution of trade debtors, are between 0.04 % and 5.84 %.

In light of the coronavirus pandemic, the assumptions for determining expected credit losses were reviewed with regard to the recoverability of financial assets, in particular trade debtors. For this purpose, an increase in risk of default was assumed in forward looking information. However, this only resulted in insignificant additional impairment losses.

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

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

Derivative financial instruments

The hedging of risk items from currency and interest rate fluctuations is carried out through the use of derivative financial instruments such as forward exchange transactions. The hedging covers financial risks of scheduled underlying transactions and, in the case of currency risks, also risks from pending supply and service transactions.

All derivative financial instruments are recognized at fair value at their initial measurement. The subsequent measurement is also carried out at fair value. If there is no quoted price on an active market, then the fair value of derivatives corresponds to the cash value of estimated future cash flows.

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

Fair value hedge

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

Cash flow hedge

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

Forward exchange transactions are used to hedge future cash flows from expected incoming payments on the basis of present order intake. Incoming payments are expected within a period of up to one year. Derivative financial instruments are neither held nor issued for speculative purposes. However, derivatives are allocated to financial instruments held for trading and measured at fair value through profit or loss, if the pre-conditions for a cash flow hedge are not fulfilled.

Assets held for sale or disposal groups held for sale

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

Cash and cash equivalents

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

Income taxes

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

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

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

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

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

Current income taxes are the expected tax liability or receivable on the taxable income or loss for the financial year, based on tax rates enacted at the balance sheet date, and any adjustments to tax liabilities for previous years. The amount of the expected tax liability or tax receivable reflects the best estimate, taking into account any tax uncertainties. The tax uncertainties mainly result from intragroup transfers. Current tax liabilities also include all tax liabilities arising from the declaration of dividends. Current tax assets and liabilities are only offset under certain conditions.

Pursuant to IAS 12 "Income Taxes", deferred taxes are assessed using the liability method. For this purpose, deferred tax assets and liabilities were generally recognized for all temporary accounting and valuation differences between the IFRS statement of financial position valuations for group purposes and the tax valuations (temporary differences), and with respect to consolidation procedures recognized in profit or loss and in equity. Deferred tax assets for future tax reduction claims arising from tax-loss carry forwards were also reported in the balance sheet. However, deferred tax assets for all deductible temporary differences and for tax-loss carry forwards were only recognized to the extent that it is probable that future taxable income will be available against which the temporary differences or unused tax losses can be offset. The deferred taxes were calculated on the basis of income tax rates that, pursuant to IAS 12, "Income Taxes", apply on the evaluation date or have been enacted in the individual countries in accordance with the legal status on that date. Deferred tax assets and liabilities were only offset, if allowed by law. Deferred tax assets and liabilities were not discounted in accordance with the provisions contained in IAS 12, "Income Taxes".

The compensation payment by DMG MORI GmbH to the minority shareholders of DMG MORI AKTIENGESELLSCHAFT, which according to Section 16 of the Corporation Tax Act is taxable by DMG MORI AKTIENGESELLSCHAFT as a controlled company, results in taxes. These taxes are to be estimated for the duration of the domination and profit transfer agreement (DPLTA) and the compensation payments probably to be made during this period and must be recognized as other non-financial liability as a decrease in retained earnings. Thus, in financial year 2017, an amount of € 14,477 K was recognized under other provisions for the duration of the domination and profit transfer agreement. As of 31 December 2020, the provision amounted to € 1,830 K (previous year: € 7,231 K).

Provisions and liabilities

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

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

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

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

The provision for the long-term incentive (LTI) as a variable remuneration component for members of the Executive Board was determined, until 31 December 2016, initially at fair value at the date of granting and is re-valuated at the balance sheet date. Any expense or revenue resulting from this is recognized as employee expense and is spread over the term of the program and recognized as provisions. On the basis of the domination and profit transfer agreement concluded in 2016, the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT passed a resolution to ensure a stable calculation base for LTI tranches. For the current LTI tranches 2015-2018 and 2016-2019, fixed imputed values were determined for previous variable parameters of earnings after taxes (EAT) and the share price. These obligations are valued at the amount of the estimated expenses due.

Selected suppliers of the DMG MORI group finance trade debtors from individual subsidiaries in advance on the basis of a reverse factoring agreement concluded with individual subsidiaries and factoring companies. Through this agreement, the subsidiaries involved are basically guaranteed longer payment periods. The reverse factoring agreement leads neither under civil law nor pursuant to the provisions of IFRS to a reclassification of the trade liabilities nor to another type of liabilities, as due to the contractual arrangement, no novations exist under the law of obligations. As of 31 December 2020, a total of € 7,147 K (previous year: € 12,367 K) in trade liabilities had been purchased through the respective factoring company.

Government grants

Government grants are recognized at fair value, if it can be assumed with reasonable certainty that the grant will be made, and the group fulfills the necessary conditions to receive the grant. Government grants for costs are recognized in the period in which the related costs, which the grants are intended to compensate, were incurred. Government grants for investments are recognized as deferred income within other liabilities. They are amortized on a straight-line basis over the expected useful life of the related assets in the income statement under other operating income. Government grants for short-time allowances in Germany are offset against the corresponding expense items. In the reporting year, this resulted in grants amounting to € 26.2 million.

Borrowing costs

According to IAS 23.5, borrowing costs are to be capitalized if exist so-called qualified assets, i.e., those that take a substantial period of time to get ready for their intended use or sale. At the DMG MORI group, a period of more than twelve months is considered a substantial period of time. Borrowing costs in financial year 2020 that arose from the development assets amounted to € 8 K (previous year: € 8 K). However, as in the previous year, there were no borrowing costs from property, plant and equipment, which could directly be attributed to the acquisition, construction or production of a qualifying asset. As in the previous year, a borrowing cost rate of 1 % was used. Other borrowing costs were directly recognized as expense in the period.

Revenues from Contracts with Customers

Under IFRS 15, sales revenue is recognized when control of the goods is transferred to the customer. Under IFRS 15, the entity must also identify its performance obligations. The following applies: A contract or the total of the aggregate contracts may include multiple performance obligations, each of them subject to individual rules in relation to the time of realization. The DMG MORI group is of the view that several performance obligations (sale of the machine tool, transport, machine commissioning and training) are attributable to contracts from the sale of machine tools and that these obligations have their own rules regarding the realization principle. This results in revenue from the sale of machine tools being allocated to individual performance obligations. The revenue for these performance obligations and related costs are recognized on completion of the service.

Sales revenues from the sale of machine tools in the DMG MORI group normally include supplementary works. The payment terms normally include an advance payment after receipt of the order confirmation, a payment after delivery of the machine and a final payment after the machine has been commissioned.

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

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

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

4. CONSOLIDATION GROUP

D.12 | NUMBER OF FULLY CONSOLIDATED COMPANIES	31 Dec 2020	31 Dec 2019
National	30	30
International	45	46
Total	**75**	**76**

At the balance sheet date, the DMG MORI group, including the DMG MORI AKTIENGESELLSCHAFT, comprised 82 companies (previous year: 85). In addition to DMG MORI AKTIENGESELLSCHAFT 74 subsidiaries (previous year: 75) were included in the Consolidated Financial Statements as part of the full consolidation process. Seven companies (previous year: nine) accounted for at equity were included in the Consolidated Financial Statements. The DMG MORI AKTIENGESELLSCHAFT is directly or indirectly entitled to a majority of voting rights of the fully consolidated companies.

All fully consolidated subsidiaries and all companies accounted for using the equity method have the same reporting date as DMG MORI AKTIENGESELLSCHAFT – except for PRAGATI AUTOMATION PVT. LTD., Bangalore (India) and INTECH DMLS PRIVATE LIMITED, Bangalore (India), whose reporting date is 31 March due to local legal requirements.

Since the end of financial year 2019, the companies,

› DMG MORI HEITEC Digital Kft., Budapest (Ungarn),
› DMG MORI Digital GmbH, Bielefeld,
› SparePartsNow GmbH, Aachen,
› DMG MORI Saudi Arabia Maintenance Company, Riad (Saudi Arabia),

have been added to the consolidation group.

DMG MORI HEITEC Digital Kft., Budapest (Hungary) was founded in March 2020. DMG MORI has a 49.9 % interest in this company. The remaining shares are held by a cooperation partner. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

At the end of November 2020, GILDEMEISTER Beteiligungen GmbH acquired the remaining 60 % shares in DMG MORI Digital GmbH, Bielefeld, from our previous cooperation partner. The wholly owned subsidiary has been fully consolidated since 1 December 2020.

DMG MORI Services GmbH, Bielefeld, has merged with retroactive effect as of 1 January 2020 with DMG MORI Vertriebs und Service GmbH, Bielefeld.

In December 2020, GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Italy), was merged with GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Italy), with retroactive effect from 1 January 2020.

In September 2020, DMG MORI AKTIENGESELLSCHAFT sold its 44.1 % interest in

› Magnescale Co. Ltd., Kanagawa (Japan),
› Magnescale Europe GmbH, Wernau,
› Magnescale Americas, Inc., Davis (USA),

to DMG MORI COMPANY LIMITED. The purchase price was determined using an external valuation report in an amount of € 44,500 K and was paid in full. This buyback means that DMG MORI COMPANY LIMITED again holds a 100 % interest in Magnescale Co. Ltd. and its subsidiaries. Until the date of their disposal, the three companies were included in the consolidated financial statements as associated companies accounted for using the equity method. From the date of their disposal, these three companies were classified as other related parties under IAS 24.

As in the previous year, the company shown below was classified as a joint venture under IAS 11:

› DMG MORI HEITEC GmbH, Erlangen.

The companies listed below were classified as associated companies under IAS 28. The interests were included in the Consolidated Financial Statements "at equity" from the date of their acquisition:

› PRAGATI AUTOMATION Pvt. Ltd., Bangalore (India),
› INTECH DMLS PRIVATE LIMITED, Bangalore (India),
› DMG MORI Finance GmbH, Wernau,
› Vershina Operation, LLC., Narimanov (Russia),
› DMG MORI HEITEC Digital Kft., Budapest (Hungary),
› SparePartsNow GmbH, Aachen.

Business combinations 2020

With contract dated 16 November 2020, GILDEMEISTER Beteiligungen GmbH acquired the remaining 60 % interest in DMG MORI Digital GmbH, Bielefeld, from our previous cooperation partner. The wholly owned subsidiary has been fully consolidated since 1 December 2020.

The consideration's fair value amounted to € 138 K and was paid in cash. Costs directly related to the business combination in the amount of € 1 K were recognized as an expense in the period.

The individual assets and liabilities acquired were recognized at fair value when they were initially accounted for in the consolidated statement of financial position. The details are shown in the table below. [→ D.13]

D.13 | DMG MORI DIGITAL GMBH in T€	2020
Inventories	12
Trade debtors	167
Other short-term assets	99
Cash and cash equivalents	235
Other provisions	95
Trade creditors	47
Other short-term liabilities	141
Net assets	**230**
Consideration for acquisition of the 60 % interest	138
Fair value of the 40 % interest held	92
Consideration for 60 % of the interest	**230**
Gains or losses from acquisition	
Consideration for acquisition of the interest	230
Net assets	230
Gain or loss	**0**

The fair value measurement of the 40 % interest previously held resulted in a loss of € -10 K.

As of 1 December 2020, DMG MORI Digital GmbH contributed an additional € 11 K to the group's sales revenue. The share of profit after tax for the same period amounted to € -26 K. If the acquisition of the interest in DMG MORI Digital GmbH had already been consolidated on 1 January 2020, the share of profit after tax would have been € 174 K. Sales revenues would have amounted to € 1,413 K and been mainly generated by DMG MORI group companies.

Disposal of subsidiaries 2019

With effect from 1 July 2019, Energy Solutions business operations were sold to a strategic investor. The order backlog at Energy Solutions at this date was mainly processed in the reporting year and resulted in sales revenue. All shares in

- › GILDEMEISTER energy efficiency GmbH (80 %), Stuttgart,
- › GILDEMEISTER ENERGY SERVICES IBERICA, SOCIEDAD LIMITADA (100 %), Madrid (Spain),
- › GILDEMEISTER ENERGY Services UK Ltd. (100 %), Manchester (Great Britain)

as well as selected, contractually agreed assets and liabilities were transferred to a strategic investor (share deal and asset deal). Due to the minor materiality of the individual companies and amounts, the disclosures have been presented as an aggregate. The selling price totaled € 13,499 K. The shares were fully consolidated as of the date of acquisition or incorporation. All assets and liabilities were deconsolidated from the group at the time the shares in this company were sold. Overall, the disposal of the companies with their assets and liabilities and the disposal of selected assets and liabilities resulted in a gain on disposal of € 5,885 K. There was a pro rata reduction in goodwill amounting to € 1,311 K. The capital gains are recognized in other operating income.

The consideration received due to the loss of control of the disposed assets and liabilities and the gains or losses on disposals are shown in the following table:

D.14 in € K	2019
Intangible assets	5
Goodwill	1,311
Tangible assets	4,236
Inventories	545
Trade debtors	3,762
Other assets	3,771
Deferred tax assets	1
Cash and cash equivalents	1,600
Assets sold	**15,231**
Provisions	702
Trade creditors	2,958
Other liabilities	3,959
Deferred tax liabilities	4
Debt sold	**7,623**
Net assets sold	**7,608**
Consideration received	**13,499**
Other comprehensive income	-6
Gains or losses	**5,885**

In the financial year, the disposal of shares resulted in a cash inflow of € 812 K.

As part of the sale of Energy Solutions business operations to a strategic investor, sixteen project companies in Spain were also disposed. These companies were not fully consolidated in financial year 2018 due to materiality.

The group of consolidated companies has changed compared to the previous year as explained above. When compared with the Consolidated Financial Statements of 31 December 2019, the results of operations, financial and net-worth position were not significantly affected in this regard.

A general overview of all companies within the DMG MORI group can be found on pages 154 et seq.

5. FOREIGN CURRENCY TRANSLATION

The currency translation of all Annual Financial Statements of the international group companies that were prepared in foreign currencies was carried out in accordance with the functional currency principle pursuant to IAS 21 "The Effects of Change in Foreign Exchange Rates". Since all subsidiaries operate their business independently in financial, economic and organizational respects, their respective currencies represent the respective local currency. Assets and debts of foreign subsidiaries were translated in Euro at the average rate of exchange as of the balance sheet date, and revenue and expenses pursuant to IAS 21.40 at the transaction exchange rate – as far as reasonably approximated by average annual rates. The foreign exchange differences arising from items being translated at different rates in the balance sheet and income statement were recognized directly in equity.

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

In the individual financial statements monetary items (cash, receivables and liabilities) in a foreign currency were valued at the exchange rate at the reporting date. Non-monetary items in foreign currencies were assessed at historical values. The differences arising from the currency translation of monetary items were shown in the income statement. Goodwill resulting from the acquisition of international companies was recognized as assets of the foreign business operations and was translated at the exchange rates at the time of the transactions.

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

The exchange rates of the major currencies developed as follows: [→ D.15]

NOTES TO INDIVIDUAL ITEMS IN THE INCOME STATEMENT

6. SALES REVENUES

Broken down by sales area, that is, according to the customer's place of business, the following distribution of sales revenues occurred:

D.16 in € K	2020	2019
Germany	553,035	769,203
EU (excluding Germany)	617,639	979,531
USA	14,887	20,603
Asia	500,966	637,080
Other countries	144,766	295,072
	1,831,293	**2,701,489**

A breakdown and explanation of the sales revenue from the sale of goods and provision of services are given in segmental reporting on page 100 et seq. and in the "Segment Report" chapter of the Group Management Report on page 64 et seq.

The table below shows a reconciliation of sales revenue for 2020 by sales territory, as well as key product and service lines as per reporting segment. [→ D.17 | D.18]

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

Contract balances

The following table provides information on contract balances from contracts with customers. [→ D.19]

D.15 | CURRENCIES		Exchange rate on reporting date = € 1		Average exchange rate = € 1	
	ISO-Code	31 Dec 2020	31 Dec 2019	2020	2019
Australian dollars	AUD	1.58560	1.59950	1.65333	1.60897
Canadian dollars	CAD	1.55880	1.45980	1.53214	1.48823
Swiss franc	CHF	1.08155	1.08540	1.07164	1.11235
Chinesise renminbi	CNY	8.00180	7.82050	7.89895	7.73531
Czech crowns	CZK	26.26200	25.40800	26.45485	25.66377
British pound	GBP	0.89510	0.85080	0.88672	0.87730
Indian rupees	INR	89.40175	80.18700	84.62708	78.84879
Japanese yen	JPY	126.32545	121.94000	121.80819	122.25846
Polish zloty	PLN	4.55895	4.25680	4.45294	4.29917
Russian rubles	RUB	90.49915	69.95630	83.06102	72.79492
Singapore dollars	SGD	1.61710	1.51110	1.57335	1.52788
US dollars	USD	1.22355	1.12340	1.14487	1.12142

Sources: European Central Bank, Frankfurt/Main

D.17

in € K	Machine Tools 2020	Industrial Services 2020	Corporate Services 2020	Group 2020
Sales Area				
Germany	308,408	244,452	0	552,860
EU (excluding Germany)	311,605	306,034	0	617,639
USA	7,873	7,014	0	14,887
Asia	329,443	171,523	0	500,966
Other countries	89,630	55,136	0	144,766
Total	**1,046,959**	**784,159**	**0**	**1,831,118**
Key product / services lines				
Machine Tool sales	1,046,959	0	0	1,046,959
Trading volume with DMG MORI CO. Ltd. products	0	348,633	0	348,633
Core service business	0	430,204	0	430,204
Other	0	5,322	0	5,322
Total	**1,046,959**	**784,159**	**0**	**1,831,118**
Revenue from contracts with customers	**1,046,959**	**784,159**	**0**	**1,831,118**
Other sales revenue	**0**	**0**	**175**	**175**
External sales revenue	**1,046,959**	**784,159**	**175**	**1,831,293**

D.18

in € K	Machine Tools 2019	Industrial Services 2019	Corporate Services 2019	Group 2019
Sales Area				
Germany	441,379	327,650	0	769,029
EU (excluding Germany)	468,576	510,955	0	979,531
USA	7,067	13,536	0	20,603
Asia	382,634	254,446	0	637,080
Other countries	133,553	161,519	0	295,072
Total	**1,433,209**	**1,268,106**	**0**	**2,701,315**
Key product / services lines				
Machine Tool sales	1,433,209	0	0	1,433,209
Trading volume with DMG MORI CO. Ltd. products	0	518,079	0	518,079
Core service business	0	540,024	0	540,024
Other	0	210,003	0	210,003
Total	**1,433,209**	**1,268,106**	**0**	**2,701,315**
Revenue from contracts with customers	**1,433,209**	**1,268,106**	**0**	**2,701,315**
Other sales revenue	**0**	**0**	**174**	**174**
External sales revenue	**1,433,209**	**1,268,106**	**174**	**2,701,489**

D.19

in € K	Note	Carrying amount as of 31 December 2020	Carrying amount as of 31 December 2019
Trade receivables from third parties	25	135,114	212,644
Receivables from at equity accounted companies	25	9,865	12,472
Receivables from other related companies	25	466,241	461,550
Receivables from other equity investments	25	37	33
Receivables from down payment invoices		8,578	9,060
Total		**619,835**	**695,759**
Contract liabilities from payments received on account		156,579	214,551
Contract liabilities from performance obligations		35,520	27,770
Contract liabilities from down payment invoices		8,578	9,060
Total		**200,677**	**251,381**

Contract liabilities from payments received on account mainly include advance payments received from customers for machines. Contract liabilities from performance obligations mainly include commissioning services already invoiced but not yet performed, training and maintenance services, shipments of tool packages and extended warranty services. Contract liabilities from down payment invoices mainly relate to due and unpaid advance invoices for which there is an unconditional claim for payment. There are no contract assets.

The decline in contract liabilities under IFRS 15 from € 251,381 K in 2019 to € 200,677 K in 2020 is mainly due to the downturn in business operations in the reporting year.

The total amount of € 251,381 K included in contract liabilities from payments received on account, contract liabilities from performance obligations and contract liabilities from down payment invoices at the beginning of the period (previous year: € 399,257 K) was recognized in sales revenue in financial year 2020 in an amount of € 247,309 K (previous year: € 397,367 K).

The group expects services in the amount of € 194,694 K (previous year: € 247,309 K), which were allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period, to result in sales revenue in financial year 2021. The group applies the practical expedient in IFRS 15.121 and thus has not presented these services separately.

The group expects contract liabilities from performance obligations amounting to € 5,983 K (previous year: € 4,072 K) to result in sales revenue from 2022 to 2024.

7. OWN WORK CAPITALISED

The capitalized own work primarily results from the developed intangible assets for machine tools projects pursuant to IAS 38 "Intangible assets". Capitalized production costs include all costs that are directly and indirectly attributable to the development process and necessary parts of development-related overheads as well as borrowing costs.

8. OTHER OPERATING INCOME

The gains from asset disposals in the financial year mainly result from the sale of land and buildings to third parties. On balance, exchange rate and currency gains occurred in financial year 2020 in the amount of € 3,006 K (previous year: € 3,833 K).

Other income includes income from the subleasing of rights of use in the amount of € 1,668 K (previous year: € 40 K).

D.20 | INCOME UNRELATED TO ACCOUNTING PERIOD
in € K

	2020	2019
Profit on asset disposals	8,372	1,576
Release of provisions	1,085	8,392
Receipt of payments for written off receivables	1,012	1,307
Other income unrelated to accounting period	2,631	3,189
	13,100	**14,464**
OTHER OPERATING INCOME		
Gains on currency and exchange rates	33,972	37,379
Refund of expenses and on-debiting	10,374	9,491
Reduction in impairment losses	2,986	3,006
Compensation for damages	467	460
Bonuses and allowances	403	509
Others	12,959	17,720
	61,161	**68,565**
Total	**74,261**	**83,029**

9. COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10. PERSONNEL COSTS

In financial year 2020, total executive remuneration from direct and indirect remuneration amounted to € 5,152 K (previous year: € 10,219 K). The fixed, non-performance-related remuneration (basic remuneration and fringe benefits) of Executive Board members accounted for a total of € 2,126 K (previous year: € 2,357 K) and € 1,236 K (previous year: € 4,633 K) for short-term variable remuneration (STI). The target achieved for short-term variable remuneration (STI) is 68 % for the key figure, EBIT, and 57 % for the key figure, order intake. The sustainability factor ("modifier") is set at 120 %. The last LTI tranche 2018 to 2020, which was allocated on 31 December and will be paid in financial year 2021, results in a contribution totaling € 990 K (previous year: € 2,391 K from LTI tranche 2016-2019 and LTI tranche 2017-2019).

In addition to direct remuneration, indirect remuneration was spent in the form of pension commitments amounting to € 800 K (previous year: € 838 K).

Former members of the Executive Board and their surviving dependants received € 1,434 K (previous year: € 1,287 K). Pension provisions for former members of the Executive Board and their surviving dependents have been formed in the amount of € 34,908 K (previous year: € 35,717 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained on pages 32 et seq. of the Group

Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out on pages 38 et seq. of the remuneration report.

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

In the financial year 2020, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 27,120 K (previous year: € 29,399 K). This includes employers' contributions to statutory pension insurance amounting to € 25,350 K (previous year: € 27,408 K).

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

D.21

	Average number		At the balance sheet date	
	2020	2019	31 Dec 2020	31 Dec 2019
Wage earners	1,878	1,979	1,784	1,955
Salary earners	4,829	5,007	4,609	4,943
Trainees	292	349	279	347

11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

A breakdown of item into intangible assets and tangible assets can be found in the asset movement schedule on page 96 et seq.

Depreciation and amortization include depreciation of right-of-use assets in an amount of € 20,218 K (previous year: € 19,937 K) under IFRS 16 "Leases". The following table shows a detailed breakdown:

D.22 | AMORTIZATION OF RIGHT-OF-USE ASSETS in € K	2020	2019
Land and buildings	4,629	3,778
Technical equipment and machinery	3,524	3,647
Other equipment, factory and office equipment	12,065	12,512
Total	**20,218**	**19,937**

Depreciation, amortization and impairment include impairments of € 3,481 K (previous year: € 5,275 K) for plant, property and equipment. Further information can be found in "Tangible assets".

12. OTHER OPERATING EXPENSES

As a result of the effects of the coronavirus pandemic and the cost-cutting measures introduced and implemented by the group, expenses for corporate communications, trade fairs and other advertising expenses were lower than in the previous year. This also applies to outbound freight, packaging, as well as to sales commissions, which depend on sales and the category, level, and territory where the sales are generated. [→ D.23]

Exchange rate and currency losses are to be seen in connection with exchange rate and currency gains in other operating income. On balance, exchange rate and currency gains occurred in an amount of € 3,006 K (previous year: € 3,833 K).

Rent and lease expenses include € 3,435 K (previous year: € 5,532 K) in expenses for short-term leases, € 1,386 K (previous year: € 1,097 K) in expenses for low-value asset leases, excluding short-term, low value asset leases, and € 579 K (previous year: € 654 K) in expenses for variable lease payments.

Moreover, this line shows expenses from service components that were mainly agreed within the scope of car leasing contracts. This resulted in expenses of € 6,142 K in the reporting year (previous year: € 6,640 K).

In financial year 2020, € 893 K (previous year: € 899 K) was accrued for the total remuneration of the Supervisory Board; this was recognized under other external services. An individual and detailed presentation of Supervisory Board remuneration in the financial year is set out on pages 32 et seq. of the Remuneration Report.

13. FINANCIAL INCOME

Interest earned and other income of the DMG MORI group amounted to € 4,462 K (previous year: € 5,646 K). These also include interest income amounting to € 3,490 K (previous year: € 3,700 K) from the loan to DMG MORI GmbH.

14. FINANCIAL EXPENSES

Financial expenses of € 8,944 K (previous year: € 10,766 K) are related primarily to interest expenses and other financial expenses.

Interest expenses of € 6,645 K (previous year: € 9,538 K) are mainly related to interest expenses for financial liabilities and group factoring. This also includes interest from leases under IFRS 16 in an amount of € 858 K (previous year: € 979 K) and € 606 K (previous year: € 637 K) in interest expenses calculated by DMG MORI GmbH in the financial year.

This also includes an interest component of € 248 K (previous year: € 506 K) from allocations to pension provisions.

Other financial expenses amounting to € 2,051 K (previous year: € 722 K) include expenses for transaction costs in the amount of € 882 K (previous year: € 633 K). The scheduled amortization of transaction costs for the syndicated credit line results in an amount of € 407 K. Due to the early extension of the current

D.23 | EXPENSES UNRELATED TO ACCOUNTING PERIOD

in € K

	2020	2019
Losses from the disposal of fixed assets	689	701
Other taxes	555	3,141
Other expenses unrelated to accounting period	1,719	3,485
	2,963	**7,327**
OTHER OPERATIONAL EXPENSES		
Freight out, packaging	41,304	57,412
Other external services	34,220	34,538
Exchange rate and currency losses	30,966	33,546
Corporate communication, trade fairs and other advertising expenses	25,519	40,430
Travelling and entertainment expenses	19,654	41,741
Rental and leases	11,542	13,922
Cost of preparation of accounts, legal and consultancy fees	10,543	13,888
Sales commissions	10,053	18,133
Other personnel costs	8,735	14,412
Impairment on receivables	8,621	6,484
Additions to provisions	7,817	14,485
Stationery, post and telecommunication expenses	6,945	8,653
Insurance	6,431	6,939
Expenses for temporary employment and contractor	5,354	26,752
Other taxes	4,780	5,214
Licences and trademarks	3,092	2,802
Monetary transactions and capital procurement	1,230	1,261
Investor and Public Relations	419	837
Others	16,376	24,066
	253,601	**365,515**
Total	**256,564**	**372,842**

syndicated credit line with an original term until February 2022 by a further three years until February 2025, unscheduled transaction costs of € 475 K were incurred. This item also includes € 949 K (previous year: € 84 K) from the accrued interest on other long-term provisions.

15. SHARE OF PROFITS AND LOSSES OF AT EQUITY-ACCOUNTED INVESTMENTS

Earnings from companies accounted for at equity amount to € 2,095 K (previous year: € 2,548 K). This mainly includes the income generated in financial year 2020 from the pro rata earnings in the reporting year for Magnescale Co. Ltd., Kanagawa (Japan), until the date of its disposal, amounting to € 2,071 K (previous year: € 1,771 K) and the pro rata income from the interest in DMG MORI Finance GmbH in an amount of € 619 K (previous year: € 962 K). The earnings are reported under "Other changes" in depreciation and amortization in the consolidated fixed asset movement schedule.

16. INCOME TAXES

Current and deferred tax expenses and income, as well as expenses from the tax allocation are disclosed under this item and broken down as follows: [→ D.24]

D.24

in € K

	2020	2019
Current taxes	**21,790**	**69,554**
Tax expenses for the current financial year	22,177	64,049
Tax income for previous periods	-3,691	-322
Tax expenses for previous periods	3,304	5,827
Deferred taxes	**991**	**-4,830**
Losses carried forward	1,279	1,884
Tax credits	-2,172	-4,979
Temporary differences	1,791	-1,848
Tax rate reduction	93	113
	22,781	**64,724**

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

Tax expenses for the current financial year include current taxes levied in an amount of € 13,068 K (previous year: € 32,295 K) resulting from the taxable entity of DMG MORI GmbH, Bielefeld. An amount of € 3,691 K (previous year: € 322 K) resulted from current tax income for previous years. This item also includes € 3,304 K in current tax expenses (previous year: € 5,827 K) relating to previous years.

D.25 in € K	2020	2019
Earnings before taxes	74,895	219,166
DMG MORI AKTIENGESELLSCHAFT income tax rate in percent	29.8	29.8
Expected tax income / expense	22,319	65,311
Tax consequences of the following effects		
Adjustment due to different tax rate	-2,756	-7,936
Effects from the changes in tax rate	93	113
Tax reduction due to the revenues exempt from taxation	-1,459	-1,277
Tax loss carried forward	3,201	957
Non-recognition of temporary differences / deferred taxes previous years	337	433
Tax increase due to non-deductible expenses	5,739	6,112
Tax income or expenditure for prior years	-387	5,505
Tax credits	-4,442	-5,067
Other adjustments	136	573
Income taxes	**22,781**	**64,724**

Current tax expenses were reduced by € 499 K (previous year: € 3,238 K) due to the utilization of previously unrecognized tax losses.

The deferred taxes are assessed on the basis of the tax rates applicable or expected in the individual countries based on their current statutory regulations. For financial year 2020, the domestic corporate income tax rate was 15.0 % (previous year: 15.0 %) plus 5.5 % (previous year: 5.5 %) solidarity surcharge. This results in an effective corporate income tax rate of 15.8 % (previous year: 15.8 %). Taking account of the trade tax of 14.0 % (previous year: 14.0 %), the overall tax rate was 29.8 % (previous year: 29.8 %). The result is the tax rate applicable for the valuation of deferred taxes for domestic companies. The tax rates applicable in foreign countries are between 16 % and 30 % (previous year: 16 % and 31 %).

The net amount of income tax on other comprehensive income is € 263 K (previous year: € 1,787 K) and relates to changes in the fair values of derivative financial instruments included in other comprehensive income and the revaluation of defined benefit plans.

The difference between current and expected income tax expense is due to the following: [→ D.25]

The reported income tax expenses for the 2020 financial year of € 22,781 K (previous year: € 64,724 K) is € 462 K higher (previous year: € 587 K lower) than the expected income tax expense of € 22,319 K (previous year: € 65,311 K), which would theoretically result from applying the domestic tax rate of 29.8 % for the financial year 2020 (previous year: 29.8 %) at group level.

The change in tax loss carried forwards mainly relates to the non-recognition of deferred tax assets for current losses in an amount of € 3,169 K (previous year: € 3,272 K) and adjustments made to deferred tax assets on loss carryforwards from previous years amounting to € 565 K (previous year: € 1,036 K).

On the other side, deferred taxes previously not recognised on losses carried forward in the amount of € 533 K (previous year: € 3,351 K) could be capitalized or utilized.

The recognition of previously unrecognized deductible temporary differences amounted to € 613 K in the financial year (previous year: € 0 K). In the financial year, deferred taxes on temporary differences were written down in the amount of € 950 K (previous year: € 433 K).

In the reporting year, the tax effects from tax credits were reported separately and the previous year was adjusted.

Further information can be found in section "Deferred taxes".

17. ANNUAL PROFIT ATTRIBUTED TO NON-CONTROLLING INTERESTS

Non-controlling interests account for a pro rata annual profit of € 221 K (previous year: € 2,568 K). This item mainly includes the pro rata share of income from non-controlling interests in DMG MORI Machine Tools Trading Co., Ltd., Shanghai (China), GILDEMEISTER LSG Beteiligungs GmbH, Würzburg (Germany), and DMG MORI India Private Limited, Bangalore (India).

18. EARNINGS PER SHARE

In accordance with IAS 33 "Earnings per Share", the undiluted earnings per share ("basic earnings per share") are determined by dividing the consolidated profit – excluding profit shares of other owners – by the average weighted number of ordinary shares outstanding, as follows: [→ D.26]

D.26	2020	2019
Group result excluding annual net income attributable to non-controlling interests	€ 51,893 K	€ 151,874 K
Average weighted number of shares (pieces)	78,817,994	78,817,994
Earnings per share	€ 0.66	€ 1.93

Earnings result exclusively from continued business. Group earnings after tax of € 52,114 K were reduced by the result of non-controlling interests in the amount of € 221 K. The earnings per share (undiluted) was € 0.66 in the reporting year (previous year: € 1.93). As in the previous year, there were no dilutive effects.

NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

19. INTANGIBLE ASSETS

The goodwill amounts to € 138,103 K (previous year: € 138,082 K).

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

DMG MORI tests for impairment of goodwill on an annual basis. For the reporting period 2020, the recoverable amount of the cash-generating units was determined based on value-in-use calculations, which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the relevant bodies and covering a period of 5 years. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The assumptions underlying the key planning parameters reflect past experience and future expectations. The calculation of the present value of estimated future cash flows is mainly based on assumptions regarding future sales prices or volumes, EBIT margins, expenses and capital expenditures. The projected development of sales revenue is largely determined on the basis of the expected order intake for machine tools and services (see forecast report, page 86 et seq). The assumptions regarding the future development of order intake and sales revenue for the 5-year forecast period are based on management's expectations of market trends. These are based on forecasts from the economic research institute, Oxford Economics, for world machine tool market trends. For 2021, sales revenue is expected to fall to around € 1.7 billion. In subsequent periods, there are plans for growth based on management's expectations of market trends and external forecasts. For the final year of the forecast period 2025, sales revenue is expected to be slightly lower than the figure for financial year 2019. The development of contribution margins is based on past experience and planned efficiency improvements. The expenses are planned according to the expected increase in costs. With regard to the EBIT margin, a margin of around 2.0 % has been planned for 2021. In subsequent years, the group projects increasing EBIT margins, which in 2025 should be marginally higher than the EBIT margin achieved in 2019.

Annual capital expenditures are based on past experience and planned expansion investments, which, in calculating value in use, are assumed to neither lead to an increase in sales nor to a reduction in costs. Capital expenditures average around 3 % of sales revenue in the planning periods.

A sustainable growth rate of 1% was projected for the period following the forecast period, which is in line with general expectations of future business development.

The cash flows determined were discounted at pre-tax weighted cost of capital rates (WACC) of 14.4 % (previous year: 12.9 %) for the cash-generating unit "Machine Tools" and 14.5% (previous year: 12.4%) for "Industrial Services". The WACC was derived from the application of the "Capital Asset Pricing Model" (CAPM). If the recoverable amount of a cash-generating unit is lower than its carrying amount, the value of goodwill allocated to the cash-generating unit will, initially, be reduced at an amount equal to the remaining balance. As in the previous year, in financial year 2020 there was no need for impairment. The impairment tests included sensitivity analyses of key assumptions (EBITDA margin, costs of capital, growth rate). The findings showed that no change in key assumptions deemed possible by the Executive Board would have led to an impairment.

For the purpose of impairment testing, the group of cash-generating units in the "Machine Tools" segment was allocated goodwill of € 57,073 K (previous year: € 57,073 K) and the group of cash-generating units in the "Industrial Services" segment was allocated goodwill in the amount of € 81,030 K (previous year: € 81,009 K).

Intangible assets arising from development relate to new machine tool projects in domestic and international production companies, to service products and to specific software solutions. Intangible assets arising out of development recognized at the end of the financial year amounted to € 12,143 K (previous year: € 14,620 K). The research and development costs directly recognized as an expense amount to € 62,606 K in financial year 2020 (previous year: € 52,743 K).

The amount stated for industrial property rights and similar rights includes acquired patents, rights from acquired customer relations, utility models and trademarks as well as data processing software.

The development and a breakdown of items in the group's intangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in the Group Management Report on pages 60 et seq.

20. TANGIBLE ASSETS

The development and a breakdown of items in the group's tangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in the Group Management Report on pages 60 et seq.

In the financial year, impairment losses of € 3,481 K (previous year: € 5,275 K) were recognized in depreciation, amortization and impairment. This included € 1,797 K (previous year: € 836 K) relating to the "Corporate Services" segment, € 1,046 K (previous year: € 224 K) to the "Machine Tools" segment and € 638 K (previous year: € 4,215 K) to the "Industrial Services" segment. The key points are explained below.

DMG MORI has identified an impairment of € 1,455 K for a solar park that also constitutes a cash generating unit resulting from rising maintenance costs and higher degradation of solar module performance. The recoverable amount of the plant was € 1,698 K. The amount was allocated to the item, "Depreciation, amortization and impairment losses" and recognized in the "Corporate Services" segment. The discount factor before taxes used to determine the value in use was 4 %.

An impairment was identified for technical equipment as it could not be used. Impairment testing of the recoverable amount, which had to be recognized at € 0 K due to decommissioning, resulted in the recognition of an impairment loss of € 1,046 K. The impairment loss was allocated to the item, "Depreciation, amortization and impairment losses" and recognized in the "Machine Tools" segment. There were no reversals of impairment losses recognized in the previous year.

The DMG MORI group leases specific tangible assets such as land and buildings, technical equipment and machines, office equipment and cars. In accordance with the adoption of IFRS 16, the DMG MORI group reports right-of-use assets amounting to € 52,907 K as of 31 December 2020 (previous year: € 62,186 K) under property, plant and equipment. Additions to right-of-use assets during financial year 2020 amounted to € 12,017 K (previous year: € 13,325 K). Similarly, lease liabilities of € 52,336 K (previous year: € 61,355 K) were recognized as liabilities (see page 138 et seq.).

The following items were recognized in the balance sheet in relation to leases:

D.27 | RIGHT OF USE ASSETS

in € K	31 Dec 2020	31 Dec 2019
Land and buildings	27,607	28,261
Technical equipment and machinery	7,232	11,659
Other equipment, factory and office equipment	18,067	22,266
Total	**52,907**	**62,186**

21. EQUITY INVESTMENTS

Equity investments are accounted for at fair value and designated as at FVOCI. At initial recognition, DMG MORI exercised the option under IFRS 9.4.1 to recognize subsequent changes in the fair value of equity investments in other comprehensive income.

In financial year 2020, further partners joined the strategic alliance of ADAMOS GmbH. The interest held by GILDEMEISTER Beteiligungen GmbH is now 12.5 % (previous year: 14.28 %). DMG MORI does not exercise any significant influence over the business activities of ADAMOS GmbH. There were no dividend payouts during the financial year.

GILDEMEISTER Beteiligungen GmbH holds a 15.02 % interest in TULIP Interfaces Inc, Somerville (USA). The cooperation with the US software provider, TULIP, allows DMG MORI to provide its customers with easier access to digital manufacturing. DMG MORI does not exercise any significant influence over the business activities of TULIP Interfaces Inc. There were no dividend payouts during the financial year.

Furthermore, GILDEMEISTER energy solutions GmbH holds a 40 % interest in Sonnenstromalpha GmbH & Co. KG, Hamburg and GILDEMEISTER Beteiligungen GmbH holds a 5 % interest in STBO GmbH, Bielefeld.

The DMG MORI group does not exercise any significant influence over these companies.

As of 31 December 2020, the fair value of the investments totaled € 25,068 K (previous year: € 25,595 K).

In the reporting year, impairment losses of € 1,473 K (previous year: € 0 K) were recognized on investments in other comprehensive income.

An overview of all DMG MORI group companies and information on registered offices, equity and equity interests in financial year 2020 are shown on pages 154 et seq.

22. EQUITY-ACCOUNTED INVESTMENTS

The following overview shows aggregated key financial figures for equity accounted companies included in the Consolidated Financial Statements. The figures refer to equity interests, carrying amounts and notes on the balance sheet as well as to sales revenues, other income and expenses. [→ D.28]

D.28	31 Dec 2020		31 Dec 2019	
	Equity interest %	Carrying amount €K	Equity interest %	Carrying amount €K
Total at reporting date		**37,147**		**84,202**
Of which, joint ventures				
DMG MORI HEITEC GmbH	50.0	569	50.0	676
Of which, associated companies				
DMG MORI HEITEC Digital Kft.	49.9	331	–	–
DMG MORI Finance GmbH	42.6	12,232	42.6	11,612
SparePartsNow GmbH	36.3	0	–	–
Vershina Operation, LLC.	33.3	1,291	33.3	1,100
Magnescale Co. Ltd.	–	–	44.1	42,506
INTECH DMLS PRIVATE LIMITED	30.0	2,510	30.0	7,498
PRAGATI AUTOMATION Pvt. Ltd.	30.0	20,214	30.0	20,784
DMG MORI Digital GmbH	–	–	40.0	26

DMG MORI HEITEC Digital Kft., Budapest (Hungary) was founded in March 2020. DMG MORI has a 49.9 % interest in this company. The remaining shares are held by a cooperation partner. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

At the end of November 2020, GILDEMEISTER Beteiligungen GmbH acquired the remaining 60 % shares in DMG MORI Digital GmbH, Bielefeld, from our previous cooperation partner. The wholly owned subsidiary has been fully consolidated since 1 December 2020. In December 2020, GILDEMEISTER Beteiligungen GmbH and its cooperation partners formed the company, SparePartsNow GmbH. It holds a 36.3 % interest in the company. The share capital had not yet been paid up as of this date. This company is classified as an associated company and is accounted for in the Consolidated Financial Statements using the equity method.

The equity interests of the equity-accounted companies correspond to the voting rights.

In the reporting year, impairment losses on the interest in INTECH DMLS PRIVATE LIMITED amounting to € 4,432 K (previous year: € 0 K) were recognized and accounted for in the "Machine Tools" segment. These resulted from changes in the company's market and business environment. The discount factor before taxes used to determine the value in use was 13.3 %.

Details of the results from equity-accounted companies are presented in the explanatory notes to the individual items on the income statement under "Share of profits and losses of equity-accounted companies" on page 122.

We consider DMG MORI Finance GmbH and PRAGATI AUTOMATION Pvt. Ltd. to be significant investments.

The figures for DMG MORI Finance GmbH are also summarized in the following table:

D.29 | DMG MORI FINANCE GMBH in € K	31 Dec 2020	31 Dec 2019
Short-term assets	227,401	201,812
Long-term assets	368,294	357,289
Short-term liabilities	201,314	200,198
Long-term liabilities	365,633	331,612
Net carrying amount	28,748	27,291
Sales revenues	177,686	168,991
Net income for the year	1,457	2,261

The reconciliation of the carrying amounts at the reporting date is as follows:

D.30 | DMG MORI FINANCE GMBH in € K	31 Dec 2020	31 Dec 2019
Net carrying amount as of 1 January	27,291	25,030
Earnings after taxes	1,457	2,261
Net carrying amount as of 31 December	28,748	27,291
Proportional equity	12,232	11,612
Carrying amount of equity accounted interests	**12,232**	**11,612**

A summary of the figures for PRAGATI AUTOMATION Pvt. Ltd. is shown in the table below.

D.31 | PRAGATI AUTOMATION PVT. LTD. in € K	31 Dec 2020 [1]	31 Dec 2019
Short-term assets	31,128	39,796
Long-term assets	43,515	47,914
Short-term liabilities	10,276	14,875
Long-term liabilities	14,822	21,389
Net carrying amount	49,545	51,446
Sales revenues	17,662	27,466
Net income for the year	-1,901	984

1) As the financial data of PRAGATI AUTOMATION Pvt. Ltd. was not yet available on the date the Consolidated Financial Statements were prepared, a summary of this data and the reconciliation of the carrying amount recognized in the consolidated balance sheet were determined on the basis of the company's financial statements as of 31 March 2020. The resulting effects on the carrying amount rollforward as of 31 December 2020 were estimated.

The reconciliation of the carrying amounts at the reporting date is as follows:

D.32 | PRAGATI AUTOMATION PVT. LTD. in € K	31 Dec 2020	31 Dec 2019
Net carrying amount as of 1 January	51,446	50,462
Earnings after taxes	-1,901	984
Net carrying amount as of 31 December	49,545	51,446
Proportional equity	14,864	15,434
Goodwill from at-equity valuation	5,350	5,350
Carrying amount of equity accounted interests	**20,214**	**20,784**

For immaterial joint ventures, there was an aggregate share of profit or loss in the amount of € -107 K (previous year: € -77 K) and for immaterial associates in the amount of € 81 K (previous year: € -404 K).

In the reporting year, DMG MORI received a dividend in the amount of € 283 K from Vershina Operation, LLC.

In September 2020, DMG MORI AKTIENGESELLSCHAFT sold the 44.1% interest it held in Magnescale Co. Ltd., Kanagawa (Japan) and its subsidiaries to DMG MORI COMPANY LIMITED. The purchase price was determined by means of an external valuation report in an amount of € 44,500 K and was paid in full. This buyback means that DMG MORI COMPANY LIMITED again holds a 100% interest in Magnescale Co. Ltd. and its subsidiaries. Until the date of their disposal, the three companies were included in the Consolidated Financial Statements as associated companies and accounted for using the equity method. The sale resulted in a gain of € 244 K, which was reported under other operating income. From the date of their disposal, these three companies were classified as other related parties under IAS 24.

The most significant items to the balance sheet and the income statement have been combined for all three companies and presented for the previous year in the following table. [→ D.29]

A pro rata profit of € 2,071 K (previous year: € 1,771 K) was recognized for Magnescale Co. Ltd. The pro rata foreign currency effect recognized in other comprehensive income in the amount of € -330 K (previous year: € 944 K) was realized as part of the disposal.

Besides annual net profit, a currency effect of € 2,141 K was recognized on a pro-rata basis in other comprehensive income. In 2019, this results in total earnings of € 6,155 K, pro-rata € 2,716 K.

D.33 | MAGNESCALE CO. LTD. in € K	31 Dec 2019
Short-term assets	44,883
Long-term assets	51,214
Short-term liabilities	9,734
Long-term liabilities	6,715
Net carrying amount	79,648
Sales revenue	96,030
Net income for the year	4,014

23. LONG-TERM RECEIVABLES AND OTHER ASSETS

D.34 in € K	31 Dec 2020	31 Dec 2019
Trade debtors	1,196	7
Other long-term financial assets	8,082	9,627
Other long-term assets	5,071	3,747
	14,349	**13,381**

Trade debtors are to be assigned to financial assets. As in the previous year, there were no receivables from associated companies included in the long-term trade debtors.

Other long-term financial assets include the following items:

D.35 in € K	31 Dec 2020	31 Dec 2019
Security deposits and other security payments	451	653
Other assets	7,631	8,974
	8,082	**9,627**

Other financial assets include the fair value of an option for purchasing shares in a company amounting to € 2,211 K (previous year: € 2,911 K). During the financial year, an impairment was made in an amount of € 700 K (previous year: € 322 K), which was recognized in other comprehensive income.

Other long-term assets include the following items:

D.36 in € K	31 Dec 2020	31 Dec 2019
Tax refund claims	1,452	1,475
Other assets	3,619	2,272
	5,071	**3,747**

24. INVENTORIES

Inventories are made up as follows:

D.37 in € K	31 Dec 2020	31 Dec 2019
Raw materials and consumables	231,253	275,831
Work in progress	115,398	138,453
Finished goods and goods for resale	192,032	197,526
	538,683	**611,810**

Finished goods and goods for resale include machines in an amount of € 74,560 K (previous year: € 62,639 K) acquired from DMG MORI COMPANY LIMITED for trading purposes. Of inventories shown in the balance sheet on 31 December 2020, € 175,508 K (previous year: € 157,584 K) were recognized at their

D.38 in € K	31 Dec 2020	31 Dec 2019
Trade receivables		
from third parties	133,918	212,637
from at equity accounted companies	9,865	12,472
from other related companies	125,716	90,978
from other equity investments	37	33
Total trade debtors	**269,536**	**316,120**
Other receivables from other related companies	340,525	370,572
Total	**610,061**	**686,692**

net realizable value. In the financial year; impairment of inventories in an amount of € 50,670 K (previous year: € 31,992 K) were recognized as cost of materials.

In the financial year, revaluations amounting to € 3,197 K (previous year: € 2,584 K) arose primarily resulting from the increase in net realizable values; they also were recognized as cost of materials.

25. SHORT-TERM RECEIVABLES

Trade receivables from other related parties include receivables from DMG MORI COMPANY LIMITED amounting to € 114,472 K (previous year: € 79,154 K). In addition, as in the previous year, other receivables from related parties include receivables from DMG MORI GmbH from the issue of a loan amounting to € 340,000 K (previous year: € 370,000 K) and from accrued interest in an amount of € 567 K (previous year: € 617 K) less the impairment from using the "general approach" method. The loan bears interest at market rates. [→ D.38]

In the reporting year, DMG MORI group has continued the unchanged use of factoring programes. As in the previous year, these agreements enabled domestic receivables in the amount of up to € 90,000 K and foreign receivables in the amount of € 77,500 K to be sold. As of the balance sheet date, German receivables with a value of € 43,990 K (previous year: € 67,750 K) and foreign receivables with a value of € 49,905 K (previous year: € 52,250 K) were sold without recourse and were thus no longer part of the receivables at the reporting date.

The gross carrying amounts of trade debtors by geographical region, including receivables amounting to € 264,842 K (previous year: € 316,360 K), for which no specific allowance has been made, are broken down as follows:

D.39 in € K	31 Dec 2020	31 Dec 2019
Germany	60,159	74,013
Europe	90,214	146,272
Asia	17,597	24,822
DMG MORI CO. Group	126,005	91,527
Total	**293,975**	**336,634**

Allowances for trade debtors from third parties and related parties and for other assets were as follows:

D.40 in € K	2020	2019
Allowances as of 1 January	**20,576**	**18,786**
Write-offs	-2,907	-1,688
Net remeasurement in financial year	5,635	3,478
Allowances as of 31 December	**23,304**	**20,576**

A separate statement of allowances on trade receivables and other assets in accordance with IAS 1.82 (ba) was not included in the income statement due to the immateriality of the items. Gross values of trade receivables in the amnount of € 29,133 K (previous year: € 20,274 K) were individually adjusted. The net value of the allowances in the financial year includes additions to specific allowances in the amount of € 2,742 K (previous year: € 1,525 K).

Allowances as of 31 December 2020 include allowances under the general approach for other receivables and cash and cash equivalents in the amount of € 60 K (previous year: € 69 K).

Trade debtor write-offs are recognized, if it is considered highly unlikely that the debtors will meet their payment obligations in the foreseeable future.

At the end of financial year 2020, there were derecognized trade debtors with a contract value of € 4,257 K (previous year: € 515 K), but which are currently pending an enforcement measure.

Expenses relating to allowances and write-offs of trade debtors are reported under other operating expenses. These concern a large number of individual cases.

Please see point 38 for information on the calculation of impairment and credit risks.

26. OTHER ASSETS

Other assets include the following items: [→ D.41]

D.41 in € K	31 Dec 2020	31 Dec 2019
Other short-term financial assets	35,865	46,740
Other short-term assets	62,453	69,125
	98,318	**115,865**

Other short-term financial assets include the following items:

D.42 in € K	31 Dec 2020	31 Dec 2019
Discounted customers' bills of exchange	9,256	14,407
Receivables from factoring	5,797	5,901
Creditors with debit balance	4,460	4,147
Security deposits and other security payments	3,380	7,044
Purchase price receivables from asset disposal	2,786	2,185
Fair market value of derivative financial instruments	990	2,551
Receivables from employees and former employees	488	648
Loans to third parties	43	52
Other short-term financial assets	8,665	9,805
	35,865	**46,740**

No financial assets were provided as collateral either in the reporting year or in the previous year.

Other short-term assets include the following items:

D.43 in € K	31 Dec 2020	31 Dec 2019
Prepayments	26,351	19,450
Tax refund claims	18,448	28,121
Other assets	17,654	21,554
	62,453	**69,125**

Tax refund claims primarily include receivables from value added tax.

27. CASH AND CASH EQUIVALENTS

At the reporting date, bank credit balances amounted to € 123,489 K (previous year: € 154,005 K). Information on the calculation and recognition of impairments can be found under note 38.

The development of cash and cash equivalents, which constitutes cash funds pursuant to IAS 7 "Cash Flow Statements", is presented in the Consolidated Cash Flow Statement on page 91.

28. DEFERRED TAXES

Deferred tax assets and liabilities and deferred tax expense are allocated to the following items: [→ D.44 | D.45]

The deferred taxes are assessed on the basis of the tax rates applicable or expected in the individual countries based on their current statutory regulations. Taking into account the trade income tax as well as the corporate income tax and the solidarity surcharge, a tax rate of 29.8 % is calculated for deferred taxes of domestic companies (previous year: 29.8 %).

A determining factor for the valuation of the recoverability of deferred tax assets is the assessment of the probability of sufficient future taxable income. Based on past experience and the expected taxable income situation, it is assumed that the corresponding advantages from the deferred tax assets can be realized.

As at 31 December 2020, deferred tax assets on losses carried forward amounted to € 1,959 K (previous year: € 3,289 K) and are allocated as follows: As in the previous year, for the German tax

D.44	31 Dec 2020		31 Dec 2019	
in € K	Assets	Liabilities	Assets	Liabilities
Intangible assets	14,437	8,336	14,860	7,767
Tangible assets	9,225	3,766	9,786	4,089
Financial assets	143	0	109	0
Inventories	16,205	901	15,783	1,647
Receivables and other assets	2,941	3,136	5,814	2,225
Provisions	23,977	3,331	22,211	7,121
Liabilities	7,685	7,407	9,202	3,783
Tax credit	6,998	0	5,009	0
Tax loss carried forward	1,959	-	3,289	-
	83,570	**26,877**	**86,063**	**26,632**
Balancing	-25,102	-25,102	-23,508	-23,508
Total	**58,468**	**1,775**	**62,555**	**3,124**

D.45

in € K	2020 Deferred tax expense / -income	2019 Deferred tax expense / -income
Intangible assets	832	2,926
Tangible assets	95	461
Financial assets	-38	188
Inventories	-1,569	-3,458
Receivables and other assets	3,789	4,379
Provisions	-6,333	-7,905
Liabilities	5,108	1,674
Tax credit	-2,172	-4,979
Tax loss carried forward	1,279	1,884
Total	**991**	**-4,830**

group there were no German corporate tax and trade tax loss carry forwards as well as interest carry forwards due to the German interest barrier. Deferred tax assets on losses carried forward are attributable to foreign subsidiaries in an amount of € 1,959 K (previous year: € 3,289 K). In the reporting year, € 34 K (previous year: € 604 K) in deferred tax assets on loss carry-forwards were re-capitalized, € 799 K (previous year: € 1,432 K) were netted against current tax income and € 565 K (previous year: € 1,036 K) depreciated. Tax loss carryforwards total € 75,635 K (previous year € 86,035 K), of which, € 66,796 K (previous year: € 71,370 K) was not recognized. Of the unrecognized tax loss carryforwards, € 9,881 K (previous year: € 27,211 K) can be used indefinitely, while € 49,406 K (previous year: € 40,039 K) must be used within the next five years. Moreover, the remaining unrecognized loss carryforwards in the amount of € 7,509 K (previous year: € 4,120 K) expire within 6 to 10 years.

Deferred tax assets on deductible temporary differences amounting to € 13,004 K (previous year: € 13,782 K) were not recognized, as it is unlikely that future taxable profits will be available against which the group can offset the deferred taxes.

With regard to subsidiaries which had tax losses in the current year or in the previous year, deferred tax asset amounting to € 2,882 K (previous year: € 35 K) were capitalized. The realization of these assets depends on future taxable income which is higher than the earnings effects of the dissolution of existing taxable differences. Due to substantial indicators, the DMG MORI group assumes that on the basis of future business activities and tax planning opportunities there will be sufficient positive taxable income available to realize the tax assets.

In the reporting year, the tax effects from tax credits are shown separately and the allocation of tax effects for other assets and provisions in the previous year have been adjusted.

For passive temporary differences related to interests in subsidiaries in the amount of € 20,017 K (previous year: € 19,163 K), no deferred taxes have been recognized because the requirements of IAS 12.39 have been met.

Deferred tax assets recognized in equity fell by € 263 K to € 10,575 K as of the reporting date (previous year: € 10,838 K). These comprise deferred tax assets amounting to € 10,565 K (previous year: € 10,802 K) on actuarial gains and losses recognized in equity, as well as € 10 K relating to the valuation of financial instruments in equity (previous year: € 36 K).

29. EQUITY

The movement of individual components in group equity for financial years 2020 and 2019 is presented in the Consolidated Statement of Changes in Equity on page 94 et seq. Business transactions are presented under “Transactions with owners” in which the owners have acted in their capacity as owners.

Subscribed capital

The share capital of DMG MORI AKTIENGESELLSCHAFT totals € 204,926,784.40 and is fully paid up.

It is divided into 78,817,994 no-par value shares with a theoretical par value of € 2.60 per share. Each share carries the right to one vote.

The following statements have essentially been taken from the articles of association of DMG MORI AKTIENGESELLSCHAFT (version May 2020).

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 102,463,392.20 until 9 May 2024 through the issue of up to 39,408,997 new no-par value bearer shares for contributions in cash and / or in kind (authorized capital). This authorization can be exercised once or several times in partial amounts.

For cash contributions, the new shares may also be underwritten by one or more banks or companies, as defined by Section 186 (5) (1) of the German Stock Corporation Act (AktG), designated by the Executive Board, with the obligation to offer them to the shareholders for subscription (indirect subscription right). In all cases, shareholders must be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

a) with respect to a proportionate amount of share capital up to € 5,000,000.00 for the issue of shares to company employees and companies affiliated with the company as specified in Section 15 AktG.
b) capital increases for contributions in kind, to acquire, in suitable cases, companies, parts of companies or interests in companies, or other assets in return for the issue of shares,
c) capital increases for cash contributions, if the issuing price of the new shares is not significantly lower, in accordance with Section 203, (1) and (2), and Section 186 (3)(4) of the German Stock Corporation Act, than the stock market price on the final effective date of the issuing price determined by the Executive Board, which should be as close as possible to the date of placement of the shares, and if the total proportional amount of the share capital attributable to the new shares, for which the shareholders' subscriptions rights are excluded, neither on the effective date nor on the date of exercise of this authorization exceeds 10 % of the share capital. Shares that are issued or sold during the validity of the authorized capital with the exclusion of shareholders' subscription rights, in direct or analogous application of Section 186 (3)(4) of the German Stock Corporation Act, are to be included in the maximum limit of 10 % of the share capital;
d) to exclude any fractional amounts from the subscription right.

All shares issued on the basis of the aforementioned authorization disapplying subscription rights of shareholders, pursuant to point b) and c) above, may not exceed 20 % of the share capital either at the time the authorization takes effect or at the time of its utilization. Included in this 20 percent limit are those shares that are issued during the term of the aforementioned authorization from any other authorized capital disapplying the subscription rights of shareholders; excluded from the aforementioned figure is the disapplication of subscription rights to compensate for fractional amounts or the issue of shares to company employees and to employees of affiliated companies

The Executive Board is authorized, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation. The Supervisory Board is authorized to adjust the articles of association according to each individual utilization of the authorized capital and, if the authorized capital is not utilized or not fully utilized before 9 May 2024, to cancel it after this date.

Capital reserve

As of 31 December 2020, the capital reserves were unchanged at € 498,485,269. The group's capital reserve includes the premiums for the issue of shares of DMG MORI AKTIENGESELLSCHAFT in the previous years.

The transaction costs directly attributable for capital procurement, reduced by the related income tax benefits, have each been deducted from the capital reserve.

RETAINED EARNINGS AND OTHER RESERVES

Statutory provision

The disclosure continues to affect the statutory reserve of DMG MORI AKTIENGESELLSCHAFT in an amount of € 680,530.

Retained earnings

Other retained earnings include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Retained earnings also include the offset of liabilitiesside differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS rules. Additionally, this item contains the changes from the revaluation of defined benefit plans.

Other reserves

Other reserves include the differences arising from foreign currency translation recognized directly in equity of international subsidiaries and the post-tax effects from the measurement of financial instruments recognized directly in equity. Deferred taxes recognized directly in equity related to the valuation of financial instruments recognized directly in equity amount to € 10 K as of 31 December 2020 (previous year: € 36 K).

A detailed overview on the composition of, or changes in, other reserves in the financial year 2020 and in the previous year is included in the Development of Group Equity statement.

Appropriation of profits

In accordance with the German Commercial Code (HGB), the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT form the basis for the appropriation of profits of the financial year.

Between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT exists a domination and profit transfer agreement, which was approved by the Annual General Meeting on 15 July 2016. The agreement entered into force on 24 August 2016, following entry into the commercial register.

The financial year of 2020 DMG MORI AKTIENGESELLSCHAFT closes with a result pre-profit transfer of € 27,063,257 (previous year: € 95,741,985). The entire profits will be transferred to DMG MORI GmbH. According to IFRS regulations, this is a transaction with equity providers.

As at 31 December 2020, no retained earnings as stipulated by the German Commercial Code is recognized by DMG MORI AKTIENGESELLSCHAFT.

Non-controlling equity interests

Non-controlling equity interests include the minority interests in the consolidated equity of the companies included in the annual accounts and, as of 31 December 2020, amount to € 13,830 K (previous year: € 14,335 K). The change from the previous year is mainly due to the net profit from non-controlling interests. DMG MORI Machine Tools Trading Co., Ltd., Shanghai, (China), DMG MORI India Private Limited, Bangalore, (India), and GILDEMEISTER LSG Beteiligungs GmbH, Würzburg, are subsidiaries that each hold a 49 % non-controlling interest in ownership stakes. The interests in DMG MORI Machine Tools Trading Co., Ltd. and DMG MORI India Private Limited are held by DMG MORI COMPANY LIMITED.

CAPITAL MANAGEMENT DISCLOSURE

A strong equity capital base is an important pre-condition for the DMG MORI group in order to ensure the ongoing existence of the company. The Executive Board's goal is to maintain its strong capital base and improve its equity ratio in order to preserve the trust of investors, creditors and markets and to ensure the sustainable development of the company. The capital is regularly monitored on the basis of various key figures. The ratio of net indebtedness to balanced equity (gearing) and the equity ratio are key figures for this. As of 31 December 2020, the syndicated credit line had not been used and there was no financial debt. The syndicated credit line requires that the group comply with a customary covenant that stipulates a defined financial ratio. We complied with the covenant as of 31 December 2020.

The domination and profit transfer agreement between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT means it is no longer possible for the company to actively shape the DMG MORI group's equity base via a dividend policy.

Surplus funds are determined as the sum of financial debt less cash and cash equivalents.

D.46 in € K	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	123,489	154,005
Financial debt	0	0
Surplus fund	123,489	154,005
Total Equity	1,259,495	1,281,449
Equity ratio	57.5 %	51.9 %
Gearing	–	–

Total equity decreased in absolute terms by € 21,954 K. The equity ratio as of 31 December 2020 rose to 57.5 % (previous year: 51.9 %).

30. PROVISIONS FOR PENSIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the DMG MORI group entitled to such, and to their surviving dependants. According to the respective legal, economic and tax conditions prevailing in each country, there are different forms of old age protection that are usually based among other things on the duration of employment and the employees' remuneration. In Germany the commitments are dependent upon wages or salary and are paid as a pension; there is no minimum guarantee.

Employee pension schemes are based as a rule either on defined contribution plans or defined benefit plans.

In the case of defined contribution plans the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. The related expenses in financial year 2020 amounted to € 1,770 K (previous year: € 1,991 K).

In the case of defined benefit plans, it is the company's obligation to pay the promised benefits to active and former employees, whereby a distinction is made between pension plans that are financed through provisions and those that are financed through a fund. In general, the pensions paid correspond to the promised benefits.

For domestic subsidiaries, besides current pension plans, there are no defined benefit plans for new employees. The employees of Swiss subsidiaries participate in defined benefit pension plans. In Switzerland, employers are obligated to give a minimum contribution to their employees' pension plans. In addition to this, there are no minimum guarantees. These plans burden the group with actuarial risks, such as risk of longevity, currency exchange risk, interest and market (investment) risk.

In the DMG MORI group, pension commitments are financed by transfers to provisions and plan assets. The investment strategy for global pension assets is based on the objective of securing pension payments in the long term. In Germany, plan assets comprise insurance contracts or contracts and are held by a legally independent entity whose sole purpose is to hedge and fund employee benefit liabilities. In Switzerland, external plan assets are invested in a customary pension fund. Plan assets in Switzerland are subject to customary minimum funding requirements. The amount of the pension obligation (present value of future pension commitments or defined benefit obligation) was calculated on the basis of actuarial methods by estimating the relevant factors impacting the pension commitment. In Germany, Klaus Heubeck's '2018G guideline tables' were used as a biometric accounting basis. In Switzerland, the 'BVG 2015 technical principles, generation tables' were used to calculate values. They are based on the latest available observations of mortality rates, mostly by private pension funds, and take into account future changes in mortality rates over time.

Along with the assumptions on life expectancy, the following premises for the parameters to be applied to the actuarial calculations in the reports were defined:

D.47	Germany	Rest of the world	Germany	Rest of the world
in %	2020	2020	2019	2019
Discount interest rate	0.53	0.25	0.68	0.27
Salary trend	0.00	3.53	0.00	2.60
Pension trend	1.70	0.00	2.00	0.00

The discount interest rate of the pension obligations for entitled active and former employees was determined on the basis of the yield which was achieved on the balance sheet date of high-quality, fixed-interest industrial bonds on the market.

The salary trend includes expected future increases in salary that are assessed annually and are subject to, amongst other things, inflation and the duration of employment at the company. A future average salary increases of 3.53% was taken into account for our foreign companies. Since the pension commitments that were entered into at the national subsidiaries are not subject to future increases in salary, salary development was not taken into account when determining the relating company pension provisions.

Due to increases or reductions in the cash value of defined benefit obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the following: [→ D.48]

The plan assets take into account on the one hand risk payments that depend on the insured salary. On the other hand, they include retirement benefits that are dependent on the accumulated retirement assets at the time of retirement. It is composed of the following values: [→ D.49]

The calculation of the typological interest of the plan assets is made in the amount of the discount interest rate of the pension obligations at the beginning of the period. Actual income for plan assets amounts to € 520 K (previous year: € 945 K).

Payments from insurance companies are accounted for as benefits received and the benefits actually granted are disclosed as benefits paid.

Pension provisions for former members of the Executive Board and their surviving dependents have been formed in the amount € 34,908 K (previous year: € 35,717 K).

The following table shows the reconciliation of the opening balance to the final balance for the net debt (net assets) from the defined benefit pension plans and their components. [→ D.50 | D.51]

Over the past five years, the funded status, consisting of the cash value of all pension commitments and the fair value of plan assets, has changed as follows: [→ D.52]

D.48		31 Dec 2020		31 Dec 2019	
in € K		Germany	Rest of the world	Germany	Rest of the world
	Cash value of pension commitments not financed by funds	32,156	1,550	33,909	1,523
+	Cash value of funded pension commitments	19,654	13,076	19,998	14,599
–	Current value of pension plan assets	-16,133	-9,625	-16,428	-10,773
=	**Net value of amounts shown in the balance sheet on the reporting date**	**35,677**	**5,001**	**37,659**	**5,349**
	of which pensions	35,677	5,001	37,659	5,349
	of which assets (–)	0	0	0	0

D.49	2020		2019	
	in € K	in %	in € K	in %
Stock exchange listed				
Cash and cash equivalents	164	0.64	97	0.36
Shares	2,756	10.70	2,706	10.02
Obligations	4,142	16.08	4,352	16.11
Property	2,241	8.70	2,776	10.27
Other	322	1.25	842	3.11
Not stock exchange listed				
Qualifying insurance policies (Life insurance)	16,133	62.63	16,248	60.13
Total plan assets	**25,758**	**100.00**	**27,021**	**100.00**

D.50

in € K	Defined benefit obligation 2020 Germany	Defined benefit obligation 2020 Rest of the world	Fair value of plan assets 2020 Germany	Fair value of plan assets 2020 Rest of the world	Net debt (net asset) from defined benefit plans 2020 Germany	Net debt (net asset) from defined benefit plans 2020 Rest of the world
As at 1 January	**53,907**	**16,122**	**-16,248**	**-10,773**	**37,659**	**5,349**
Included in profit and loss						
Current service cost	0	714	0	0	0	714
Past service cost	523	0	0	0	523	0
Interest expense (income)	357	28	-109	-20	248	8
Exchange rate changes	0	42	0	-39	0	3
	880	**784**	**-109**	**-59**	**771**	**725**
Included in other comprehensive income						
Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	-915	28	0	0	-915	28
– experience adjustments	1,008	-728	0	0	1,008	-728
Effects on plan assets excluding interest income	0	0	-360	-30	-360	-30
	93	**-700**	**-360**	**-30**	**-267**	**-730**
Other						
Contributions paid by the employer	0	0	-2,303	-673	-2,303	-673
Pension payments made	-3,070	-1,580	2,887	1,910	-183	330
	-3,070	**-1,580**	**584**	**1,237**	**-2,486**	**-343**
As at 31 December	**51,810**	**14,626**	**-16,133**	**-9,625**	**35,677**	**5,001**

D.51

in € K	Defined benefit obligation 2019 Germany	Defined benefit obligation 2019 Rest of the world	Fair value of plan assets 2019 Germany	Fair value of plan assets 2019 Rest of the world	Net debt (net asset) from defined benefit plans 2019 Germany	Net debt (net asset) from defined benefit plans 2019 Rest of the world
As at 1 January	**50,434**	**16,333**	**-16,305**	**-12,634**	**34,129**	**3,699**
Included in profit and loss						
Current service cost	0	997	0	0	0	997
Past service cost	294	0	0	0	294	0
Interest expense (income)	739	142	-242	-115	497	27
Exchange rate changes	0	598	0	-486	0	112
	1,033	**1,737**	**-242**	**-601**	**791**	**1,136**
Included in other comprehensive income						
Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	5,160	2,123	0	0	5,160	2,123
– experience adjustments	331	-863	0	0	331	-863
Effects on plan assets excluding interest income	0	0	-279	-308	-279	-308
	5,491	**1,260**	**-279**	**-308**	**5,212**	**952**
Other						
Contributions paid by the employer	0	0	-2,308	-869	-2,308	-869
Pension payments made	-3,051	-2,009	2,886	2,440	-165	431
Other (derecognition of actuarial reserves for pensioners)	0	-1,199	0	1,199	0	0
	-3,051	**-3,208**	**578**	**2,770**	**-2,473**	**-438**
As at 31 December	**53,907**	**16,122**	**-16,248**	**-10,773**	**37,659**	**5,349**

D.52 in € K	2020	2019	2018	2017	2016
Cash value of all pension commitments	66,436	70,029	66,767	73,190	85,104
Current value of the pension plan assets of all funds	-25,758	-27,021	-28,939	-28,610	-36,232
Funding status	40,678	43,008	37,828	44,580	48,872

Payments to beneficiaries from pension plans not financed by funds in 2021 are expected in an amount of € 2,935 K (previous year for 2020: € 2,341 K), while payments to funded pension plans in the financial year 2021 are estimated to amount to around € 319 K (previous year for 2020: € 345 K).

The average weighted duration of pension obligations in Germany is around thirteen years and in Switzerland twenty-one years.

Key assumptions for calculating the pension obligation were based on sensitivity analyses. The discount factor, assumed value of wage trends and life expectancy were reduced or increased by a fixed % rate respectively one year.

Under unchanged other assumptions, the changes that would reasonably have been possible at the balance sheet date in the event of a significant actuarial assumption would have impacted on the defined benefit obligation in the following amounts.

The effects on the entitlement present value are as follows:

D.53	Effects on the entitlements at 31 Dec 2020	
	in € K	in %
Cash value of the entitlement obligations	**66,436**	
In the case of:		
reduction of the discount rate by 0.25 %-points	68,590	3.24
increase of the discount rate by 0.25 %-points	64,375	-3.10
reduction of the pension trend by 0.25 %-points	64,960	-2.22
increase of the pension trend by 0.25 %-points	67,939	2.26
reduction of the life expectancy by 1 year	63,396	-4.58
increase of the life expectancy by 1 year	69,500	4.61

In the presented sensitivities, it should be taken into account that due to actuarial effects, the change as a percentage is not and/or does not have to be linear. Thus, increases and decreases in terms of per cent do not react with the same absolute amount. There are no demographic effects.

31. OTHER PROVISIONS

The following lists the major contents of provisions: [→ D.54]

Provisions for personnel expenses in the group include obligations for profit-sharing and staff bonuses of € 36,629 K (previous year: € 46,981 K), part-time retirement payments of € 6,613 K (previous year: € 5,914 K), holiday pay of € 9,832 K (previous year: € 17,407 K) and anniversary payments of € 13,566 K (previous year: € 12,734 K). Most of the provisions should be paid in the coming year. Provisions for anniversary bonuses and part-time retirement are discounted and carried as liabilities at their present value. Obligations arising from part-time retirement are secured against potential insolvency through a mutual trust relationship. To secure the pension plan, cash assets are transferred into a trust property. The members of this trust property are domestic group companies. The assets are defined as "plan assets" in accordance with IAS 19.7 and balanced against the related provisions. Any proceeds arising from the pension plan assets are balanced against the related expenses. As of 31 December 2020, cash and cash equivalents in the amount of € 3,231 K (previous year: € 2,760 K) had been transferred to the trust property.

Risks arising from warranties and retrofitting relate to present obligations to third parties, the use of which is probable and the anticipated amount of which can be reliably estimated. The measurement of provisions was carried out on the basis of previous experience, taking into account the conditions and taking into account possible price increases on the balance sheet date. The obligations from the sales area are included in the liabilities

D.54	31 Dec 2020		31 Dec 2019	
in € K	Total	of which short-term	Total	of which short-term
Obligations arising from personnel	94,650	65,666	112,211	85,908
Risks arising from warranties and retrofitting	63,521	54,048	58,033	47,863
Obligations arising from sales	55,459	53,896	55,762	54,906
Legal and consultancy fees and costs of preparation of accounts	3,544	3,544	4,216	4,216
Other	47,822	43,875	52,575	38,515
Total	**264,996**	**221,029**	**282,797**	**231,408**

D.55 in € K	1 Jan 2020	Additions	Used	Reversal	Change in the group of consolidated companies	Other changes	31 Dec 2020
Obligations arising from personnel	112,211	59,594	71,489	3,737	40	-1,969	94,650
Risks arising from warranties and retrofitting	58,033	40,746	30,805	3,470	0	-983	63,521
Obligations arising from sales	55,762	21,279	13,710	5,995	0	-1,877	55,459
Legal and consultancy fees and costs of preparation of accounts	4,216	2,262	2,275	437	5	-227	3,544
Other	52,575	21,250	15,276	9,875	35	-887	47,822
Total	**282,797**	**145,131**	**133,555**	**23,514**	**80**	**-5,943**	**264,996**

for commissions, contractual penalties, onerous contracts and other selling expenses. Most of the provisions should be paid in the coming year.

Other provisions include a large number of individual items and other obligations, for which uncertainties exist regarding dates and required future expenses and whose expected amounts can be reliably estimated. This item also includes the tax provision for the payment of remuneration in accordance with Section 16 of the German Corporation Tax Act (KStG) and provisions for risks from onerous contracts. The risk of further outflows beyond these provisions is considered unlikely as of 31 December 2020. For the short-term provisions, it can be assumed that a significant part of the obligations will be fulfilled in financial year 2021.

The movement in the other provisions is illustrated in the breakdown of provisions: [→ D.55]

The other changes include currency adjustments and book transfers. Obligations arising from personnel include provisions for the long-term incentive, a remuneration component with a long-term incentive effect, totaling € 2,382 K (previous year: € 3,352 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter of the Management Report on page 32.

32. FINANCIAL DEBTS

As of 31 December 2020, DMG MORI AKTIENGESELLSCHAFT has no financial debts.

Short and medium-term working capital requirements for DMG MORI AKTIENGESELLSCHAFT and, within the scope of intercompany cash management, for the majority of subsidiaries, are covered by operating cash flow and short and long-term loans. Approved credit lines amount to € 761.8 million (previous year: € 850.7 million). These mainly comprise a syndicated credit line amounting to € 500.0 million (previous year: € 500.0 million), guarantee credit lines amounting to € 87.3 million (previous year: € 177.3 million) and factoring agreements, another part of the financing mix, amounting to € 167.5 million as in the previous year.

In addition to the syndicated credit, there are a number of short-term bilateral financing commitments to individual subsidiaries with a total volume of € 7.0 million (previous year: € 5.9 million).

As in the previous year, short-term financing commitments were not utilized as of the reporting date. As in the previous year, the average cost of borrowing is 1%.

Since 31 December 2020, the DMG MORI group has had access to a syndicated credit line with a total volume of € 500.0 million and an original maturity until February 2022. In April 2020, the group was able to secure the early extension of this current credit line to February 2025 at more favorable conditions. It continues to consist of a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures. The syndicated credit line also requires the DMG MORI group to comply with a customary covenant, which provides a defined financial ratio. The group complied with the covenant both on a quarterly basis and as of 31 December 2020. The syndicated loan is classified as short-term as it can only be drawn down over a maximum period of six months. As in the previous year, there were no drawdowns as of 31 December 2020.

For the financing of the syndicated credit line, the lending banks have completely waived the right to collateral. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG MORI Spare Parts GmbH, DMG MORI Ultrasonic Lasertec GmbH, FAMOT Pleszew Sp. z o.o., Graziano Tortona S.r.l and GILDEMEISTER Italiana S.r.l. continue to be guarantors for the credit line.

As at the balance sheet date, open credit lines amounted to € 518.9 million (previous year: € 473.9 million). They break down into open cash credit lines of € 207.0 million (previous year: € 205.9 million) and additional open lines of credit (bank guarantees and factoring) of € 311.9 million (previous year: € 268.0 million).

33. TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term liabilities are shown as follows:

D.56 in € K	31 Dec 2020	31 Dec 2019
Trade payables to third parties	244	0
Other long-term financial liabilities	343	157
Other long-term liabilities	2,254	2,444
	2,841	**2,601**

Other long-term financial liabilities include the following items:

D.57 in € K	31 Dec 2020	31 Dec 2019
Fair value of derivative financial instruments	0	0
Other long-term financial liabilities	343	157
	343	**157**

In other long-term financial liabilities, the fair value of long-term liabilities corresponds to the values shown on the balance sheet.

D.58 in € K	31 Dec 2020	31 Dec 2019
Deferred income	2,066	2,233
Liabilities relating to social insurance	188	211
	2,254	**2,444**

The deferred income accounted for in other long-term liabilities include the guaranteed investment grants from the funds of the joint aid program, "Improvement of the Regional Economic Structure" and investment subsidies and grants pursuant to the German Investment Subsidy Act in an amount of € 2,066 K (previous year: € 2,233 K) as applied under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

As in the previous year, no investment subsidies were paid in financial year 2020. Deferred income will be amortized in accordance with the depreciation procedure for subsidized capital assets and recognized in the income statement.

34. TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Short-term financial liabilities are shown as follows:

D.59 in € K	31 Dec 2020	31 Dec 2019
Trade payables to third parties	137,093	207,368
Liabilities to at equity accounted companies	4,740	7,401
Liabilities to other related companies	139,977	234,038
Liabilities to other equity investments	1,432	800
Other short-term financial liabilities	30,027	28,064
	313,269	**477,671**

Liabilities to other related parties arise from goods and services supplied as part of the business relationship to DMG MORI COMPANY LIMITED and its affiliated companies. These include liabilities to DMG MORI COMPANY LIMITED in an amount of € 86,960 K (previous year: € 86,925 K). A liability amounting to € 27,063 K (previous year: € 95,742 K) results from the transfer of profit to DMG MORI GmbH.

All information and notes on contract liabilities from performance obligations and contract liabilities from down payment invoices can be found in the section on Sales Revenue.

Other short-term financial liabilities are shown as follows:

D.60 in € K	31 Dec 2020	31 Dec 2019
Factoring liabilities	8,148	7,737
Fair market values of derivative financial instruments	1,346	1,224
Debtors with credit balance	14,732	8,951
Other short-term financial liabilities	5,801	10,152
	30,027	**28,064**

The fair value of derivative financial instruments involves the fair value for forward exchange transactions amounting to € 1,346 K (previous year: € 1,224 K) in particular in USD, GBP and JPY. Other financial liabilities include liabilities from bills of exchange amounting to € 2,425 K (previous year: € 6,103 K).

Other short-term liabilities include the following items:

D.61 in € K	31 Dec 2020	31 Dec 2019
Tax liabilities	19,431	27,001
Liabilities relating to social insurance	4,638	5,760
Payroll account liabilities	2,855	3,453
Deferred income	8,651	6,120
Other liabilities	2,038	3,517
	37,613	**45,851**

Tax liabilities refer to liabilities arising primarily due from value added tax amounting to € 9,667 K (previous year: € 10,766 K) as well as liabilities arising from wage and church tax in an amount of € 7,231 K (previous year: € 9,835 K).

35. LEASING

Leases acting as a lessee

The DMG MORI group leases specific tangible assets such as land and buildings, technical equipment and machines, office equipment and cars.

As of 31 December 2020, the DMG MORI group recognizes right-of-use assets amounting to € 52,907 K (previous year: € 62,186 K) in property, plant and equipment. The corresponding lease liabilities in an amount of € 52,336 K (previous year: € 61,355 K) are recognized separately on the balance sheet.

When determining lease terms, the DMG MORI group takes into account all facts and circumstances that create an economic incentive to exercise extension options or not to exercise termination options. Changes to terms resulting from exercising extension options or not exercising termination options are only included in the term of the contract if the group is reasonably certain to extend or not to exercise a termination option. If, e.g., by exercising a termination option or not exercising an extension option, the DMG MORI group is subject to significant penalties, it is generally considered reasonably certain that the group will not terminate or extend the contract. Moreover, other economic factors are taken into account, which play a key role in deciding whether to exercise extension options or not to exercise termination options. The assessment is reviewed, when a significant event or change in circumstances occurs that could influence the previous assessment – provided this is within the lessee's control.

The group estimates that if extension options are exercised, potential future lease payments would result in a lease liability of € 3,585 K (previous year: € 3,527 K).

Further information on lessee accounting can be found in the corresponding notes on individual items in the income statement and in the balance sheet.

Leases acting as a lessor

Finance leases

In financial year 2020, the DMG MORI group acted as a lessor in finance lease contracts, especially for buildings.

There was no capital gain from these leases in financial year 2020.

In 2020, the DMG MORI group recognized payments from subleases relating to finance leases in the amount of € 413 K (previous year: € 175 K).

The following table presents a maturity analysis of lease receivables and shows the undiscounted lease payments to be received after the balance sheet date.

D.62 | FINANCE LEASES UNDER IFRS 16

in € K	31 Dec 2020	31 Dec 2019
Less than one year	176	413
One to two years	176	227
Two to three years	176	227
Three to four years	176	227
Four to five years	176	227
More than five years	3,560	4,836
Total	**4,440**	**6,157**

Operating leases

During financial year 2020, the DMG MORI group acted as a lessor in operating lease contracts. These agreements mainly cover the leasing of machine tools. The DMG MORI group has classified these leases as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership.

In 2020, the DMG MORI group recognized € 2,139 K (previous year: € 2,739 K) in lease income from operating leases including income from subleases, which was recognized in other operating income. Lease income generated in the DMG MORI group's ordinary course of business was recognized in revenue.

The table below provides a maturity analysis of the undiscounted lease payments to be received after the balance sheet date.

D.63 | OPERATING LEASES UNDER IFRS 16

in € K	31 Dec 2020	31 Dec 2019
Less than one year	1,785	2,277
One to two years	1,167	1,407
Two to three years	715	917
Three to four years	321	533
Four to five years	137	306
More than five years	0	127
Total	**4,125**	**5,567**

36. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

No provisions were set up for the following contingent liabilities, as the risk of utilization is considered relatively improbable:

D.64 | CONTINGENCIES

in € K	31 Dec 2020	31 Dec 2019
Guarantees	50	1,563
Warranties	762	1,475
Other contingencies	5,209	4,250
	6,021	**7,288**

The guarantees include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, guarantees for framework agreements and contract performance guarantees.

During financial year 2020, the DMG MORI group concluded contracts for the purchase of property, plant and equipment in the financial year 2021 worth € 2,598 million (previous year for 2020: € 9,580 million).

37. FINANCIAL INSTRUMENTS

At the balance sheet date, forward exchange contracts were held by the DMG MORI group primarily in USD, GBP, RUB and JPY. The nominal and fair values of derivative financial instruments existing at the balance sheet date are set out below: [→ D.65]

The nominal values correspond to the sum of all unbalanced purchase and sales amounts from derivative financial transactions. The fair market values recognized constitute the price at which, as a rule, third parties would assume the rights or obligations arising from the financial instruments as of the balance sheet date. It cannot generally be assumed that this assessed value may actually be achieved upon liquidation. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions.

The fair values of forward exchange contracts are recognized in the balance sheet as other long-term or short-term financial assets or other long-term or short-term financial liabilities.

DMG MORI applies IFRS 9 for hedge accounting.

The DMG MORI group uses the "spot-to-spot" method. The effects from forward components are recognized in profit or loss.

On the reporting date, the DMG MORI group also had forward exchange contracts that do not meet the strict requirements of hedge accounting under IFRS 9, but effectively contribute towards hedging the financial risk in accordance with the principles of risk management. In order to hedge the foreign currency risks of monetary assets and liabilities recognized in the balance sheet, the DMG MORI group does not use any hedge accounting, as the underlying transactions' gains and losses from the currency translation to be recognized in profit or loss under IAS 21 are disclosed in the income statement together with the gains and losses from the derivatives used as hedging instruments.

In the event that third parties do not fulfill their obligations arising from forward exchange contracts, as at the reporting date, the DMG MORI group had a deficit risk amounting to € 990 K (previous year: € 2,551 K).

As of the balance sheet date, existing forward exchange contracts in cash flow hedges with a nominal volume of € 6,913 K have a residual term of up to one year (previous year: € 4,109 K). The cash flows from these forward exchange contracts will eventuate within the next twelve months. For the most part, it must be assumed that these will be recognized as income in the profit and loss statement within the next twelve months. As in the previous year, there were no other forward exchange contracts in cash flow hedges with a remaining term of more than one year as of the reporting date.

In financial year 2020, expenses arising from the fair value recognition of financial instruments attributable to cash flow hedges in an amount of € 303 K (previous year: € -49 K) were allocated to equity and not recognized in the income statement and an amount of € -216 K (previous year: € -46 K) was removed from equity and, as in the previous year, recognized in sales revenue. Forward exchange contracts were recognized in the income statement as exchange rate and currency profits or exchange rate and currency losses. As in the previous year, forward exchange contracts did not lead to any ineffectiveness in the financial year. To measure ineffectiveness, the changes in value of the hedged items amounting to € 64 K (previous year: € 461 K) were used and compared with the changes in value of the relevant hedging instruments amounting to € 64 K (previous year: € 461 K).

D.66 in € K	2020	2019
As of 1 January (before tax)	**-122**	**-27**
Change in value of forward exchange contracts recognised in other comprehensive income	304	-49
Amount reclassified from hedging reserve to profit or loss (recycling)	-216	-46
As of 31 December (before tax)	**-34**	**-122**

D.65	31 Dec 2020				31 Dec 2019	
in € K	Nominal value	Asset	Debt	Fair market value total	Nominal value	Fair market value
Forward exchange contracts as cash flow hedges	6,913	13	56	-43	4,109	-135
Forward exchange contracts held for trading purposes	176,421	977	1,290	-313	227,082	1,462
	183,334	**990**	**1,346**	**-356**	**231,191**	**1,327**

D.67 in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2020	Potential offsetting assets subject to global netting agreements 31 Dec 2020	Net amount 31 Dec 2020
Financial assets			
Forward exchange contracts	990	950	40
Financial liabilities			
Forward exchange contracts	1,346	950	396

D.68 in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2019	Potential offsetting assets subject to global netting agreements 31 Dec 2019	Net amount 31 Dec 2019
Financial assets			
Forward exchange contracts	2,551	1,222	1,329
Financial liabilities			
Forward exchange contracts	1,224	1,222	2

The group concludes derivative transactions pursuant to global netting agreements (framework agreement) of the "International Swaps and Derivative Association" (ISDA) and other corresponding national framework agreements. In these netting agreements, the right to settle net is contingent upon future events, such as default or bankruptcy of the group or its rivals. The netting agreements thus do not fulfill the offsetting criteria of IAS 32.

The following table provides an overview of financial assets and financial liabilities, which are subject to netting agreements or similar agreements. [→ D.67 | D.68]

38. RISKS FROM FINANCIAL INSTRUMENTS

Risks from financial instruments

Currency and interest rate fluctuations can lead to considerable profit and cash flow risks. For this reason, the DMG MORI group centralizes these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. Risk management is based on guidelines that apply throughout the group and in which objectives, principles, responsibilities and competencies are defined. Further information on the risk management system is presented in detail in the Management Report on pages 78 et seq. in the risk and opportunity report.

Currency risks

In its global business activities, the DMG MORI group is exposed to two types of currency risks. Transaction risks arise through changes in the value of future foreign currency payments due to exchange rate fluctuations in the individual financial statements. In the DMG MORI group, both purchases and sales are made in foreign currencies. To hedge currency risks arising from these activities within the DMG MORI group, forward exchange transactions are used. Derivative financial instruments are concluded and handled, based on binding internal guidelines defining scope, responsibilities, reporting and controls.

The group hedges at least 90 % of its estimated foreign exchange risks from contracted orders and expected acquisitions and disposals over the next 12 months. To hedge against the foreign exchange risk, forward exchange transactions with a maturity of less than one year from the date of the financial statement are used predominantly. Hedging transactions are only permitted with specified counterparties.

DMG MORI defines the existence of an economic relationship between the hedging instrument and the underlying hedged item based on the currency, amount and timing of their respective cash flows. The hypothetical derivative method is used to assess whether the derivative designated in the hedging relationship is expected to be effective or has been effective with regard to changes in the underlying hedged item's cash flows.

The main causes of ineffectiveness in these hedges are defaults on receivables, changes in the timing of underlying hedged items or changes in hedged cash flows.

In the financial year, the following average hedging rates for our main currencies were used for derivatives in hedge accounting:

D.69 in €	Average hedging rates in 2020	Average hedging rates in 2019
USD	1.28	1.38
JPY	124.90	120.26
GBP	0.90	0.89

D.70 | CURRENCY in € K	31 Dec 2020			31 Dec 2019		
	USD	JPY	GBP	USD	JPY	GBP
Currency risk from balance sheet items	-242	-5,507	4,080	-739	-7,439	5,665
Currency risk from pending transactions	357	-1,266	2,440	1,255	-572	4,186
Transaction-related currency items	115	-6,773	6,520	516	-8,011	9,851
Financially hedged item through derivatives	-132	6,509	-5,935	-145	7,692	-8,780
Open currency items	-17	-264	585	371	-319	1,071

D.71 in € K	Profit or loss		Net equity	
	Increase	Decrease	Increase	Decrease
31 December 2020				
USD (10 % change)	-1,116	1,116	-201	201
JPY (10 % change)	249	-249	-144	144
GBP (10 % change)	894	-894	78	-78
RUB (10 % change)	294	-294	140	-140
	321	**-321**	**-127**	**127**
31 December 2019				
USD (10 % change)	-1,487	1,487	0	0
JPY (10 % change)	705	-705	-53	53
GBP (10 % change)	866	-866	23	-23
RUB (10 % change)	3,221	-3,221	-94	94
	3,305	**-3,305**	**-124**	**124**

The DMG MORI group determines foreign currency sensitivity through aggregating all foreign currency items that are not represented in the functional currency of the respective company and sets these against hedging. The fair values of the basic items and hedges included are measured once at the actual exchange rates and once using sensitivity rates. The difference between the two values represents the effects on equity and earnings.

The following table shows the net currency risk from transactions in € K for major currencies as at 31 December 2020 and 2019: [→ D70]

The following table presents the possible impact of financial instruments on the reserve for derivatives or the other reserves in equity as well as the impact on earnings as of 31 December 2020 or 31 December 2019. If the euro had appreciated (depreciated) against the major currencies USD, GBP, RUB and JPY by 10 % respectively, the reserve for derivatives or the other reserves in equity and the fair value of forward exchange transactions with a hedging relationship would have been € 127 K lower (higher) in total (previous year: € 124 K lower (higher)). The results and fair value of forward exchange transactions without a hedging relationship would have been € 321 K higher (lower) (previous year: € 3,305 K higher (lower)). [→ D.71]

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on earnings, equity or cash flow during the current or any future reporting periods. At the DMG MORI group, interest rate risks are essentially related to financial assets and debts. The entire Executive Board will decide in each individual case on whether interest rate risks will be hedged using interest rate hedging instruments on the basis of a proposal drafted by the board's CFO.

As of 31 December 2020, the DMG MORI group has no net deficit, so that interest rate increases would present an opportunity for higher interest income. A 1% increase in interest rates pertaining to the portfolio at the reporting date would result in an increase in interest income of € 1.5 million (previous year: € 1.9 million). As this mainly relates to interest on current account overdrafts, we do not expect any material effects on the portfolio at the reporting date, if the interest rate level continues to fall. As in the previous year interest income would not have fallen, if the interest rate had fallen by 5 base points. As in the previous year, there would be no equity effects. The following table shows the nominal volumes of fixed and variable rate financial instruments:

D.72 in € K	Nominal volume	
	31 Dec 2020	31 Dec 2019
Fixed-rate instruments		
Financial assets	10,135	8,007
Financial liabilities	0	0
	10,135	**8,007**
Variable-rate instruments		
Financial assets	463,490	515,991
Financial liabilities	-93,052	-120,000
	370,438	**395,991**

Changes in the interest rate would only have an effect if these financial instruments were recognized at their fair value. As this is not the case, fixed-rate instruments are not subject to interest-change risks as defined by IFRS 7. The fair value of forward exchange contracts is not altered significantly by changes in the interest rate.

The interest sensitivities are shown below:

D.73 in € K	Profit or loss Increase by 100 base points	 Decrease by 5 base points
31 December 2020		
Variable-rate instruments	1,534	0
Profit sensitivity (net)	**1,534**	**0**
31 December 2019		
Variable-rate instruments	1,926	0
Profit sensitivity (net)	**1,926**	**0**

Liquidity risks

Liquidity risk is the risk that the DMG MORI group may not be able to meet its financial obligations. Cash outflows result primarily from financing working capital, capital investments and covering the financial requirements of sales financing. The management is regularly informed about cash inflows and outflows as well as about financing sources. The liquidity risk is mitigated by creating the necessary financial flexibility within the scope of existing financing operations and through effective cash management. Liquidity risk at the DMG MORI group is governed by financial planning over twelve months. This makes it possible to finance predictable deficits under normal market conditions at standard market terms. Based on the current liquidity planning, liquidity riks are currently not discernible. As a liquidity precaution, the group has a syndicated loan facility of € 500.0 million with various banks as well as bilateral stand-by credits of € 7.0 million (previous year: € 5.9 million). The syndicated credit line had an original maturity date of February 2022. In April 2020, the group was able to secure the early extension of this current credit line to February 2025 at more favorable conditions. It continues to comprise a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures.

The financing agreements for the syndicated loan obligate the DMG MORI group to comply with customary covenants. The covenant was met on a quarterly basis and as of 31 December 2020.

There were no defaults on loans either in financial year 2020 or the previous year. As of 31 December 2020, the DMG MORI group has access to cash and cash equivalents amounting to € 123.5 million (previous year: € 154.0 million) and open lines of credit in the amount of € 207.0 million (previous year: € 205.9 million) and additional open credit lines (bank guarantees and factoring) in the amount of € 311.9 million (previous year: € 268.0 million).

The following table shows contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with negative fair values: [→ D.74]

This includes all instruments that were held as of 31 December 2020 and 31 December 2019 respectively, and for which payments have been contractually agreed. Forecast figures for future new liabilities have not been included. Amounts in foreign currencies were translated at the exchange rate on the reporting date. The variable interest payments for financial instruments were determined on the basis of the last fixed interest rate before 31 December 2020 and 31 December 2019 respectively. Financial liabilities that can be repaid at any time are always assigned to be earliest point in time. The hedged items of the cash flow hedges are expected to be realized in the same way as the hedging instruments. Derivatives include both cash outflows of derivative financial instruments with negative fair values and cash outflows of derivatives with positive fair values for which gross settlement has been agreed.

We expect the proportion of financial assets from derivatives in the amount of € 13 K (previous year: € 0 K) as well as the proportion of liabilities from derivatives in the amount of € 56 K (previous year: € 135 K), which have been classified as cash flow hedges, to be recognized in the income statement within the next twelve months. [→ D.75]

D.74 in € K	Book value 31 Dec 2020	Cash flows 2021 Interest	 Repayment	Cash flows 2022 – 2025 Interest	 Repayment	Cash flows 2026 et seq. Interest	 Repayment
Liabilities to banks	0	0	0	0	0	0	0
Liabilities arising from lease arrangements	52,336	849	16,431	1,593	35,905	2,941	0
Trade creditors	283,486	0	283,242	0	244	0	0
Other financial liabilities	29,024	0	28,681	0	339	0	4
Subtotal	**364,846**	**849**	**328,354**	**1,593**	**36,488**	**2,941**	**4**
Liabilities from derivatives	1,346	0	1,346	0	0	0	0
	366,192	**849**	**329,700**	**1,593**	**36,488**	**2,941**	**4**

D.75

in € K	Book value 31 Dec 2019	Cash flows 2020 Interest	Cash flows 2020 Repayment	Cash flows 2021 – 2024 Interest	Cash flows 2021 – 2024 Repayment	Cash flows 2025 et seq. Interest	Cash flows 2025 et seq. Repayment
Liabilities to banks	0	0	0	0	0	0	0
Liabilities arising from lease arrangements	61,355	857	17,886	1,470	29,317	2,831	14,152
Trade creditors	449,607	0	449,607	0	0	0	0
Other financial liabilities	26,997	0	26,840	0	140	0	17
Subtotal	**537,959**	**857**	**494,333**	**1,470**	**29,457**	**2,831**	**14,169**
Liabilities from derivatives	1,224	0	1,224	0	0	0	0
	539,183	**857**	**495,557**	**1,470**	**29,457**	**2,831**	**14,169**

Credit risks

A credit risk is the unexpected loss of payment funds or income. Such a credit risk occurs if the customer is not able to meet his obligations within the due date. The objective of the company is to mitigate or avoid these credit risks. Receivables management with global guidelines and regular analysis of the age structure of trade debtors ensures the continuous monitoring and mitigation of risks and, in this way, minimizes losses from receivables. Due to the broad business structure within the DMG MORI group, there is no particular concentration of credit risks, either for customers or individual countries. The DMG MORI group is generally exposed to default risks which may cause impairments or in individual cases even bad debt.

The credit losses recognized for trade debtors are calculated based on experience with actual credit losses over the past three years. Credit risks within each group are segmented based on common default risk characteristics. For the companies, these are, for example, the credit risk assessment, e.g., based on overdue items and the geographical location.

Historical actual credit losses have been adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the group's view of the economic conditions over the expected life of the receivables. The scaling factors are based on historical trends and forecasts of gross domestic product (GDP), country risks and the long-term interest rate/base rate trend.

For 2020 and 2019, the underlying default rates for DMG MORI depending on the maturity (not overdue and overdue) of the trade debtors for which no specific allowances have been made and with no impaired credit history are shown in the table below: [→ D.76 | D.77]

With regard to impairment, trade debtors from the DMG MORI COMPANY LIMITED group are viewed as a separate item. In order to calculate impairment, the group uses the rating of DMG MORI COMPANY LIMITED and the maturities of the receivables.

In the financial year, expenses for the complete write down of receivables totaled € 2,907 K (previous year: € 1,688 K). Further details on financial risk assessment can be found in the section "Opportunities and risk report" of the Group Management Report on page 78 et seq.

D.76

in € K	31 Dec 2020 Default rate in %	Gross carrying amount of trade debtors	Impairment	Impaired credit history
Not overdue	0.04 – 0.18	250,793	335	no
Overdue	0.04 – 5.84	14,049	262	no
Total		**264,842**	**597**	

D.77

in € K	31 Dec 2019 Default rate in %	Gross carrying amount of trade debtors	Impairment	Impaired credit history
Not overdue	0.01 – 0.21	292,787	313	no
Overdue	0.01 – 4.67	23,573	290	no
Total		**316,360**	**603**	

D.78

in € K	At amortised cost	At fair value through other comprehensive income (FVOCI)	At fair value through profit or loss (FVTPL)	No measurement category specified by IFRS 9 [2]	Total	Fair value 31 Dec 2020
	Valuation and fair value in accordance with IFRS 9					
Assets						
Financial assets [1]		27,279			27,279	27,279
Cash and cash equivalents	123,489				123,489	123,489
Trade debtors	73,068	197,664			270,732	270,732
Other receivables from other related companies	340,525				340,525	340,525
Receivables from factoring	5,797				5,797	5,797
Other financial assets [3]	34,949				34,949	34,949
Derivative financial assets			977	13	990	990
	577,828	**224,943**	**977**	**13**	**803,761**	**803,761**
Equity and Liabilities						
Trade creditors	243,355				243,355	243,355
Other financial liabilities to other related companies	40,131				40,131	40,131
Factoring liabilities	8,148				8,148	8,148
Other financial liabilities	20,876				20,876	20,876
Derivative financial liabilities			1,290	56	1,346	1,346
	312,510	**0**	**1,290**	**56**	**313,856**	**313,856**

1) In the balance sheet, € 25,068 K is reported in investments and € 2,211 K in other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting.
3) An explanation of the breakdown of other financial assets can be found on page 127.

The expected credit losses, which may occur within twelve months of the reporting date resulting from possible loss events, are used to measure the impairments of other financial assets. Generally, other financial assets in the DMG MORI group have a low credit risk on the reporting date.

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

As of 31 December 2020, this impairment amounted to € 719. (previous year: € 690).

Within the DMG MORI' group, cash deposits are managed and coordinated centrally by DMG MORI AKTIENGESELLSCHAFT. Financial contracts are only entered into with banks that have been carefully selected by us. We monitor credit rating (external rating) on a regular basis; cash deposits are distributed at different banks, mainly our syndicated banks. With respect to derivative financial instruments, the DMG MORI group is exposed to a credit risk arising from the non-performance of contractual agreements by the other party to the agreement. This credit risk is only mitigated by entering into transactions with parties with good credit ratings.

Pursuant to IFRS 7.36, the carrying amount of the financial assets represents the maximum credit risk.

No securities received or other credit enhancements existed in the financial year or previous year.

39. OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

The carrying amounts and fair value of financial assets and liabilities are shown in the table below. (→ D.78 | D.79).

The table does not contain any information about the fair value of financial assets and liabilities that have not been measured at fair value, if the carrying amount is a reasonable approximation of fair value. Financial assets include those investments that were classified as "measured at fair value with changes in value recognized in other comprehensive income" (FVOCI) under IFRS 9. Trade debtors include receivables from third parties,

D.79	Valuation and fair value in accordance with IFRS 9					
in € K	At amortised cost	At fair value through other comprehensive income (FVOCI)	At fair value through profit or loss (FVTPL)	No measurement category specified by IFRS 9 [2]	Total	Fair value 31 Dec 2019
Assets						
Financial assets [1]		28,506			28,506	28,506
Cash and cash equivalents	154,005				154,005	154,005
Trade debtors	98,311	217,816			316,127	316,127
Other receivables from other related companies	370,572				370,572	370,572
Receivables from factoring	5,901				5,901	5,901
Other financial assets [3]	45,004				45,004	45,004
Derivative financial assets			2,551		2,551	2,551
	673,793	**246,322**	**2,551**	**0**	**922,666**	**922,666**
Equity and Liabilities						
Trade creditors	321,303				321,303	321,303
Other financial liabilities to other related companies	128,304				128,304	128,304
Factoring liabilities	7,737				7,737	7,737
Other financial liabilities	19,260				19,260	19,260
Derivative financial liabilities			1,089	135	1,224	1,224
	476,604	**0**	**1,089**	**135**	**477,828**	**477,828**

1) In the balance sheet, € 25,595 K is reported in investments and € 2,911 K in other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting.
3) An explanation of the breakdown of other financial assets can be found on page 127 et seqq.

other related parties, companies accounted for at equity and associated companies. Other receivables from other related parties are shown separately. The same disclosure applies to trade creditors (see page 136 et seqq). Information on other financial assets and liabilities is shown in the tables on pages 128 and 136.

For financial instruments accounted at fair value, the fair value is always determined from stock market prices. If stock market prices are not available, this is measured by applying standard economic methods (measurement methods), taking instrument-specific market parameters as a basis.

Financial assets are measured at fair value. The fair value of the equity instruments amounts to € 27.3 million and mainly comprises the shareholding in TULIP Interfaces Inc., Somerville (USA), and other individual non-significant companies.

Fair value is determined using the discounted cash flow method, using estimated cash flows, where individual credit ratings and other market circumstances in the form of standard market credit or solvency spreads are taken into account in the cash value assessment.

Other financial assets include the fair value of an option on the purchase of shares in a company operating a solar park. The valuation model takes into account the cash value of expected payments, discounted at the risk-adjusted discount rate (WACC). The expected payments are determined by taking into account the possible scenarios for planned sales revenues (as a function of the market prices for electricity) and the EBIT. The main unobservable input factors used in 2020 are the risk-adjusted discount rate of 6.36 % (previous year: 5.32 %) and the expected annual sales revenue (between € 841 K and € 1,178 K) based on market prices for electricity and productivity (output). The estimated fair value would rise (fall), if the annual sales revenue (based on market prices) rose (fell); if the risk-adjusted discount rate was lower (higher); if the degradation was lower (higher).

No liquid markets exist for loans and receivables, which are measured at amortized acquisition costs. For short-term loans and receivables, it is assumed that the fair value corresponds to the carrying amount. All other loans and receivables are assessed at fair value through the deduction of accrued interest on future expected cash flows. Thus, the interest rates applied to loans are the same as those used for new loans with a similar risk structure, original currency and term.

D.80 in € K	31 Dec 2020			31 Dec 2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Measured at fair value						
Financial assets (recognized in equity)[1]			27,279			28,506
Trade debtors in FVOCI category [2]		194,024	3,640		217,534	282
Derivatives with hedge relationship (recognized in equity)		13				
Derivatives without hedge relationship (recognized in P&L)		977			2,551	
Financial liabilities						
Measured at fair value						
Derivatives with hedge relationship (recognized in equity)		56			135	
Derivatives without hedge relationship (recognized in P&L)		1,290			1,089	

1) In the balance sheet, € 25,068 K (previous year: € 25,595 K) is reported in investments and € 2,211 K (previous year: € 2,911 K) in other long-term financial assets.
2) Trade debtors in the FVOCI category that were classified at Level 3 are based on individual allowances.

Trade creditors and other current financial liabilities generally have a maturity of less than one year, so that the carrying amount corresponds approximately to the fair value.

For liabilities to banks and other long-term liabilities, the fair values are determined as present values of the liability payments based on market interest rates and risk surcharge.

Fair Value Hierarchy

As of 31 December 2020, the group held the financial assets and liabilities presented in the following table and measured at fair value. [→ D.80].

The measurement and disclosure of the fair value of financial instruments is based on a fair value hierarchy, which takes into account the significance of the input data used in the measurement and is broken down as follows:

Level 1: Quoted prices (adopted unadjusted) in active markets for identical financial assets and liabilities;

Level 2: Input data other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Input data used for measuring the asset or liability data not based on observable market data (unobservable input data).

In the financial year, no reclassification was made between Levels 1 and 2 in the measurement of fair value and no reclassification was made on or from Level 3 with respect to the measurement of fair value. Financial assets include the fair value of an option to purchase shares in a company. The carrying amount was € 2,211 K (previous year: € 2,911 K). In the financial year, a net change in the fair value amounting to € 700 K (previous year: € 322 K) was recognized in other comprehensive income. Under IFRS 9, the group has classified the option to purchase shares in a company as FVOCI and allocated it to Level 3 (see page 144 for information on the measurement method).

The table below shows additions to financial assets in the financial year on Level 3 of the fair value hierarchy:

D.81 | EQUITY INVESTMENTS LEVEL 3 in € million	2020	2019
Opening balance	**28.51**	**5.63**
Additions	0.94	23.28
Changes in value	-2.17	-0.32
Disposals	0.00	-0.08
Final balance	**27.28**	**28.51**

A 1% increase/decrease in the risk-adjusted discount rate would not have resulted in any gain/loss. Fulfillment of the contingent consideration depends on defined key earnings figures (number of machines sold). If the contractual condition is met, payment is made in full; if the condition is not met, no payment is made.

A possible change in one of the key, non-observable input factors, while retaining the other input factors, would have the following effects on the fair value of the purchase option for shares in a company:

D.82 | PROFIT OR LOSS in € K	Increase	Decrease
31 December 2020		
WACC (1.00 % change)	-282	329
Degradation (0.50 % change)	-170	176
Market price for electricity (0.50 % change)	182	-170

D.83 | PROFIT OR LOSS in € K	Increase	Decrease
31 December 2019		
WACC (1.00 % change)	-399	472
Degradation (0.50 % change)	-244	253
Market price for electricity (0.50 % change)	257	-239

The net results of the financial instruments are shown below by measurement categories under IFRS 9. [→ D.84 | D.85]

Interests from financial instruments are recognized in interest results.

Allowances on trade debtors is recognized in other operating expenses. Interest results from financial liabilities in the measurement category "liabilities measured at amortized cost" mainly result from expenses for commission on guarantees and commitment fees.

NOTES ON THE CASH FLOW STATEMENT

40. CASH FLOW STATEMENT

The statement of cash flows pursuant to IAS 7 "Statement of Cash Flows" records the payment flow in a financial year and provides information on the inflow and outflow of the company's liquid funds. The payment flows are broken down into cash flow from current operations and cash flow from investment and financing activities.

Besides actual cash funds, i.e., cheques, cash in hand and money on account at banks, cash and cash equivalents also include short-term financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortized cost.

The cash flow from operating activities was calculated using the indirect method through adjusting earnings before tax for changes in inventories, trade debtors and creditors, non-cash items and all other items showing cash flows in the investment or financing areas. Due to the application of IFRS 16, payments of principal for leases are recognized in cash flow from financing activities. The total cash outflows for lease obligations recognized as liabilities in 2020 amounted to € 20,838 K, of which € 20,026 K was for repayment and € 821 K for interest. Cash outflows for short-term leases and leases of low value assets are not included here.

The cash flows from investment or financing activities were each calculated in terms of actual sums paid. Effects from foreign currency translation and changes in the consolidated group were adjusted accordingly.

D.84

in € K	From interest	From subsequent measurement			2020
		At fair value	Foreign currency translation	Allowance	
Assets in the category:					
At amortized cost	4,106		19,913	1,251	25,270
Debt instruments – at fair value through other comprehensive income (FVOCI)			-629	1,477	848
Equity instruments – at fair value through other comprehensive income (FVOCI)		-2,173			-2,173
At fair value through profit or loss (FVTPL)		-1,574			-1,574
Liabilities in the category:					
At amortized cost	-5,368		-14,502		-19,870
At fair value through profit or loss (FVTPL)		-201			-201
Total	**-1,262**	**-3,948**	**4,782**	**2,728**	**2,300**

D.85

in € K	From interest	From subsequent measurement			2019
		At fair value	Foreign currency translation	Allowance	
Assets in the category:					
At amortized cost	5,362		23,966	1,149	30,477
Debt instruments – at fair value through other comprehensive income (FVOCI)			-2,599	641	-1,958
Equity instruments – at fair value through other comprehensive income (FVOCI)		-322			-322
At fair value through profit or loss (FVTPL)		825			825
Liabilities in the category:					
At amortized cost	-7,102		-19,182		-26,284
At fair value through profit or loss (FVTPL)		3,327			3,327
Total	**-1,740**	**3,830**	**2,185**	**1,790**	**6,065**

D.86

in € K	Liabilities to banks	Liabilities from leasing arrangements	Liabilities from profit transfers to DMG MORI GmbH	Liabilities from profit transfers to non-controlling interests	Total
As at 1 January 2020	**0**	**61,355**	**95,742**	**2,989**	**160,086**
Transfer of profit to DMG MORI GmbH			-95,742		-95,742
Dividends paid to non-controlling interests of subsidiaries				-1,358	-1,358
Payments of principal for lease liabilities		-20,026			-20,026
Total changes in cash flow from financing activities	**0**	**-20,026**	**-95,742**	**-1,358**	**-117,126**
Effects of changes in foreign exchange rates		-200			-200
Liabilities from the profit and loss transfer to DMG MORI GmbH for year 2020			27,063		27,063
Other changes		11,207			11,207
As at 31 December 2020	**0**	**52,336**	**27,063**	**1,631**	**81,030**

D.87

in € K	Liabilities to banks	Liabilities from leasing arrangements	Liabilities from profit transfers to DMG MORI GmbH	Total
As at 1 January 2019	**0**	**66,289**	**99,326**	**165,615**
Transfer of profit to DMG MORI GmbH			-99,326	-99,326
Payments of principal for lease liabilities		-19,588		-19,588
Total changes in cash flow from financing activities	**0**	**-19,588**	**-99,326**	**-118,914**
Effects of changes in foreign exchange rates		317		317
Liabilities from the profit and loss transfer to DMG MORI GmbH for year 2019			95,742	95,742
Other changes		14,337		14,337
As at 31 December 2019	**0**	**61,355**	**95,742**	**157,097**

The reconciliation between the change in liabilities from financing activities and in cash flow from financing activities is shown in the table above: [→ D.86 | D.87]

The profit and loss transfer to DMG MORI GmbH for financial year 2019 resulted in a cash outflow of € 95,742 K in 2020, recognized in cash flow from financing activities.

The profit and loss transfer to DMG MORI GmbH for financial year 2020 amounting to € 27,063 K did not result in a cash outflow in 2020. Other changes in lease liabilities mainly result from the new rights of use in long-term assets.

In September 2020, DMG MORI AKTIENGESELLSCHAFT sold the shares it held (44.1%) in Magnescale Co. Ltd., Kanagawa (Japan), to DMG MORI COMPANY LIMITED, which, as a result of the buyback, again holds a 100% interest in its subsidiary. The consideration for the sale of the shares amounted to € 44,500 K. The cash inflow is reported in cash flow from investment activities.

In the financial year, DMG MORI paid € 1,000 K into the capital reserve of ADAMOS GmbH due to a capital increase approved in the previous year. The cash outflow is reported in cash flow from investment activities.

DMG MORI HEITEC Digital Kft., Budapest (Hungary) was founded in March 2020. DMG MORI has a 49.9% interest in this company. This payment in the amount of € 245 K was recognized in cash flow from invesment activities.

At the end of November 2020, DMG MORI acquired the remaining 60 % interest in DMG MORI Digital GmbH, Bielefeld, from our previous cooperation partner. The acquisition price amounted to € 138 K. Cash and cash equivalents amounting to € 235 K were transferred and reported in cash flow from investment activities.

In 2019, the interest in DMG MORI Additive GmbH (formerly: REALIZER GmbH) was increased to 100 %. The acquisition price for the additional shares amounted to € 5,450 K.

In the previous year, DMG MORI sold its interest in GILDEMEISTER ENERGY SERVICES IBERICA, S.L., GILDEMEISTER ENERGY Services UK Ltd. and GILDEMEISTER Energy efficiency GmbH to a strategic investor. The purchase price of € 2,659 K resulted in a cash inflow in 2019. Cash and cash equivalents in the amount of € 1,847 K were transferred and recognized in cash flow from investment activities.

DMG MORI acquired 15.02 % of TULIP Interfaces, Inc. in the previous year. The purchase price resulted in a cash outflow in 2019, which was recognized in cash flow from investment activities.

In addition, the purchase of shares in PRAGATI AUTOMATION Pvt. Ltd., Bangalore (India) amounting to 30 % of the purchase price of € 20,489 K was also recognized as a payment in cash flow from investment activities in the previous year.

The purchase price of € 1,100 K for 33.34 % of Vershina Operation LLC and the purchase price of € 20 K for 40 % of DMG MORI Digital GmbH were also recognized as a payment in cash flow from investment activities in the previous year.

In financial year 2019, GILDEMEISTER Beteiligungen GmbH participated in capital increases for the joint venture, DMG MORI HEITEC GmbH, Erlangen, in accordance with the articles of association. These payments in the amount of € 250 K were recognized in cash flow from investment activities.

In the previous year, DMG MORI sold its interest in pro-micron GmbH. This resulted in a payment receipt of € 40 K, which was recognized in cash flow from investing activities.

DMG MORI GmbH's repayment of the loan to DMG MORI AKTIENGESELLSCHAFT in a partial amount of € 30,000 K was paid out in full in the reporting year and recognized in cash flow from investment activities.

Other non-cash expenses mainly include impairment losses on investments in at equity-accounted companies in the amount of € 4,432 K.

Joint ventures are accounted for in the group consolidated financial statements using the equity method and thus only have an impact on cash flows, if dividends are paid.

NOTES ON SEGMENT REPORTING

41. EXPLANATORY NOTES ON THE SEGMENTS

Within the scope of segment reporting, pursuant to the IFRS 8 regulations, the business activities of the DMG MORI group are categorized into the business segments of "Machine Tools", "Industrial Services" and "Corporate Services". Essential in the differentiation between the business segments is the information that the so-called "chief decision-maker" is regularly provided with for the purposes of decision-making on the allocation of resources and the evaluation of profitability. The segment differentiation follows internal management and reporting on the basis of the different products and services. The key performance indicators for evaluating profitability of each business segment are the sales revenues and EBIT.

A tabular presentation as part of the notes can be found on page 100 et seq.

The "Machine Tools" segment includes the group's new machine business comprising the Turning, Milling, Advanced Technologies (Ultrasonic / Lasertec / Addtive Manufacturing) and Digital Solutions.

The **"Machine Tools"** segment includes the lathes and turning centers of
› GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
› GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Bergamo), Italy,
› GRAZIANO Tortona S.r.l., Tortona, Italy,
› FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
› DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
› ULYANOVSK Machine Tools ooo, Ulyanovsk, Russia,

the milling machines and machining centers of
› DECKEL MAHO Pfronten GmbH, Pfronten,
› DECKEL MAHO Seebach GmbH, Seebach,
› FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
› DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
› ULYANOVSK Machine Tools ooo, Ulyanovsk, Russia,

the Ultrasonic and Lasertec machines of Advanced Technologies
› DMG MORI Ultrasonic Lasertec GmbH, Stipshausen / Idar-Oberstein, (formerly: SAUER GmbH),
› DMG MORI Additive GmbH, Bielefeld, (formerly: REALIZER GmbH, Borchen),

and the products of Digital Solutions business units
› DMG MORI Software Solutions GmbH, Pfronten,
› ISTOS GmbH, Bielefeld,
› WERKBLiQ GmbH, Bielefeld,
› DMG MORI Digital GmbH, Bielefeld.

All machines produced are classified as cutting machine tools, and all business segments are highly concurrent with each other. As the parent company of the production plants, GILDEMEISTER Beteiligungen GmbH, also belongs to this segment. Additionally, the group's uniform IT is concentrated here.

The **"Industrial Services"** segment comprises both the Services and Energy Solutions segments.

The Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business operations of DMG MORI Vertriebs und Service GmbH, Bielefeld, and its subsidiaries, as well as DMG MORI Management GmbH, Bielefeld, the operating management company of the group's Sales and Service sites. DMG MORI AKTIENGESELLSCHAFT is responsible for the markets in the DACH (domestic market Germany, Austria and Switzerland) and EMEA (Europe, Middle East, Africa) regions, as well as for the Chinese and Indian markets. DMG MORI COMPANY LIMITED is responsible for its domestic market, Japan, the USA and the remaining regions in Asia and the Americas.

In the Services division, we combine the marketing activities and the LifeCycle Services for both our machines and those of DMG MORI COMPANY LIMITED. DMG MORI Life Cycle Services help our customers to maximize the productivity of their machine tools across their entire life cycle – from commissioning to part exchange as a used machine. The wide range of service agreements, maintenance and training services offered, guarantees our customers maximum cost-effectiveness for their machine tools. This includes placement and consulting activities. Another area is the key accounting for major international customers, which is concentrated cross-region and cross-product.

Energy Solutions only plays a minor role due to the sale of key business operations in financial year 2019. This includes the business operations of GILDEMEISTER energy solutions GmbH and the company responsible for sales and service in Italy.

The **"Corporate Services"** segment primarily comprises the DMG MORI AKTIENGESELLSCHAFT with its group wide holding functions. DMG MORI AKTIENGESELLSCHAFT is assigned with corporate functions, such as group strategy, development and purchasing coordination, management of overall projects in the production and logistics areas, financing, corporate controlling and corporate personnel management. The holding functions across the group generate expenses and sales revenues.

42. EXPLANATORY NOTES ON SEGMENT DATA

The definition of terms used in individual segment information is in line with the management principle for the value-oriented corporate management of the DMG MORI group. Segment data is generally based on the same accounting and valuation methods that form the basis for the Consolidated Financial Statements.

Segmental assets include all operating assets including goodwill and deferred income or expenses; it does not include income tax claims. In order to assess the profitability of group segments, pro-rata revenue for brokerage and consulting activities from the sale of machine tools are reclassified from the "Machine Tool" segment to the "Industrial Services" segment. Sales between the segments are made at standard market transfer prices.

Pursuant IFRS 3 "Business Combinations", existing goodwill was allocated to the segments as follows: goodwill is attributed to the "Machine Tools" segment amounting to € 57,073 K (previous year: € 57,073 K) and to the 'Industrial Services' segment in an amount of € 81,030 K (previous year: € 81,009 K), and to the 'Corporate Services' segment in an amount of € 0 K as in the previous year. As in the previous year, no impairment of goodwill was recorded for the financial year.

Investments include additions to intangible assets, tangible fixed assets and additions to financial assets.

Intersegment sales revenues show sales revenues made between the segments. The transfer prices for intra-group sales revenues are determined in line with the market (arm's length principle).

Scheduled depreciation relates to segmental fixed assets.

EBT for the "Machine Tools" segment includes income from the reversal of provisions amounting to € 1,085 K (previous year: € 2,299 K). An impairment loss of € 1,046 K was identified for technical equipment and machinery, as they could not be used. Impairment losses of € 224 K were recognized in the previous year. EBT for the "Industrial Services" segment does not include any income from the reversal of provisions in the financial year (previous year: € 6,033 K). Depreciation and amortization in the previous year included impairment losses in the amount of € 4,215 K, which were mainly related to buildings. DMG MORI has identified an impairment of € 1,455 K (previous year: € 836 K) for an electricity storage plant, resulting from rising maintenance costs and higher degradation of solar module performance. The amounts are included in depreciation, amortization and impairment losses' in the "Corporate Services" segment. The "Corporate Services" segment includes expenses for transaction costs in the amount of € 882 K (previous year: € 633 K) for the syndicated credit line of DMG MORI AKTIENGESELLSCHAFT.

In financial year 2020 and in the previous year, no transactions carried out with any one customer were more than 10 % of the sales revenues of the DMG MORI group.

The "Transition" column shows the elimination of intra-group receivables and liabilities, income and expenses, as well as the elimination of intercompany profits between segments.

The information on geographical areas is based on the registered office of the group companies and is broken down into regions comprising Germany, the rest of Europe, North America, Asia and the rest of the world. The data is determined on the basis of geographical subgroups.

Long-term assets are mainly attributable to fixed assets; they do not include financial instruments or deferred tax claims. As of 31 December 2020, the region of "Rest of Europe" contains long-term assets in Italy in an amount of € 115,647 K (previous year: € 121,260 K) in Russia in an amount of € 60,318 K (previous year: € 82,422 K) as well as in Poland in an amount of € 99,062 K (previous year: € 98,428 K). In the region "Rest of Europe", third-party revenue amounted to € 130,454 K (previous year: € 232,573 K) in Italy, € 52,036 K in Russia (previous year: € 221,588 K) as well as in Poland in an amount of € 49,382 K (previous year: € 75,552 K).

OTHER EXPLANATORY NOTES

43. AUDITOR'S FEES AND SERVICES

The auditor, the PWC PricewaterhouseCoopers GmbH auditing firm in Bielefeld, was appointed to audit the annual and consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT.

The fees and expenses for the services provided by the auditor, the PWC PricewaterhouseCoopers GmbH auditing firm, recognized as expenses in financial year 2020, relate to auditing services in the amount of € 480 K and other attestation services in the amount of € 40 K. Moreover, other services are included in the amount of € 1 K.

Only services that are consistent with the engagement as auditor of the Annual and the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT were provided.

The auditing services related to the audits of the Annual and Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT, including statutory extensions to the scope of the audits and audit focus areas agreed with the Supervisory Board.

The auditors also reviewed the IFRS group reporting packages of DMG MORI AKTIENGESELLSCHAFT for the half-year report as of 30 June 2020 and the quarterly report as of 30 September 2020. The fees for other attestation comprise voluntary attestation services relating to sustainability reporting, including the audit of the sustainability report.

The fees for other services include a digitization workshop.

44. EVENTS OCCURRING AFTER THE REPORTING DATE

No significant events occurred after the reporting date. No other events occurred between the reporting date and the date the financial statements were authorized for issue by the Executive Board on 8 March 2021.The coronavirus pandemic will continue to have an impact on the business performance of the DMG MORI group in financial year 2021.

The forecast report describes the estimates and assumptions that are known to DMG MORI for the financial year. Moreover, we are currently unaware of, or are unable to quantify, any other significant effects. However, we cannot rule out the possibility of further effects during the course of the year.

45. RELATED PARTY DISCLOSURES

Related parties (persons) as defined by IAS 24 "Related Party Disclosures" are, in principle, members of the Executive and Supervisory Boards, close members of their families and subsidiaries that are not fully consolidated. Excluding remuneration and pension plans, these related parties were not involved in any significant or unusual transactions with companies of the DMG MORI group. All transactions with related parties have been carried out under normal market conditions, as between external third parties.

DMG MORI Finance GmbH, Wernau, PRAGATI AUTOMATION Pvt., Ltd., Bangalore (India) and INTECH DMLS PRIVATE LIMITED, Bangalore (India) are included as associated companies.

Other companies related to the DMG MORI group are the ultimate parent company, DMG MORI COMPANY LIMITED, Nara (Japan), and its subsidiaries and major holdings outside the DMG MORI group. DMG MORI GmbH, Bielefeld, a subsidiary of DMG MORI COMPANY LIMITED is the direct parent company of DMG MORI AKTIENGESELLSCHAFT. If not shown separately, any information on other related parties refers to this group of companies and also includes DMG MORI COMPANY LIMITED.

DMG MORI HEITEC GmbH is recognized as a joint venture.

DMG MORI AKTIENGESELLSCHAFT granted DMG MORI GmbH a loan in the original amount of € 370,000 K which was paid out in full in 2018. It bears interest at a LIBOR market rate plus a 1.00 % margin per annum. In reporting year 2020, the loan was partially repaid in the amount of € 30,000 K. As of 31 December 2020, the loan amounts to € 340,000 K. There were no other significant supply and service agreements with DMG MORI GmbH in the financial year.

A domination and profit transfer agreement exists between DMG MORI GmbH, Bielefeld, a wholly owned subsidiary of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT and became effective on 24 August 2016.

Furthermore, with effect from 1 January 2017, a tax allocation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The profit transfer to DMG MORI GmbH for financial year 2020 amounted to € 27,063 K (previous year: € 95,742 K). The tax debited by DMG MORI GmbH as a result of the tax allocation agreement amounted to € 13,068 K (previous year € 32,295 K).

In September 2020, DMG MORI AKTIENGESELLSCHAFT sold the shares it held (44.1%) in Magnescale Co. Ltd, Kanagawa (Japan), to DMG MORI COMPANY LIMITED, which, as a result of the buyback, again holds a 100% interest in the company. Calculation of the consideration was based on an unbiased valuation report. The consideration for the sale of the shares amounted to € 44,500 K. The cash inflow is reported in cash flow from investment activities.

In June 2019, DMG MORI transferred 49% of its interest in DMG MORI Machine Tools Trading Co. Ltd., Shanghai (China), to DMG MORI COMPANY LIMITED. DMG MORI AKTIENGESELLSCHAFT and DMG MORI COMPANY LIMITED had agreed some years ago, to only manage future sales activities in the People's Republic of China via DMG MORI AKTIENGESELLSCHAFT's subsidiary, DMG MORI Machine Tools Trading Co. Ltd. Consequently, the sales company of DMG MORI COMPANY LIMITED in China was dissolved in 2018 and in the same year, € 4.1 million was paid to DMG MORI as the purchase price for 49% of the shares in DMG MORI Machine Tools Trading Co. Ltd. The cash received was recognized as liabilities to other related parties in the consolidated financial statements as of 31 December 2018. Following regulatory approval, the equity of DMG MORI Machine Tools Trading Co. Ltd. could not be increased and the shares transferred until 2019. In the 2019 Consolidated Financial Statements, the 49% interest is thus presented as the amount of the proportionate share of the company's net assets. The difference from the liability to other related parties of € 3.2 million resulting from the change in net assets between the date of the agreement and the final transfer of the shares is recognized in retained earnings.

In the reporting year, impairments or provisions for doubtful debt relating to outstanding balances for other related parties were recognized in an amount of € 239 K (previous year: € 540 K). In financial year 2020, no expenses were recognized for bad debts or doubtful accounts from other related parties (previous year: € 0 K) or from other associated companies. No expenses were recognized for bad debts or doubtful accounts from joint ventures.

As in the previous year, no licenses were acquired from other related parties during the reporting year.

The following transactions were carried out with related parties:

D.88 | GOODS AND SERVICES RENDERED TO

in € K	2020	2019
Associates	107,402	110,733
Joint ventures	1	1
DMG MORI COMPANY LIMITED	285,740	286,783
Other related companies (excluding DMG MORI COMPANY LIMITED)	38,963	36,429

D.89 | GOODS AND SERVICES RECEIVED OF

in € K	2020	2019
Associates	10,805	12,337
Joint ventures	588	2,072
DMG MORI COMPANY LIMITED	216,423	322,798
Other related companies (excluding DMG MORI COMPANY LIMITED)	79,248	84,938

The goods and services rendered to and received by related parties are mainly attributable to the purchase and sale of machine tools and other services. The disclosure of receivables and liabilities from related parties is shown under the corresponding notes on the balance sheet items. The balances are normally settled within a three month period. No guarantees and securities were granted to or received by related parties.

As of 31 December 2020, there were trade receivable in an amount of € 114,472 K (previous year: € 79,154 K) and trade debtors in an amount of € 86,960 K (previous year: € 86,925 K).

The loan to DMG MORI GmbH resulted in interest income of € 3,490 K (previous year: € 3,700 K), which is reported under financial income. Interest expenses in the amount of € 606 K (previous year: € 637 K) were incurred from liabilities for DMG MORI GmbH and are recognized in financial expenses.

Key management personnel comprises the members of the Executive and Supervisory Boards. Detailed disclosures on the remuneration structure for members of the Executive and Supervisory Boards can be found in the remuneration report on pages 32 et seqq. of the Management Report. The remuneration structure for the Executive Board and the Supervisory Board is explained on pages 32 et seqq. of the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out on pages 33 et seqq. of the remuneration report.

D.90 | EXECUTIVE BOARD REMUNERATION

in € K	2020	2019
Short-term benefits	3,362	5,115
Post-employment benefits	800	838
Other long-term benefits	990	4,266
Total	**5,152**	**10,219**

The post-employment benefits related to additions to pension commitments in the reporting year.

The total compensation for members of the Supervisory Board for financial year 2020 amounted to € 893 K (previous year: € 899 K) and only includes short-term benefits.

The remuneration structure for the Supervisory Board is explained on pages 32 et seqq. of the Group Management Report.

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

Remuneration is explained in the section on employee expenses (page 120); note that indirect remuneration includes benefits after the end of the employment relationship, LTI and other long-term benefits and all other remuneration components include short-term benefits.

46. STATUTORY NOTIFICATION PURSUANT TO SECTION 40 WPHG

The statutory notifications pursuant to Section 40 WpHG are stated in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

47. CORPORATE GOVERNANCE

The declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and the Corporate Governance Report were issued in November 2020 and are permanently available on our website at:→ **en.dmgmori-ag.com/corporate-communications/corporate-governance/**

48. SHAREHOLDER STRUCTURE

In the reporting year, DMG MORI COMPANY LIMITED, Nara (Japan), increased its interest in the share capital of DMG MORI AKTIENGESELLSCHAFT to 85.58 % by indirectly acquiring a further 9.55 % of its shares.

With the last voting rights notification dated 7 April 2020, Paul E. Singer announced that he no longer held any shares – not even through affiliated companies.

DMG MORI Group Companies

D.91 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			257,822	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/4/5/6]			83,427	100.0
DMG MORI Ultrasonic Lasertec GmbH, Stipshausen / Idar-Oberstein [3/4/7/8]			12,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			2,537	100.0
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			30	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/4/5/6]			24,000	100.0
GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Bergamo), Italy [5]			87,177	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			38,836	100.0
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			2,805	100.0
CARLINO FTV 3.2 S.R.L., Bozen, Italy [9]			10,027	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/4/5/6]			43,000	100.0
DMG MORI Software Solutions GmbH, Pfronten [3/4/5/6]			1,100	100.0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0
ISTOS GmbH, Bielefeld [3/5/6]			1,000	85.0
Ulyanovsk Machine Tools ooo, Ulyanovsk, Russia [5]	RUB K	7,555,836	83,491	100.0
DMG MORI Additive GmbH, Bielefeld [5/6/22]			8,639	100.0
WERKBLiQ GmbH, Bielefeld [3/5/6]			1,379	100.0
DMG MORI Digital GmbH, Bielefeld [3/5]			212	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			490	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			205	100.0
DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3]			398,646	100.0
DMG MORI Management GmbH, Bielefeld [3/4/10/11]			24	100.0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0
DMG MORI München GmbH, Munich [3/4/12/13]			5,000	100.0
DMG MORI Hilden GmbH, Hilden [3/4/12/13]			4,200	100.0
DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13]			2,800	100.0
DMG MORI Berlin Hamburg GmbH, Bielefeld [3/4/12/13]			5,500	100.0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13]			2,700	100.0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13]			7,000	100.0
DMG MORI Global Service GmbH, Bielefeld [3/4/10/11]			5,200	100.0
DMG MORI Academy GmbH, Bielefeld [3/4/10/11]			4,000	100.0
DMG MORI Used Machines GmbH, Geretsried [3/4/10/11]			17,517	100.0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10]			537,983	100.0
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [14]	CHF K	503,512	465,547	100.0
DMG MORI Europe AG, Winterthur, Switzerland [15]			114,829	100.0
DMG MORI Schweiz AG, Winterthur, Switzerland [16]	CHF K	38,489	35,587	100.0
DMG MORI Balkan GmbH, Klaus, Austria [15]			2,964	100.0
DMG MORI AUSTRIA GmbH, Klaus, Austria [17]			22,592	100.0
DMG MORI Netherlands B.V., Veenendaal, Netherlands [15]			8,607	100.0
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [15]			5,067	100.0

D.91 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
DMG MORI Czech s.r.o., Brno, Czech Republic [15]	CZK K	362,018	13,785	100.0
DMG MORI DENMARK ApS, Copenhagen, Denmark [15]	DKK K	24,812	3,333	100.0
DMG MORI FRANCE SAS, Paris, France [15]			20,667	100.0
DMG MORI Hungary Kft., Budapest, Hungary [15]			9,769	100.0
DMG MORI IBÉRICA S.L., Ripollet, Spain [15]			14,179	100.0
DMG MORI Italia S.r.l., Milan, Italy [15]			49,312	100.0
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [15]			3,502	100.0
DMG MORI Saudi Arabia Maintenance Company, Riad, Saudi Arabia [21]			0	100.0
DMG MORI Israel Ltd., Tel Aviv, Israel [15]	ILS K	0	0	100.0
DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [15]	PLN K	72,397	15,880	100.0
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [15]			1,171	100.0
DMG MORI Sweden AB, Gothenburg, Sweden [15]	SEK K	121,592	12,101	100.0
DMG MORI NORWAY AS, Langhus, Norway [15]	NOK K	14,312	1,366	100.0
DMG MORI Finland Oy Ab, Tampere, Finland [15]			3,281	100.0
DMG MORI UK Limited, Luton, Great Britain [15]	GBP K	27,866	31,132	100.0
DMG MORI Romania S.R.L., Bucharest, Romania [15]	RON K	14,587	2,997	100.0
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [15]	BGN K	1,270	649	100.0
DMG MORI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [15]	TRY K	37,695	4,145	100.0
DMG MORI Rus ooo, Moscow, Russia [15]	RUB K	3,943,215	43,572	100.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [15]	EGP K	200	10	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [15]	EGP K	200	10	100.0
DMG MORI Africa for Trading in Machines & Service (S.A.E.), Cairo, Egypt [18]	EGP K	13,047	678	100.0
DMG MORI Asia Pte. Ltd., Singapore [15]			29,002	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [15]	CNY K	29,004	3,625	100.0
DMG MORI India Private Limited, Bangalore, India [15]	INR K	549,064	6,142	51.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [15]	CNY K	83,599	10,448	100.0
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [15]	PLN K	672,237	147,454	100.0
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	136,731	17,088	51.0
GILDEMEISTER energy solutions GmbH, Würzburg [3/4/10/11]			9,100	100.0
GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [19]	TRY K	-1,401	-154	100.0
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [19]			3,582	51.0
GILDEMEISTER LSG Solar Australia Pty Ltd., Brisbane, Australia [20]	AUD K	690	435	100.0
GILDEMEISTER LSG Solar RUS OOO, Moscow, Russia [20]	RUB K	103,141	1,140	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [19]			1,211	100.0

D.91 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

	National currency	Equity [1]		Participation quota in %
			in € K	
Joint ventures				
DMG MORI HEITEC GmbH, Erlangen [5]			851	50.0
Associates				
DMG MORI Finance GmbH, Wernau			26,392	42.6
DMG MORI HEITEC Digital Kft., Budapest, Hungary [5]	THUF	232,638	641	49.9
SparePartsNow GmbH, Aachen [5]			0	36.3
Vershina Operation, LLC., Narimanov, Russia [20]	T RUB	29,023	321	33.3
INTECH DMLS Pvt. Ltd., Bangalore, India [5]	T INR	375,688	4,685	30.0
PRAGATI AUTOMATION Pvt. Ltd., Bangalore, India [5]	T INR	2,404,368	26,894	30.0

1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated at the market price on reporting date.
2) with profit and loss transfer and control agreement with DMG MORI AKTIENGESELLSCHAFT
3) The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents.
4) The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the preparation of a management report.
5) equity investment of GILDEMEISTER Beteiligungen GmbH
6) with profit and loss transfer and control agreement with GILDEMEISTER Beteiligungen GmbH
7) equity investment of DECKEL MAHO Pfronten GmbH
8) with profit and loss transfer and control agreement with DECKEL MAHO Pfronten GmbH
9) equity investment of GILDEMEISTER Italiana S.r.l.
10) equity investment of DMG MORI Vertriebs und Service GmbH
11) with profit and loss transfer and control agreement with DMG MORI Vertriebs und Service GmbH
12) equity investment of DMG MORI Deutschland GmbH
13) with profit and loss transfer and control agreement with DMG MORI DEUTSCHLAND GmbH
14) equity investment of DMG MORI Netherlands Holding B.V.
15) equity investment of DMG MORI Sales and Service Holding AG
16) equity investment of DMG MORI Europe AG
17) equity investment of DMG MORI Balkan GmbH
18) subsidiary of DMG Egypt for Trading in Machines Manufactured LLC (51 %), DMG MORI Sales and Service Holding AG (47.7 %) and Mori Seiki Egypt for Trading in Machines & Equipments LLC (1.3 %)
19) equity investment of GILDEMEISTER energy solutions GmbH
20) equity investment of GILDEMEISTER LSG Beteiligungs GmbH
21) subsidiary of Magnescale Co. Ltd.
22) The domestic subsidiary has complied with the conditions requited by section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and makes use of the exemption.

Corporate Directory

Supervisory Board

Dr. Eng. Masahiko Mori
Member of the Supervisory Board
since 6 September 2009
Nara, born 1961
Chairman
President of DMG MORI
COMPANY LIMITED, Nara

Mario Krainhöfner
(Employee representative)
Member of the Supervisory Board
since 16 April 2011
Pfronten, born 1964
1st Deputy Chairman
Head of Idea Management at
DECKEL MAHO Pfronten GmbH

Ulrich Hocker
Member of the Supervisory Board
since 11 May 2010
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)
Member of the Supervisory Board
since 4 May 2018
Durach, born 1968
Deputy Chairman
Head of Controlling of
DECKEL MAHO Pfronten GmbH
Senior Executives' representative

Irene Bader
Member of the Supervisory Board
since 24 May 2016
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
Member of the Supervisory Board
since 17 May 2013
Wedemark, born 1959,
Managing Director of the Institute of
Production Engineering and Machine
Tools (IFW) at Leibniz University Hanover

Tanja Fondel
(Employee representative)
Member of the Supervisory Board
since 19 January 2018
Frankfurt / Main, born 1976
Union Secretary, IG Metall
Management Board, Frankfurt / Main

Dietmar Jansen
(Employee representative)
Member of the Supervisory Board
since 17 May 2013
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.
Member of the Supervisory Board
since 6 May 2017
Düsseldorf, born 1967
University Professor & Chair of the Accounting,
Auditing & Controlling Department at the
University of Duisburg-Essen
› UniCredit Bank AG, Munich, Member of the Supervisory Board
› Villeroy & Boch AG, Mettlach, Member of the Supervisory Board (until 29.02.2020)
• DKSH Holding AG, Zurich, Member of the Board of Directors
› GEA Group AKTIENGESELLSCHAFT, Düsseldorf, Member of the Supervisory Board (since 1 October 2020)

James Victor Nudo
Member of the Supervisory Board
since 4 May 2018
Illinois (USA), born 1954
President of DMG MORI USA INC., Chicago
Executive Officer of
DMG MORI COMPANY LIMITED, Tokio

Larissa Schikowski
(Employee representative)
Member of the Supervisory Board
since 4 May 2018
Pfronten, born 1969
Member of the Works Council of
DMG MORI Global Service GmbH,
Corporate Health Manager
Sales & Service

Michaela Schroll
(Employee representative)
Member of the Supervisory Board
since 4 May 2018
Bielefeld, born 1976
Member of the Works Council of
GILDEMEISTER Drehmaschinen GmbH
Electrician in the Installation Department
GILDEMEISTER Drehmaschinen GmbH

Executive Board

Dipl.-Kfm. Christian Thönes
Bielefeld
Chairman

Dipl.-Kfm. Björn Biermann
Bielefeld

Michael Horn, M.B.A.
Bielefeld

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

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting and reporting principles, the consolidated financial statements give a true and fair view of the results of operations, financial position and net worth of the group, and the group business report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Bielefeld, 8 March 2021
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 Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, and its subsidiaries (the Group), which comprise the consolidated balance sheet as at December 31, 2020, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for the financial year from January 1 to December 31, 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DMG MORI AKTIENGESELLSCHAFT for the financial year from January 1 to December 31, 2020. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed 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 consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to [§ [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2020 and of its financial performance for the financial year from January 1 to December 31, 2020 and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") 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 Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill

2. Recoverability of inventories

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. Goodwill was reported in the Company's consolidated financial statements amounting to a total of EUR 138 million (representing 6.3% of total assets and 11.0% of equity). Goodwill is tested for impairment by the Company once a year on December 31 of the respective financial year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted three-year business plan of the Group forms the starting point for five detailed planning periods which are extrapolated based on assumptions about long-term rates of growth. These projections also factor in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the ongoing coronavirus crisis on the Group's business. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent not only on the estimates made by the executive directors with respect to the future cash inflows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions but also the impacts of the coronavirus pandemic, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In this context, we also assessed the executive directors' estimate as to the impact of the coronavirus pandemic on the Group's business and evaluated how this was taken into consideration in calculating the future cash flows. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future net cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill are contained in sections 3 and 19 of the notes to the consolidated financial statements.

2. Recoverability of inventories

1. An amount of EUR 538.7 million (24.6% of total assets) is reported under the "Inventories" balance sheet item in the Company's consolidated financial statements. Inventories comprise EUR 231.3 million in raw materials, consumables and consumables, EUR 115.4 million in work in progress and EUR 192.0 million in finished goods. Inventories are measured at the lower of cost and net realizable value.

Under certain circumstances, costs may not be recoverable if the inventories are damaged or partially or completely obsolete or if their selling price is reduced. Raw materials, consumables and supplies used in the manufacture of inventories are not written down to a value that is lower than their cost if the finished goods in which they are used are expected to be sold at or above cost.

The determination of the net realizable value of inventories depends to a large extent on the estimates of the executive directors with regard to the sales prices likely to be realized and, in particular in the case of raw materials, consumables and supplies, also with regard to their technical usability and planned use in the production of finished goods, and is therefore subject to considerable uncertainty, including against the backdrop of the impacts of the coronavirus pandemic. Against this background, this matter was of particular significance during our audit.

2. As part of our audit, we assessed, among other things, the appropriateness of the measurement methods used to determine the net realizable values and, in particular, the consideration of risks arising from storage periods, reduced usability and lower prices on the sales market. Our assessment of the expected net realizable values took into account, not only past experience of the Company, but also current market developments including the impacts of the coronavirus pandemic. We also verified the calculation of write-downs on a sample basis.

Based on our audit procedures, we were able to satisfy ourselves overall that the estimates made by the executive directors are sufficiently documented and substantiated to to enable us to verify the recoverability of the inventories.

3. The Company's disclosures relating to inventories are contained in sections 3 and 24 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

› the group statement on corporate governance pursuant to § 315d HGB included in section "Corporate Governance Report" of the group management report

› the separate non-financial group report pursuant to § 315b Abs. 3 HGB

› the section "Non-financial performance indicators" of the group management report

The other information comprises further the remaining parts of the Annual Report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

› is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

› otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

› Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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 consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

› Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors 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 audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes

Reasonable Assurance Conclusion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file [DMG MORI_AG_KA+KLB_ESEF-2020-12-31.zip] and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the consolidated financial statements and the group management report contained in the above-mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW EPS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited group management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 15, 2020. We were engaged by the supervisory board on November 7, 2020. We have been the group auditor of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the Engagement

The German Public Auditor responsible for the engagement is Carsten Schürmann.

Bielefeld, March 8, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Carsten Schürmann	Christian Landau
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Multiple Year Overview

D.92 | DMG MORI GROUP		IFRS							
		2014	2015	2016	2017	2018	2019	2020	Changes against previous year in %
Sales revenues	**€ K**	**2,229,013**	**2,304,721**	**2,265,709**	**2,348,451**	**2,655,128**	**2,701,489**	**1,831,293**	-32
Domestic	€ K	779,218	762,079	737,069	712,094	821,499	769,203	553,035	-28
International	€ K	1,449,795	1,542,642	1,528,640	1,636,357	1,833,629	1,932,286	1,278,258	-34
% International	%	65	67	67	70	69	72	70	
Total work done	**€ K**	**2,262,302**	**2,351,957**	**2,262,352**	**2,367,881**	**2,667,935**	**2,706,063**	**1,809,839**	**-33**
Cost of materials	€ K	1,190,026	1,211,417	1,157,498	1,263,576	1,480,102	1,524,043	983,851	-35
Personnel costs	€ K	506,145	545,457	571,971	550,655	595,897	592,365	486,946	-18
Depreciation	€ K	49,883	57,181	65,720	72,833	63,729	78,104	75,025	-4
Financial result	€ K	-7,892	30,763	-10,507	-5,248	-5,735	-5,120	-4,482	12
Earnings before taxes	**€ K**	**175,313**	**217,261**	**94,120**	**176,382**	**214,786**	**219,166**	**74,895**	**-66**
Annual profit / loss	**€ K**	**121,065**	**159,585**	**47,484**	**118,363**	**149,530**	**154,442**	**52,114**	**-66**
Adjusted results									
EBITDA	**€ K**	**232,512**	**243,039**	**169,666**	**252,978**	**280,862**	**299,842**	**156,739**	**-48**
EBIT	**€ K**	**182,629**	**185,858**	**103,946**	**180,145**	**217,133**	**221,738**	**81,714**	**-63**
EBT	**€ K**	**175,313**	**217,261**	**94,120**	**176,382**	**214,786**	**219,166**	**74,895**	**-66**
Profit share of shareholders in DMG MORI AG	**€ K**	**110,575**	**149,396**	**44,820**	**117,442**	**148,257**	**151,874**	**51,893**	**-66**
Fixed assets	**€ K**	**810,927**	**742,773**	**749,526**	**677,948**	**686,506**	**815,922**	**737,861**	**-10**
Intangible assets	€ K	213,981	209,911	195,276	190,681	190,372	199,546	211,178	
Tangible assets	€ K	395,232	463,733	486,370	440,005	434,880	506,579	464,468	
Financial assets	€ K	201,714	69,129	67,880	47,262	61,254	109,797	62,215	
Current assets incl. deferred tax and deferred income	**€ K**	**1,418,882**	**1,541,102**	**1,589,652**	**1,563,350**	**1,753,993**	**1,653,644**	**1,453,673**	**-12**
Inventories	€ K	495,297	522,259	505,041	547,662	625,381	611,810	538,683	
Receivables incl. deferred tax assets + prepaid expenses	€ K	490,589	466,716	687,886	652,283	975,931	887,829	791,501	
Cash and cash equivalents	€ K	432,996	552,127	396,725	363,405	152,681	154,005	123,489	
Equity	**€ K**	**1,266,151**	**1,357,474**	**1,187,663**	**1,164,618**	**1,197,688**	**1,281,449**	**1,259,495**	**-2**
Subscribed capital	€ K	204,927	204,927	204,927	204,927	204,927	204,927	204,927	
Capital provisions	€ K	498,485	498,485	498,485	498,485	498,485	498,485	498,485	
Retained earnings and other reserves	€ K	427,982	507,487	444,346	458,095	489,823	563,702	542,253	
Non-controlling equity interests	€ K	134,757	146,575	39,905	3,111	4,453	14,335	13,830	
Outside capital	**€ K**	**963,658**	**926,401**	**1,151,515**	**1,076,680**	**1,242,811**	**1,188,117**	**932,039**	**-22**
Provisions	€ K	240,355	246,042	255,233	271,025	305,253	325,805	305,674	
Liabilities incl. deferred tax + income	€ K	723,303	680,359	896,282	805,655	937,558	862,312	626,365	
Balance Sheet total	**€ K**	**2,229,809**	**2,283,875**	**2,339,178**	**2,241,298**	**2,440,499**	**2,469,566**	**2,191,534**	**-11**
Employees (annual average)		6,815	7,034	7,102	6,637	6,933	6,986	6,707	
Employees (31 Dec)		6,918	7,142	6,964	6,742	7,107	6,898	6,393	
Trainees		248	320	318	359	396	347	279	
Total employees		**7,166**	**7,462**	**7,282**	**7,101**	**7,503**	**7,245**	**6,672**	

D.92 | DMG MORI GROUP		IFRS							
		2014	2015	2016	2017	2018	2019	2020	Changes against previous year in %
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	8.2	8.1	4.6	7.7	8.2	8.2	4.5	-45
Profit on sales (EBT) = EBT / Sales revenues	%	7.9	9.4	4.2	7.5	8.1	8.1	4.1	-49
Profit on sales (Annual result) = Annual result / Sales revenues	%	5.4	6.9	2.1	5.0	5.6	5.7	2.8	-51
Equity return = Annual result / Equity (as of 1 Jan)	%	10.4	12.6	3.5	9.8	12.8	12.9	4.1	-68
Return on total assets = EBT + interest on borrowed capital / average total assets	%	8.8	10.1	4.6	8.1	9.6	9.4	3.6	-62
ROI – Return on Investment = EBT / average total capital	%	8.3	9.6	4.1	7.7	9.2	8.9	3.2	-64
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	327.1	327.7	319.0	353.8	383.0	386.7	273.0	-29
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	26.8	26.4	14.6	27.1	31.3	31.7	12.2	-62
ROCE – Return on capital employed = EBIT / Capital Employed	%	16.2	16.8	9.4	16.1	16.1	15.3	5.7	-63
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	36.4	32.5	32.0	30.2	28.1	33.0	33.7	2
Working intensity of current assets = current assets / total assets	%	60.8	64.6	65.0	66.9	68.9	63.7	63.0	-1
Equity ratio = equity / total capital	%	56.8	59.4	50.8	52.0	49.1	51.9	57.5	11
Borrowed capital ratio = borrowed capital / total assets	%	43.2	40.6	49.2	48.0	50.9	48.1	42.5	-12
Assets and liabilities structure = fixed assets / current assets	%	59.8	50.3	49.3	45.2	40.8	51.8	53.4	3
Capital structure = equity / outside capital	%	131.4	146.5	103.1	108.2	96.4	107.9	135.1	25

D.92 | DMG MORI GROUP		IFRS							
		2014	2015	2016	2017	2018	2019	2020	Changes against previous year in %
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	62.5	83.4	45.9	56.0	28.3	19.9	20.9	5
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	124.4	144.1	117.5	146.9	189.8	123.0	141.3	15
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	175.9	202.9	157.6	186.6	242.3	174.2	206.1	18
Net financial liabilities = bank liabilities + bond / borrower's note – liquid funds	€ million	-380.8	-500.3	-342.1	-316.9	-152.7	-154.0	-123.5	20
Gearing = net financial liabilities / equity	%	–	–	–	–	–	–	–	
Working Capital = current assets – short-term borrowed capital	€ million	525.5	681.1	574.3	540.3	326.5	291.4	279.4	-4
Net Working Capital = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	189.5	261.6	270.0	317.1	343.2	386.0	407.1	5
Capital Employed = equity + provisions + net financial liabilities	€ million	1,125.6	1,103.2	1,100.8	1,118.7	1,350.2	1,453.2	1,441.7	-1
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		5.5	5.5	5.1	5.4	5.2	4.6	3.3	-28
Turnover rate of inventories = sales revenues / inventories		4.5	4.4	4.5	4.3	4.2	4.4	3.4	-23
Turnover rate of receivables = sales revenues / trade debtors		8.6	9.6	9.4	7.3	7.4	8.5	6.8	-21
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)	%	1.0	1.0	1.0	1.0	1.1	1.1	0.8	-27
DSO (Days sales outstanding) = trade debtors / (sales revenues) × 365	%	42.6	38.2	39.0	49.8	49.4	42.7	54.0	26
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	52.6	51.5	51.2	53.4	55.5	56.3	54.4	-3
Intensity of staff = Personnel costs / Total work done	%	22.4	23.2	25.3	23.3	22.3	21.9	26.9	23

D.92 | DMG MORI GROUP		IFRS							
		2014	2015	2016	2017	2018	2019	2020	Changes against previous year in %
Cash flow & Investments									
Cash flow from operating activity	€ million	170.6	142.7	124.0	171.7	230.4	234.1	67.3	-71
Cash flow from investment activity	€ million	-145.3	18.9	-198.3	-9.7	-315.1	-114.2	21.7	119
Cash flow from financing activity	€ million	39.0	-44.3	-52.5	-190.7	-123.5	-118.9	-117.1	2
Free Cashflow = cash flow from operating activity + cash flow from investment activity (exc. Cash flow from financial investments and payments to plant, property and equipment which are financed with loans)	€ million	86.1	32.0	42.5	142.4	154.2	168.8	15.7	-91
Investments	€ million	159.0	130.6	88.1	41.8	90.7	155.1	81.2	-48
Share & valuation									
Market capitalisation	€ million	1,852.2	3,001.4	3,401.8	3,627.2	3,397.1	3,337.9	3,239.4	-3
Company value = Market capitalisation + bank liabilities + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	1,597.5	2,624.0	3,187.4	3,414.9	3,370.1	3,301.2	3,218.5	-3
Earnings per share = result after minority interests / number of shares	€	1.41	1.90	0.57	1.49	1.88	1.93	0.66	-66
Price-to-earnings ratio (P / E) = market capitalisation / EBT		10.6	13.8	36.1	20.6	15.8	15.2	43.3	185
Company value-EBITDA-ratio = company value / EBITDA		6.9	10.8	18.8	13.5	12.0	11.0	20.5	86
Company value-EBIT-ratio = company value / EBIT		8.7	14.1	30.7	19.0	15.5	14.9	39.4	164
Company value sales ratio = company value / sales revenues		0.7	1.1	1.4	1.5	1.3	1.2	1.8	44

List of graphs and tables

BUSINESS REPORT DMG MORI AKTIENGESELLSCHAFT

CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

Forward-Looking Statements

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

DMG MORI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in the most important business areas as well as the consequences of a recession) as these have a direct effect on processes, suppliers and customers. Due to their differences, not all business areas are affected to the same extent by changes in the economic environment; significant differences exist with respect to the timing and extent of the effects of any such changes. This effect is further intensified by the fact that, as a global entity, DMG MORI AKTIENGESELLSCHAFT operates in various markets with very different economic rates of growth. Uncertainties arise inter alia from the risk that customers may delay or cancel orders or they may become insolvent or that prices become further depressed by a persistently unfavorable market environment than that which we are expecting at the current time; developments on the financial markets, including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as financial assets in general; growing volatility on the capital markets and a deterioration in the conditions for the credit business as well as a deterioration in the future economic success of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other essential portfolio measures; the introduction of competing products or technology by other companies or the entry onto the market of new competitors; a change in the dynamics of competition (primarily on developing markets); a lack of acceptance of new products and services in customer target groups of DMG MORI; changes in corporate strategy; interruptions in the supply change, including the inability of a third party, for example due to natural catastrophes, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other measures of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI AKTIENGESELLSCHAFT and various other factors.

Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any change in events or developments occurring after the end of the reporting period. Forward-looking statements must not be understood as a guarantee or as assurances of future developments or events contained therein.

There are two companies using the name "DMG MORI": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporate Act (Aktiengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

Financial Calendar

9 March 2021	Annual Press Conference Publication of the Annual Report 2020 Analysts' Conference
27 April 2021	Release for the 1st Quarter 2021 (1 January to 31 March)
7 May 2021	119th Annual General Meeting
23 July 2021	Report for the 1st Half-Year 2021 (1 January to 30 June)
26 October 2021	Release for the 3rd Quarter 2021 (1 January to 30 September)
6 May 2022	120th Annual General Meeting

Subject to alteration

Resource conservation

The recycled paper used (Enviro Polar) was made from 100 % waste paper in a climate-neutral manner and without the addition of optical brighteners and chlorine bleach.

The FSC® label on this product ensures responsible use of the world's forests.

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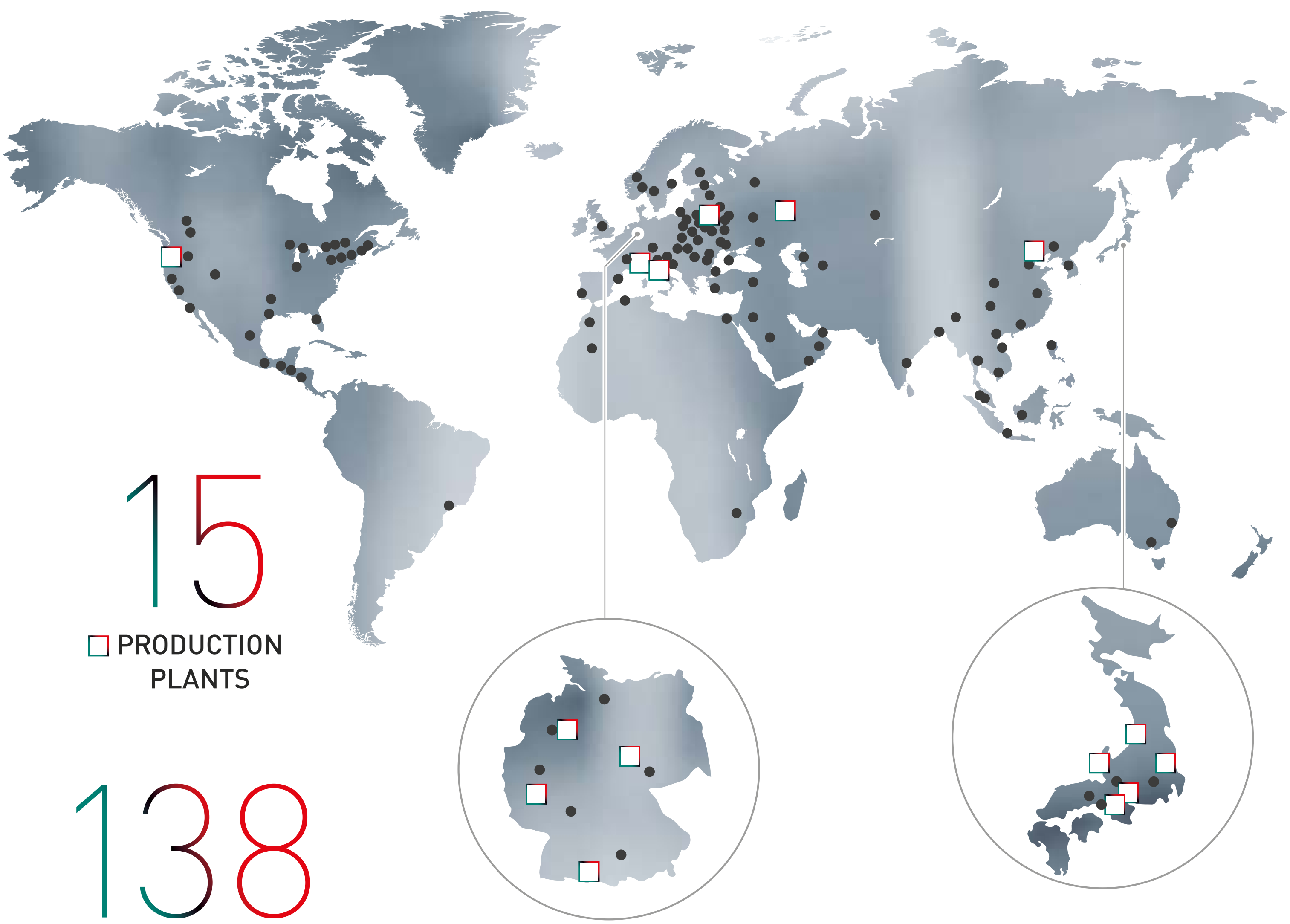
For better readability, gender-specific formulations are not used in this Annual Report. The chosen form refers equally to all persons of the female, male and diverse genders.

DMG MORI WORLDWIDE

Headquarters Bielefeld
DMG MORI AKTIENGESELLSCHAFT

Headquarters Tokio
DMG MORI COMPANY LIMITED



15
□ PRODUCTION PLANTS

138
● SALES AND SERVICE LOCATIONS

□ Production Plants ● Sales and Service Locations

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