DMG MORI

AKTIENGESELLSCHAFT

ADDITIVE MANUFACTURING

DIGITIZATION

AUTOMATION

dynamic

EXCELLENCE

TECHNOLOGY EXCELLENCE

DMG MORI QUALIFIED PRODUCTS

ANNUAL REPORT 2019

KEY FIGURES

The Consolidated Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2019 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

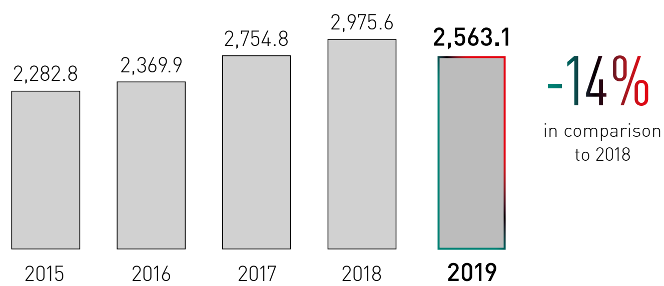
in € million	2019	2018	Changes 2019 against 2018	
Order Intake	2,563.1	2,975.6	-412.5	-14 %
Domestic	714.8	882.6	-167.8	-19 %
International	1,848.3	2,093.0	-244.7	-12 %
% International	72	70		
Sales Revenues	2,701.5	2,655.1	46.4	2 %
Domestic	769.2	821.5	-52.3	-6 %
International	1,932.3	1,833.6	98.7	5 %
% International	72	69		
Order Backlog*	1,197.4	1,609.9	-412.5	-26 %
Domestic	458.3	515.7	-57.4	-11 %
International	739.1	1,094.2	-355.1	-32 %
% International	62	68		
EBITDA	299.8	280.8	19.0	7 %
EBIT	221.7	217.1	4.6	2 %
EBT	219.1	214.8	4.3	2 %
EAT	154.4	149.5	4.9	3 %
Free cash flow	168.8	154.2	14.6	9 %

	2019	2018	Changes 2019 against 2018	
Employees*	7,245	7,503	-258	-3 %
incl. trainees	347	396	-49	-12 %

* Reporting Date 31 December

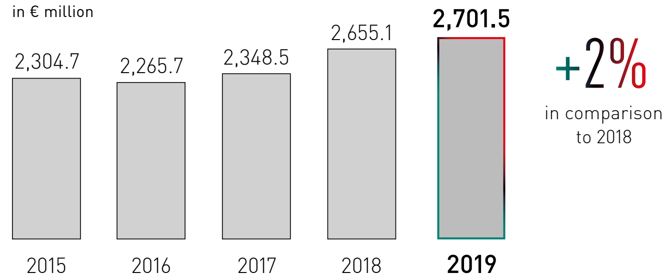
02 | ORDER INTAKE

in € million



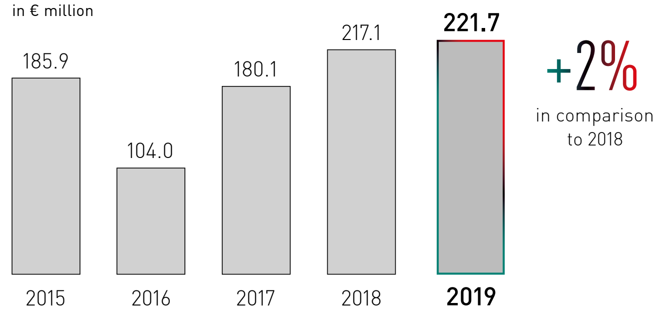
03 | SALES REVENUES

in € million

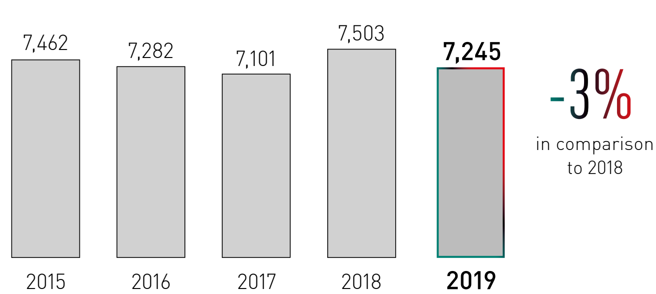


04 | EBIT

in € million



05 | EMPLOYEES incl. trainees



Headquarters Bielefeld
DMG MORI AKTIENGESELLSCHAFT

Headquarters Tokyo
DMG MORI COMPANY LIMITED

14
PRODUCTION PLANTS

154
SALES AND SERVICE LOCATIONS

DYNAMIC . EXCELLENCE

GROUP STRUCTURE // DMG MORI AKTIENGESELLSCHAFT

(as part of the "Global One Company")

CORPORATE SERVICES

DMG MORI AKTIENGESELLSCHAFT, Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Development and Production

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

INDUSTRIAL SERVICES 1)

DMG MORI Management GmbH, Bielefeld; Sales and Services

SALES AND SERVICES

DMG MORI Germany 2)	DMG MORI EMEA	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) Significant business activities of Energy Solutions have been sold by DMG MORI to a strategic investor as of 1 July 2019 in order to focus on the core business.
2) incl. Austria
3) These markets are consolidated by DMG MORI COMPANY LIMITED.

PRODUCTION PLANTS | SALES AND SERVICE LOCATIONS →
SUSTAINABILITY REPORT →

DMG MORI in brief

DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of more than € 2.7 billion and around 7,200 employees. As "Global One Company" – together with DMG MORI COMPANY LIMITED – we reach sales revenues of around € 4 billion.

With dynamic and excellence we advance future technologies. Our portfolio comprises turning and milling machines, the Advanced Technologies Ultrasonic, Lasertec and Additive Manufacturing as well as consistent automation and digitization solutions. 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 technology excellence is bundled within the main sectors of "Aerospace", "Automotive", "Die & Mold", and "Medical". Our partner program "DMG MORI Qualified Products" (DMQP) allows us to offer perfectly matched peripheral products from a single source. Our customer-focussed services covering the entire life cycle of a machine tool include training, repair, maintenance and spare parts service. The modern customer portal "*my* DMG MORI" digitizes service processes.

More than 12,000 employees work for the "Global One Company". With 154 sales and service locations – including 14 production plants – we are present worldwide and deliver to more than 100,000 customers from 42 industries in 79 countries.

STRATEGIC FUTURE FIELDS ↗

01 TO OUR SHAREHOLDERS

02 BUSINESS REPORT OF DMG MORI AKTIENGESELLSCHAFT

↗ business report information not reviewed for content

03 CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

04 FURTHER INFORMATION

ANNUAL REVIEW 2019

JANUARY

The year starts with our traditional open-house exhibition in Pfronten. DMG MORI presents its combined technological expertise across 7,500 m^2 of exhibition space. Focus is placed on the future fields, Automation, Digitization and Additive Manufacturing.

FEBRUARY

Future lab: In cooperation with Kempten University, DECKEL MAHO Pfronten opens a "digital laboratory". This digital lab develops innovative methods, solutions and software programs for digitization within the machine tool industry.

DMG MORI welcomes 100 members of the German Asia-Pacific Business Association at its headquarters in Bielefeld, helping to strengthen German-Japanese relations.

MARCH

Christian Thönes becomes Vice President of DMG MORI COMPANY LIMITED. His appointment as member of the Board of Directors reflects the successful alignment of the enterprise to become "Global One Company".

Good business development in the first quarter according to plan: DMG MORI increases sales revenues, earnings and free cash flow. Order intake remains stable at the high level as the last two quarters of 2018.

The opening of its new state-of-the-art Technology and Solution Center in Veenendaal enables DMG MORI to strengthen its market position in the Netherlands.

APRIL

The new intranet, "DMG MORI ONE", is a global, cutting-edge and interactive information platform by employees for employees.

1 *my* DMG MORI: The innovative customer portal for service optimization sets new standards for digital and transparent communication.

MAY

At the 117th Annual General Meeting, DMG MORI presents all-time record highs. The approximately 400 shareholders approve by a large majority all the motions on the agenda at Bielefeld City Hall.

Outstanding apprenticeship: Alexander Engel from DECKEL MAHO is the best industrial mechanic in Allgäu.

JUNE

Despite increasingly difficult market conditions, DMG MORI records stable, high-level business development. Order intake reaches € 1,412.3 million as planned. Sales revenues rise to € 1,276.4 million. EBIT increases to € 103.4 million. Free cash flow improves to € 81.9 million.

Looking to the future with automation and digitization: Highlights from the Bielefeld open house exhibition include a flow assembly line for the Robo2Go 2nd Generation, CTX beta 800 TC and CTX beta 1250 TC.

DMG MORI celebrates its 50th anniversary in Switzerland and presents innovations for the future of production.

Together strong: 150 apprentices take part in the company's interplant football tournament, the "DMG MORI Apprentice Cup", at the Schüco Arena in Bielefeld.

JULY

DMG MORI takes the lead in the area of climate protection by systematically reducing the emission of environmentally harmful greenhouse gases through its investment in cutting-edge technology. Our clear goal: 2020 DMG MORI will be CO_2-neutral.

DMG MORI focuses on its core business and sells significant business activities of GILDEMEISTER energy solutions to a strategic investor.

AUGUST

DMG MORI Czech opens a new Technology and Solution Center in Brünn and presents the future fields, Automation, Digitization and Additive Manufacturing to over 400 customers.

Apprenticeship start at DMG MORI: 69 new apprentices will start their careers in a global company in 2019. A total of 347 young professionals benefit from appealing entry-level conditions for today's working world and right from the start, receive the support they need to achieve digital literacy.

2 Simon Pankratz, an apprentice from GILDEMEISTER Drehmaschinen GmbH in Bielefeld, is awarded a "Medal of Excellence" at the WorldSkills final in Russia and is one of the best CNC turners in the world.

SEPTEMBER

3 As the largest exhibitor at the EMO in Hanover, DMG MORI presents an exciting line-up of innovations across an exhibition space of more than 10,000 m² – particularly in the future fields, Automation, Digitization and Additive Manufacturing.

At the EMO, DMG MORI and Jungheinrich present the PH-AGV 50 – their development partnership for driverless transport systems.

4 New Alliance: A cooperation with the US-American software provider, TULIP, enables DMG MORI to provide its customers with access to digital manufacturing. TULIP was founded by engineers of MIT Media Lab in Boston.

Partner Award: At the EMO, DMG MORI awards TOP supply partners for their outstanding performance and innovation strength.

Future shapers: Over 250 international experts from "Global One Company" meet up at the "Global Development Summit" at the company's headquarters in Bielefeld to develop and promote new product ideas.

The business magazine, "stern" recognizes DMG MORI as "enterprise with a future". "Focus Money" also names DMG MORI as one of "Germany's best training enterprises" and also awards it with the title "TOP career opportunities".

Compared with the rest of the industry, DMG MORI is able to hold its ground well and reconfirms its forecasts for 2019.

OCTOBER

5 FAMOT opens its "XXL Machining Hall" in Pleszew. In this state-of-the-art assembly hall covering 6,100 m² components weighing up to 40 tons are manufactured for other DMG MORI plants.

NOVEMBER

DMG MORI receives the BME innovation award for exemplary digital transformation and the group-wide realignment of Purchasing.

DECEMBER

DECKEL MAHO Seebach receives the School Business Award, "That's Got Potential" from the Institut der deutschen Wirtschaft Köln Junior GmbH. The reason for this is the "Future Day Summit" – a recognized teacher training course providing information about training, educational support and youth work.

2019 was another very successful year for DMG MORI with record values at sales revenues, earnings and free cash flow despite difficult market conditions: Order intake reaches € 2,563.1 million. Sales revenues increase to € 2,701.5 million. EBIT improves to € 221.7 million. Free cash flow rises to € 168.8 million.

Report of the Supervisory Board

Dr. Eng. Masahiko Mori (58)

Chairman of the Supervisory Board
President of DMG MORI COMPANY LIMITED

Dr. Eng. Masahiko Mori (58) 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. 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 2019, the Supervisory Board again focused on strategic issues. In particular, digitization with its opportunities for DMG MORI and future business models, but also automation, played a key role. It also delved into business and earnings development and Executive Board matters and discussed among others, issues such as business policy, risk management, compliance, and group development until financial year 2022, including investments.

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

There was a change in the composition of the Executive Board in the reporting year. Dr. Maurice Eschweiler left the Executive Board with effect from 1 April 2019 and took up his position as Chief Representative. Christian Thönes and Michael Horn took over his executive responsibilities.

All members of the Supervisory Board attended more than half of the Supervisory Board and committee meetings.

Also in 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 only at meetings, but also by telephone and in writing. Moreover, the Supervisory Board received regular updates on business performance and specifically, on the development of the company's key performance indicators.

The Supervisory Board performed its duties with great care and high diligence in accordance with the Articles of Association and statutory requirements. It met a total of four times in financial year 2019. The chairpersons of the Supervisory Board committees, who regularly prepared the Supervisory Board meetings, reported to the plenum on the issues and recommendations discussed at the committee meetings. With regard to the members of the Supervisory Board, there were no conflicts of interest to report in the previous financial year.

The annual auditors also attended the balance sheet meeting on 11 March 2019. The Supervisory Board approved the Group Business Report and Consolidated Financial Statements as well as the Business Report and Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as of 31 December 2018 and also the Sustainability Report 2018.

The plenary meeting discussed the business development and also the agenda for the 117th Ordinary Annual General Meeting scheduled for 10 May 2019, including the recommendation for the appointment of the annual auditor as proposed by the Finance and Audit Committee. In addition, the chairpersons reported on the previous meetings of the Personnel, Nomination and Remuneration Committee and the Finance and Audit Committee.

The Supervisory Board meeting on 9 May 2019 focused on preparations for the Annual General Meeting on the following day. The Supervisory Board also discussed current business performance.

The Supervisory Board meeting on 2 October 2019 was held in Tokyo. Focus was placed on business performance, as well as automation and digitization strategy issues and the outcome of the leading trade fair, the EMO.

The meeting on 28 November 2019 focused on the business trend, the discussion and adoption of resolutions on corporate and investment planning for 2020 and medium-term planning for 2021/2022. Effective 1 January 2020 the remuneration of the Executive Board was restructured in view of the regulatory changes according to ARUG II as well as the expected changes of the German Corporate Governance Code. As recommended by the Finance and Audit Committee, the Supervisory Board also defined the following main focus areas for the statutory audit as of 31 December 2019:

› Selected aspects from the application of IFRS 16 "Leases" with regard to current discretionary judgement, especially when determining terms and interest rates

› Impairment test for goodwill and intangible assets in accordance with IAS 36 "Impairment of Assets"

› Group Business Report
  - Presentation, content and disclosures in the management report with regard to IDW PS 350 n. F.
  - Presentation of the effects of IFRS 16 on net as-sets, financial position and results of operations (Section 315 para. 1 sentence 1 of the German Commercial Code (HGB)).

The Supervisory Board held detailed discussions on the results of the invitation to tender for the statutory audit of the individual and consolidated financial statements of the company in 2020.

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

A large proportion of the Supervisory Board's work is carried out by different committees: The Finance and Audit Committee met seven times in financial year 2019. It discussed the company's financial status based on relevant performance indicators, including the cash flow trend and investments. Tax issues were also discussed, with particular reference to tax audits. The audits and analyses focused also on the Quarterly Releases for the 1st and 3rd quarters and the Interim Report for the 1st half-year 2019.

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 also reviewed the recommendation for the appointment of the statutory auditor, issued the invitation to tender for the audit of the individual and consolidated financial statements for 2020 and prepared the corresponding decision of the Supervisory Board. It monitored the independence of the annual auditor and obtained the auditor's independence declaration pursuant to Section 7.2.1 of the German Corporate Governance Code.

Further topics covered by the committee included the results from the compliance effectiveness check and the process presented by the Executive Board for accepting non-audit services provided by the annual auditor that, after in-depth review and discussion, was adopted. It also prepared resolution proposals on the declaration of conformity in accordance with Section 161 AktG and audit focus areas for 2019.

The Personnel, Nomination and Remuneration Committee held two meetings. In particular, the committee prepared resolutions on the structure and form of Executive Board remuneration and discussed other Executive Board matters. It also discussed the Supervisory Board's efficiency check.

The Nomination Committee and Mediation Committee did not meet during the reporting period.

The "Corporate Governance" section on page 26 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 2018, DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 7 February 2017, and will comply with them in the future as well.

After consulting the annual auditor and following its own review and discussion, the Supervisory Board approved the Annual Financial Statements and Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT for financial year 2019 at the balance sheet meeting on 9 March

2020. 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 complies with the legal requirements of the CSR Directive Implementation Act to implement Directive 2014/95/EU (Section 289 HGB) from 11 April 2017, was also discussed in detail. After its audit, the Supervisory Board had no objections. The decisions were prepared by the Finance and Audit Committee.

The Executive Board prepared the Business Report and Annual Financial Statements for 2019, as well as the Group Business Report 2019 of DMG MORI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The Consolidated Financial Statements 2019 of DMG MORI AKTIENGESELLSCHAFT were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable within the European Union. Pursuant to the exemption provision in Section 315e HGB, Consolidated Financial Statements in accordance with the German Commercial Code (HGB) were not prepared. The annual auditors provided detailed reports on their audit procedures and findings and were available for any further queries. KPMG AG Wirtschaftsprüfungsgesellschaft, Bielefeld, issued 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 para. 2 AktG. The design and application of the appropriate information and monitoring system in line with company requirements appears suited to its purpose of providing early warning of decisions posing a threat to the continued existence of the company. No major weaknesses in the Internal Control System and Early Risk Identification System were reported.

The chairperson of the Finance and Audit Committee provided the Supervisory Board with a detailed report on the findings of the committee as well as on the discussions held with the annual auditors and the Executive Board. The Supervisory Board and the Finance and Audit Committee conducted a detailed discussion and review of the Annual Financial Statements and Consolidated Financial Statements, as well as the Business Reports. The Supervisory Board approved the results of the audit based on its own review – as did the Finance and Audit Committee. Objections were raised neither by the Supervisory Board nor by the Finance and Audit Committee.

DMG MORI completed financial year 2019 very successfully. The Supervisory Board wishes to thank the members of the Executive Board for their exceptional commitment and outstanding strategic work, which is also reflected in the good key figures achieved. Our special thanks go to all employees for their dedication and hard work throughout the past financial year.

Dr. Eng. Masahiko Mori
Chairman of the Supervisory Board
Bielefeld, 9 March 2020

Dear Shareholders,

2019 was a very successful year for DMG MORI with new record values – and that in a difficult market environment. As "Global One Company", we have dynamically advanced our future fields – in particular, Automation, Digitization and Additive Manufacturing. Our exciting line-up of innovations at the EMO in Hanover was impressive. As the largest exhibitor at the world's leading trade fair for machine tools, we presented 45 hightech machines, 29 automations and more than 30 digital solutions. At a glance: DMG MORI remains on course for success and is strategically well positioned for the future.

This is reflected by our business figures: Whereas the machine tool industry in part suffered significantly higher losses, our order intake performed better and reached € 2,563.1 million as planned (previous year: € 2,975.6 million). Sales revenues of € 2,701.5 million once again surpassed the record figure of the previous year (€ 2,655.1 million). We also achieved further growth in earnings and reached new highs: Our EBITDA rose to € 299.8 million (previous year: € 280.8 million). The EBIT rose to € 221.7 million (previous year: € 217.1 million), the EBIT margin stayed the same as in the previous year at 8.2 %. The EBT amounted to € 219.1 million (previous year: € 214.8 million). As at 31 December 2019, the group reported EAT of € 154.4 million (previous year: € 149.5 million). The financial position also continued to develop positively: The free cash flow rose to a record figure of € 168.8 million (previous year: € 154.2 million).

These key figures have allowed us to confirm our forecasts, and this with increasing economic headwind: Worldwide machine tool consumption continued to lose momentum over the past year. According to provisional figures from the German Machine Builders' Association (VDW) and the British economic research institute, Oxford Economics, global consumption fell by -2.8 % to € 72.1 billion in 2019 (previous year: € 74.2 billion). The global economic downturn, geopolitical uncertainties and industrial structural change were responsible for a fall in demand for capital goods.

However, DMG MORI stayed on course compared to the industry. Even in difficult times, our focus is on the future, making us a strong, reliable and sustainable partner for our customers, suppliers and employees. This is made possible by the combination of dynamic and excellence at our company.

› We are **dynamically** advancing innovations in our future fields. DMG MORI offers its customers an unrivaled range of automation and digitization solutions. In 2019, we expanded our portfolio even further.

Strong team: the DMG MORI Executive Board at the EMO 2019.

› We optimize our products, technologies and services for **excellence** every day. At our Polish production and supply plant FAMOT, we opened one of the world's most state-of-the-art production facilities for oversize and heavy components in 2019: Covering an area of 6,100 m², energy-efficient and with two XXL machining centers at its core. Our expectations were exceeded by "*my* DMG MORI", our new customer portal for integrated service optimization: Digital contact with the specialist responsible, a clear, real-time overview of request status and access to all important documents considerably improve service efficiency. After a few weeks, more than 4,000 customers with over 20,000 machines were registered. By the end of the current year, this number is expected to increase to around 25,000 customers.

Dear Shareholders, with dynamic and excellence DMG MORI is steadily evolving from a machine builder to a provider for integrated solutions in the manufacturing environment. We supply our customers with everything from a single source: efficient, high-precision machines, end-to-end automation and digitization solutions, as well as comprehensive services for the production of the future. Yet at the same time, the focus is still on the machine.

Together with DMG MORI COMPANY LIMITED, we presented more than 40 innovations at 50 international trade fairs and open-house exhibitions. As a result, we have set benchmarks in each of our strategic future fields:

Automation is the key to flexible production systems. There is a steadily increasing demand for automation. This provides us with the incentive to further enhance our portfolio in this area. In the future, automation solutions will be available for almost every DMG MORI machine. We already offer our customers a total of 12 product lines with more than 50 automation solutions. Three examples of our high innovative capacity:

› Our modular building block system WH Flex connects up to nine turning or milling machines according to individual customer requirements. This type of flexibility is unique in the machine tool industry.

› The driverless transport system PH-AGV moves autonomously on the shop floor and allows customers the fully automated loading and unloading of workpiece pallets. It can be integrated effortlessly into existing production areas. Free access to all machines is retained.

› Our Robo2Go is now even more easily operated using an innovative 3D camera system. Thus the Robo2Go *Vision* autonomously recognizes workpieces that can be freely arranged on standard pallets.

Digitization is the future topic for DMG MORI. This is why we provide digital products and solutions covering the entire process chain – from planning and job preparation through production and monitoring to service.

From left to right:

Björn Biermann (40)
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.

Christian Thönes (47)
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 DECKEL MAHO Pfronten GmbH.

Michael Horn (48)
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.

The basic element necessary for digital production is connectivity. With DMG MORI Connectivity we are offering the complete networking of DMG MORI machines and selected third party machines with digital products as well as with all relevant platforms. In this regard, IT security is especially important for us. We are convinced that networking will soon completely be taken for granted.

The acceptance of digital products and services depends to a great extent on the added value they offer our customers. Our latest **CELOS** update therefore upgrades all existing versions. This means that every user can access a total of 25 apps. The APPLICATION CONNECTOR, for example, enables customers to use any of their own applications directly in CELOS. The DMG MORI MESSENGER provides all relevant information on a machine's status at a glance.

ISTOS offers an integrated digital production planning and feedback. **WERKBLiQ**, our maintenance and servicing platform, is the perfect upgrade from **"*my* DMG MORI"**: Even third-party machines can be integrated in the end-to-end digital service optimization. And with the **ADAMOS** platform we are setting the standard for the Internet of Things (IoT) in machine and plant building industry together with our partners. In this way we combine our know-how, can react faster to market requirements and create economies of scale, for example in software development.

Since September, we have been a strategic partner of **TULIP**. Production solutions from this US software producer allow customers a simple entry into the digitization of manufacturing processes and are especially suitable for small and medium-sized enterprises. Users can both quickly and intuitively build their own apps – even without any programming knowledge. In our European production plants around 100 TULIP stations and more than 20 apps developed in-house are already in use, for instance at the spindle assembly at DECKEL MAHO Pfronten.

An important future field is **Additive Manufacturing**. The manufacture of complex parts using powder nozzle or powder bed technology holds further enormous growth potential. As a global full liner, DMG MORI covers the entire process chain: the design and preparatory work, the additive manufacturing and postproduction cutting, as well as service, training and consultancy. We are constantly extending our portfolio in this area. In 2019, we launched several new products on the market, including the LASERTEC 125 *3D hybrid* for the efficient processing of complex parts weighing up to 2,000 kg.

Through our **Technology Excellence** we are specifically serving the leading industries of Aerospace, Automotive, Die & Mold, and Medical. With eight new DMG MORI technology cycles – of which, for the first time, three are from the field of Advanced Technologies – we have once again increased our portfolio in 2019. Consequently, a total of 42 technology cycles are available to our customers, offering them precise, fast machine programming even for complex processing. At the same time, we are focusing on improving precision, quality and efficiency – for the benefit of our customers.

We are also staying true to our maxim of "everything from a single source" with our **DMQP** program, which we further strengthened in 2019. DMQP stands for DMG MORI Qualified Products and is a seal of quality for the highest productivity, quality, connectivity and availability. This combines the expertise of more than 100 partners worldwide, who offer perfectly aligned peripherals and accessories for our machine tools. Since 2019 customers of our LASERTEC *SLM* machines, for example, have been able to use the DMQP Powder Cycle. This means that within a few days, our customers receive tested materials, perfectly matched to the machine, ready for immediate use.

Even when times are challenging, DMG MORI continues to push the gas – for products, quality and services as well as for the ERP project GLOBE, employees and for the topic of sustainability.

Our customers expect efficiency, precision, reliability and a long life-cycle from our machines – in short: excellent quality. At DMG MORI this has top priority. With our **"First Quality"** strategy, we drive numerous initiatives along the entire value chain in order to provide every customer with 100 % satisfaction.

More service employees, data-based digital offers such as "*my* DMG MORI": Through numerous measures we have strengthened our claim to excellence in **Services** in 2019. Our goal is clear: We want to be the No. 1 for our customers in this area, too.

Every day we grow even stronger together as "Global One Company". We take the "best of both worlds" – and turn it into something even better. Together. To share our knowledge and benefit from each other's strengths, we are harmonizing systems and processes and creating central IT structures. With **GLOBE** (**Gl**obal **O**ne **B**usiness **E**xcellence) we are introducing a uniform ERP system. This will form the basis for the further digitization of our own value chain.

Our **employees** are the most important key to our success – this is true more than ever before in the digital era. We are pursuing a premium standard that we will only meet with the aid of highly qualified and motivated employees. For this reason, DMG MORI places a high value on being an attractive employer. Trust, transparency and commitment are important to us. We stand for a corporate culture of diversity and openness. Even in turbulent times we offer stability. Every day more than 12,000 employees at "Global One Company" give 100 % for DMG MORI. Our heartfelt thanks for this!

With respect to **sustainability**, we feel a particular corporate responsibility. Here, too, we take a comprehensive approach: from our products, services and buildings and our infrastructure to our suppliers, customers and employees. In this way our automation and digitization solutions guarantee the highly-efficient use of our machine tools around the clock. The higher the productivity, the more advantageous the use of materials and energy is – and the better the sustainability balance. Through numerous social projects and initiatives, we are actively supporting society. For 2020 we have gone even further and set ourselves a particularly ambitious goal: This year DMG MORI will be CO_2-neutral. We are thus once again setting benchmarks!

Dear Shareholders, we are focusing on opportunities not crises. The future is being shaped today. Therefore, our expenditure on research and development will also remain at a consistently high level in the current financial year. Moreover, we will develop all the available potential in order to become even faster and stronger. To continue to impress our customers. To extend our technological lead. To become an even better company!

All of this only works as a joint project. Strong partners are a prerequisite for success more than ever before. Our special thanks therefore go to our customers, suppliers and business partners, employees and, above all, to you, our esteemed owners. On behalf of the entire Executive Board, I would like to thank you all for your trust in us. For us, it is both motivation and obligation.

A look ahead: 2020 is also a challenging year. The market environment will be noticeably more difficult. According to the forecasts of VDW and Oxford Economics, global consumption of machine tools will continue to decline in the current year to € 71.7 billion (-0.6 %). This applies especially to Germany (-14.5 %), but also to the whole of Europe (-4.4 %). In view of the current global uncertainties, an adjustment of the associations' forecasts during the course of the year cannot be excluded. In addition to that there is the increasingly global spread of the corona virus, of which the extent, duration and negative impact on the overall economy and industry are not yet foreseeable. Reliable statements about the influence on the business development of DMG MORI are therefore difficult to quantify completely.

Against this background and with the sale of Energy Solutions in 2019, we expect order intake and sales revenues of around € 1.8 – 2.0 billion for the financial year 2020. EBIT should be around € 80 – 100 million and free cash flow should be around € 10 – 30 million.

As "Global One Company", we are well-positioned – technologically, structurally and culturally. We have a very sound management team, a unique combination of dynamic and excellence, and a clear strategy for the future. Above all, however, the confidence and trust that our customers, suppliers, employees and partners place in us encourages us to once again achieve all our goals in 2020.

And because growth needs strong roots, we are also looking back at the past: In October our company has been existing for 150 years and in December DECKEL MAHO Pfronten will turn 100 years old. We are proud of this long standing tradition. Our recipe for success has remained the same all this time: motivated employees and satisfied customers.

For this reason, dear shareholders, we will once again give our best in the current financial year – with dynamic, excellence and commitment. Your trust is the basis upon which DMG MORI will also achieve success in 2020. We are delighted to know that you will remain at our side. Many thanks!

Yours sincerely,

Christian Thönes
Chairman of the Executive Board
Bielefeld, 9 March 2020

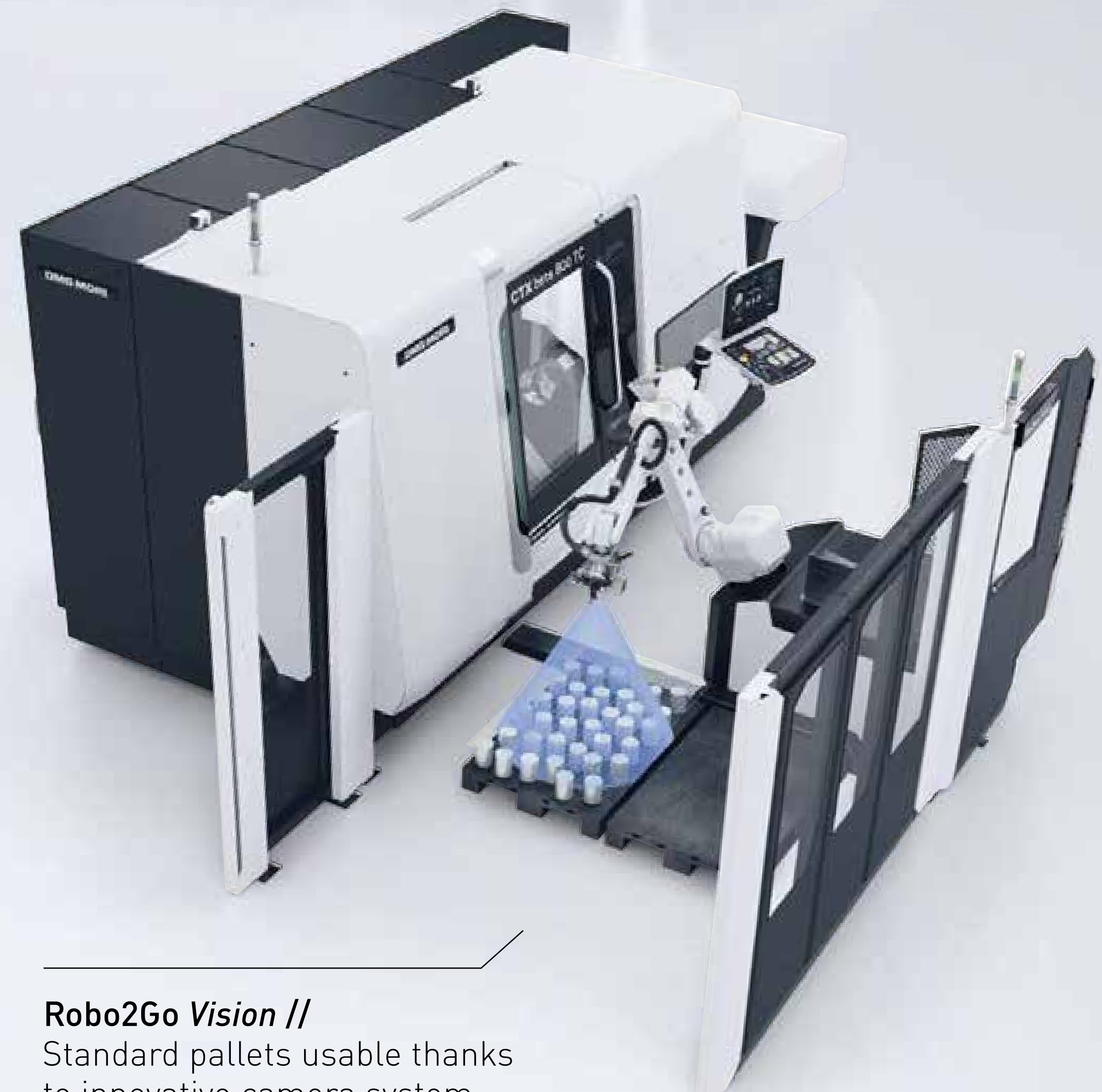
AUTOMATION

Driverless transport system PH-AGV //
moves autonomously across the shop floor and is easily integrated into existing production areas

WH Flex modular automation system //
80 % faster commissioning thanks to Digital Twin

WORKPIECE HANDLING
GANTRY LOADER
ROBOT

PALLET HANDLING
ROUND STORAGE SYSTEM
LINEAR STORAGE SYSTEM



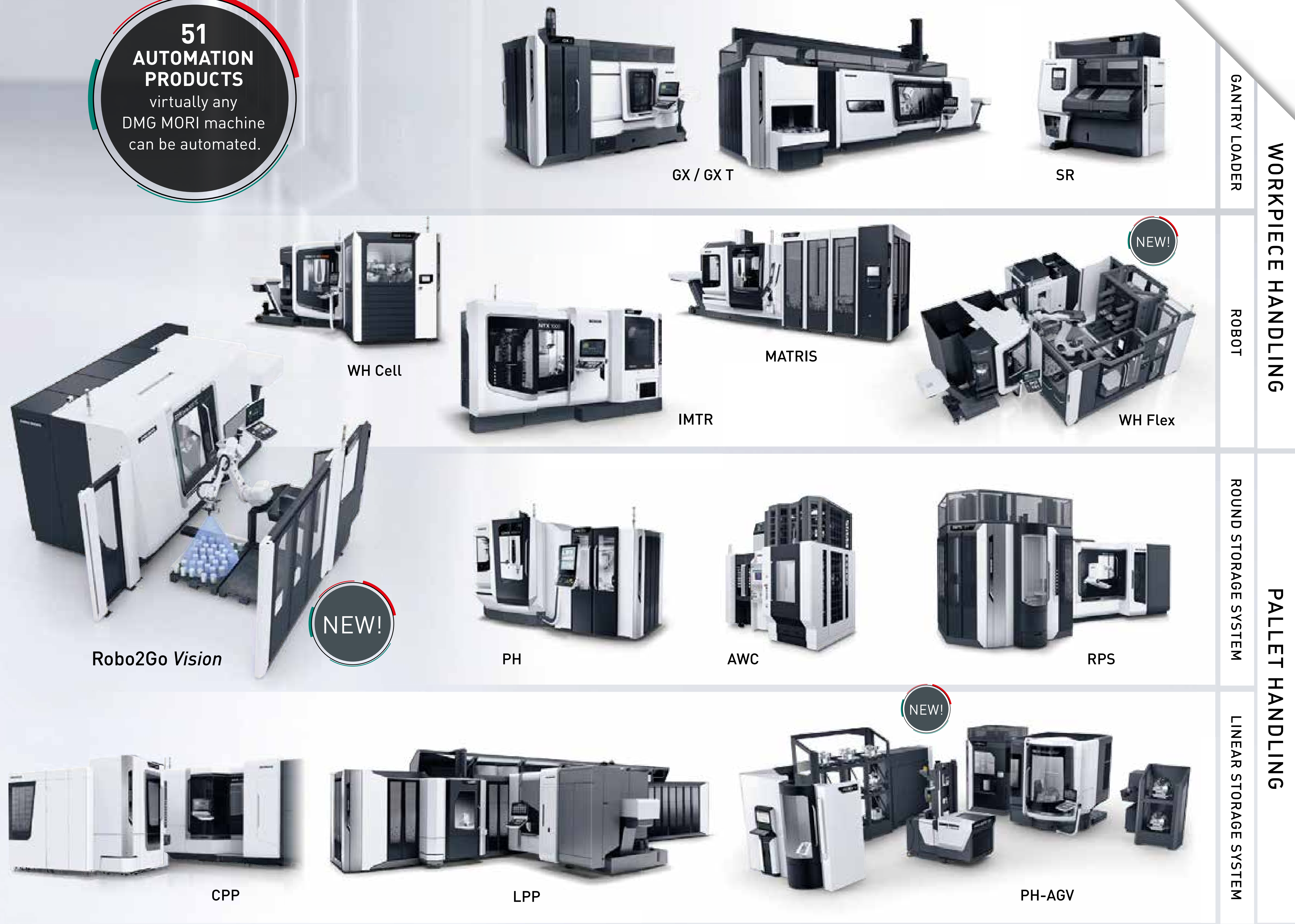
Robo2Go *Vision* //
Standard pallets usable thanks to innovative camera system

Driverless transport system PH-AGV //
moves autonomously across the shop floor and is easily integrated into existing production areas

WH Flex modular automation system //
80 % faster commissioning thanks to Digital Twin

AUTOMATION

51 AUTOMATION PRODUCTS
virtually any DMG MORI machine can be automated.



THE BASIS OF THE GROUP

Corporate Strategy and Key Financial and Performance Indicators

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

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

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

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

Together with DMG MORI COMPANY LIMITED, we act as "Global One Company" under our motto **"Dynamic . Excellence".** We actively position ourselves in important strategic future areas of business in a highly dynamic way. At the same time, we aim for excellence in our products, processes as well as in quality and service.

Hardware and software are increasingly becoming dependent from each other. Our machines are already operating on a high level of productivity and precision. Our objective is now to achieve the maximum return from our entire manufacturing system including our machines by employing perfectly fine-tuned software and to develop integrated solutions as well as automated, digitized manufacturing processes.

In the field of **automation** we continuously optimize our portfolio and already offer our customers highly integrated automation solutions that range from pallet and workpiece handling to the flexible networking of machines. Automation solutions will in the future be available for virtually all DMG MORI machine automation solutions. Our modular automation system WH Flex links up to nine turning and milling machines individually for each customer.

Our integrated **digitization** strategy encompasses the entire process chain: from planning and work preparation to production, monitoring and service. DMG MORI takes a

Dynamic . Excellence

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

proactive role in shaping the digitization in the manufacturing industry. Connectivity is a fundamental component of digital manufacturing. It is the basic prerequisite for automation and digitization. All new machines are therefore equipped with DMG MORI Connectivity as a standard feature – without additional cost for the customer. DMG MORI Connectivity stands for openness and flexibility while assuring a high degree of IT security. Our app-based control and operating environment CELOS integrates the digital products made by DMG MORI in a single user interface. Our customers optimize their production processes with software solutions from ISTOS. Our modern customer portal, "*my* DMG MORI" digitizes the service processes for DMG MORI machines. An upgrade to the integrated maintenance and service platform offered by WERKBLiQ additionally allows for the integration of machines from third-party manufacturers and other equipment. This allows our customers to increase their machine availability. With the open, digital platform ADAMOS we are setting a standard for the Internet of Things (IoT) in the machine and plant building industry together with our partners and we are paving the way for new business models.

The year 2019 also saw our company forming a cooperation with US-based software provider or TULIP. Together we simplify the first steps into digitization of manufacturing processes for our customers. Our customers can now network their workplaces, and its employees can create their own digital solutions and apps without any programming skills – for the entire manufacturing shop floor. We present the manifold advantages offered by assembly lines that have been digitized with the help of TULIP to our customers at the example of our spindle assembly in the German town of Pfronten.

A.01 | SEGMENTS OF DMG MORI

DMG MORI AKTIENGESELLSCHAFT		
MACHINE TOOLS	INDUSTRIAL SERVICES [1]	CORPORATE SERVICES
› Turning › Milling › Advanced Technologies (Ultrasonic / Lasertec / Additive Manufacturing) › Digital Solutions	› Sales & Services	› Group-wide holding functions

1) Significant business activities of Energy Solutions have been sold by DMG MORI to a strategic investor as of 1 July 2019 in order to focus on the core business.

The general rule is that we initially apply our solutions internally before making them available externally to our customers. We therefore increase 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 in our state-of-the-art production and supplier plant in Poland. As "proof of concept" for our customers, at FAMOT we achieve a considerable increase in productivity through the use of the latest DMG MORI technologies of automation and digitization at all levels of the value-added chain.

In relation to the future topic of **Additive Manufacturing**, we cover the entire process chain – starting with the design and preparation, additive manufacturing of metal components and machine post-processing all the way to service, training and consultancy. Selective laser melting and laser metal deposition allow us to bundle two important additive manufacturing processes under one roof and enable a wide range of applications. We will continuously expand our product portfolio and our business model in order to participate in the growth market of additive manufacturing. An important step has already been taken with the investment in INTECH, an Indian software and technology developer for additive manufacturing.

Additionally, we increasingly engage in cooperations. The selection of our cooperation partners is always aimed at the strategic expansion of our portfolio – especially when it comes to our future fields.

Another important objective of DMG MORI is the continuous development of our technological industry know-how, which we harness to provide even better individual advice to our customers and develop complete solutions that are perfectly geared to their requirements. This entails the involvement of our experts in the development processes of our customers at an early stage. We already offer this service in our **Technology Excellence** Center for the key industries Aerospace, Automotive, Die & Mould and Medical. In the future, we intend to expand this offering by opening new global Technology Excellence Centers for other industries as well, in order to pro-actively meet globally increasing customer needs.

As a provider of integrated technology solutions, we always strive for the latest technological and highest quality standards.

The **DMG MORI Qualified Products** (DMQP) program offers our customers machine components, peripheral devices and accessories with a high degree of synergy to our machine tools. In the DMQP program, DMG MORI is bundling the technological expertise of more than 100 partners worldwide. These partners complement the DMG MORI portfolio with their innovative products, technological concepts and high quality standards.

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

We are pursuing this goal equally with the "Industrial Services" segment. Here too, the focus is on the excellence of the services provided for commissioning, training, maintenance, spare parts service and repair. Our **"Customer First" program** is aimed at convincing customers with outstanding services throughout the entire life cycle of our products. We will do so by implementing structural measures aimed at continuously optimizing our service quality and efficiency. These include the bundling of our global service in a dedicated company, a continuous improvement process, and the improvement of our digital service concepts. Digital, data-based services offer outstanding potential for increased customer value. The modern customer portal "*my* DMG MORI" drives the optimization of DMG MORI service processes and sets new standards in digital and transparent communications.

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

A.02 | KEY FINANCIAL AND PERFORMANCE INDICATORS	Facts 2018	Targets Annual Report 2018 (12 March 2019)	Facts 2019
Order intake	€ 2,975.6 million	around € 2.6 billion	€ 2,563.1 million
Sales revenues	€ 2,655.1 million	around € 2.65 billion	€ 2,701.5 million
EBIT	€ 217.1 million	around € 200 million	€ 221.7 million
Free cash flow	€ 154.2 million	around € 150 million	€ 168.8 million
Investments (tangible fixed assets / intangible assets)	€ 81.9 million	around € 110 million	€ 110.0 million
Research and Development expenses	€ 57.9 million	around € 60 million	€ 57.4 million

The success of DMG MORI is in particular based on the exceptional commitment and strengths of our highly qualified **employees**. They will empower DMG MORI to emerge from these turbulent times even stronger than before. With trust, transparency and passion. This will allow DMG MORI to meet its aspiration of being a premium provider, exceed the high expectations of our customers and attain our ambitioned objectives. 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 believes in an open and diverse corporate culture. We promote entrepreneurial thinking and talent through group-wide succession management concepts such as the "High Potential Program".

The in-house development and production of our DMG MORI components gives us the opportunity to strengthen our core competencies, avoid dependencies and ensure the best possible quality of our products. In this way, DMG MORI components contribute to the cost optimization and **sustainability** of our products and processes. These include the standardization of components and interfaces, the streamlining of our product portfolio as well as consistent supplier management and efficient internal value chains. With "DMG MORI Green Manufacturing", we offer a perfectly fine-tuned, fully digitized and automated value chain. We thereby assure that our customers are able 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 refer to our machine- and product-specific measures by the umbrella term "GREEN MODE". The saving of energy as a result of energy efficiency measures and the latest equipment and building technologies are combined in the term "ENERGYSAVING". One goal of our sustainability strategy is: 2020 DMG MORI will be CO_2-neutral.

Management System of DMG MORI

The Executive Board of DMG MORI AKTIENGESELLSCHAFT manages the group via a rigidly defined organizational and management structure, as well as by operative goals, the achievement of which is monitored by predefined key figures. With the help of our internal controlling and management system, as well as our standard reporting system, we monitor and manage the attainment of key performance indicators and the efficient use of our capital.

Important internal target and performance indicators are in particular the order intake, sales revenues, earnings before interest and taxes (EBIT), free cash flow, as well as investments and expenditure for research and development. We manage the activities of the group and its individual companies in a sustainable manner.

2019 was a very successful year for DMG MORI with new record highs for significant key performance indicators, despite tough market conditions. While some parts of the machine tool industry suffered significantly higher losses, our order intake developed better and reached € 2,563.1 million as planned (previous year: € 2,975.6 million). At € 2,701.5 million, sales revenues exceeded the previous year's record high (€ 2,655.1 million). We have also further improved our result and attained a new record performance: EBIT reached € 221.7 million (previous year: € 217.1 million), the EBIT margin was 8.2 % as in the previous year. The company's financial position also continued to improve: Free cash flow rose to the record value of € 168.8 million (previous year: € 154.2 million). Investments in property, plant and equipment and intangible assets amounted to € 110.0 million. Expenditure for research and development amounted to € 57.4 million. This means that all target and performance indicators are well within our forecasts for the full 2019 financial year.

Organization and Legal Corporate Structure

DMG MORI AKTIENGESELLSCHAFT, which has its headquarters in Bielefeld (Germany), manages the group centrally and across all functions as a management holding company. It comprises all cross-divisional key functions of the group. DMG MORI Management GmbH, Bielefeld, is the operating management company of the group's sales and service locations. DMG MORI AKTIENGESELLSCHAFT manages the company's home market in Germany, the EMEA region (Europe, Middle East, Africa) as well as the markets in China and India. As the parent company of the group's production sites, GILDEMEISTER Beteiligungen GmbH is responsible for further holding functions. Together with DMG MORI COMPANY LIMITED, we are present worldwide at 154 sales and service locations – 14 of which are production plants.

All companies of the group are managed as profit centers and follow clear guidelines with the aim to achieve the best possible performance and results. A group wide uniform IT infrastructure standardizes the main work processes and work flows, and thus forms an integrative link for the group. The organizational costs of DMG MORI AKTIENGESELLSCHAFT amounted to € 21.8 million (previous year: € 22.5 million). The ultimate parent company of DMG MORI AKTIENGESELLSCHAFT is DMG MORI COMPANY LIMITED, which has its headquarters in Tokyo, Japan.

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

› Effective from 1 January 2019, DMG MORI Global Service Milling GmbH, Pfronten, merged to DMG MORI Global Service Turning GmbH, Bielefeld. DMG MORI Global Service Turning GmbH was renamed to DMG MORI Global Service GmbH.

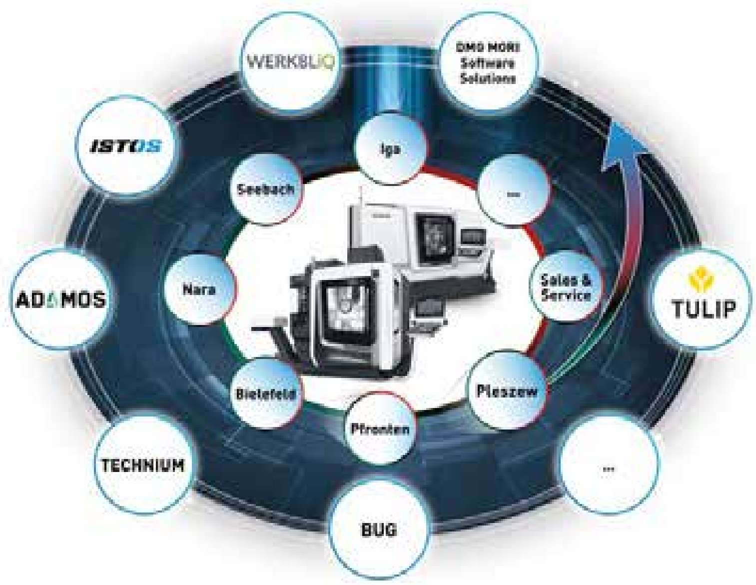
› In June 2019, 49 % of the shares in DMG MORI Machine Tools Trading Co., Ltd., Shanghai (China), have been transferred from DMG MORI Vertriebs und Service GmbH, Bielefeld, to DMG MORI COMPANY LIMITED.

› Effective from 1 July 2019 significant business activities belonging to GILDEMEISTER energy solutions were sold to a strategic investor. All existing orders at Energy Solutions on this date were mainly processed in the reporting year, generating sales revenues.

› In September 2019, GILDEMEISTER Beteiligungen GmbH acquired 15 % of TULIP Interfaces Inc, Somerville (USA). This cooperation with the US software provider TULIP has enabled DMG MORI to provide its customers with access to digital manufacturing.

› In September 2019, GILDEMEISTER Beteiligungen GmbH acquired a 30 % interest in Pragati Automation Pvt. Ltd., Bangalore (India). This shareholding has enabled DMG MORI to acquire a long-term partner as a quality supplier of strategic core components for tool magazines.

› In November 2019, GILDEMEISTER Beteiligungen GmbH founded DMG MORI Digital GmbH, Bielefeld. DMG MORI holds 40 % of the shares, the remaining 60 % are held by a cooperation partner.



Decentralized areas of competence:
The satellite structure and uniform alignment of the digital units accelerate the path to digital production.

The structure of the group is designed to ensure that all companies contribute towards expanding the position as a leading and sustainable global provider of integrated technology solutions for the manufacturing industry. The group is depicted in a matrix organization with the production plants on the one side and the sales and service companies on the other side. The supply plants are specialized according to business fields and production lines.

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

According to its last notification of voting rights of 6 April 2016, DMG MORI COMPANY LIMITED, Nara (Japan) indirectly held a 76.03 % share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. In addition, Paul E. Singer held 9.53 % of the share capital as at 31 December 2019 through related companies according to the last notification of voting rights of 26 November 2019.

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

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

The following mandatory disclosures apply to the group:

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

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

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

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

› Pursuant to Section 5 para. 3 of the Articles of Association, the Executive Board is authorized to increase the share capital of the company to up to nominal € 102,463,392.20 within the period until 9 May 2024 with the agreement of the Supervisory Board by way of a single or several issues of up to 39,408,997 new shares against contribution in cash and / or in kind (authorized capital). At the same time, the Executive Board is empowered to issue shares in the value of € 5,000,000 subject to the exclusion of pre-emptive rights, to employees of the company and to affiliates of the company.

› The Executive Board is furthermore authorized, with the approval of the Supervisory Board, to exclude the statutory subscription right in certain specifically defined cases according to the Articles of Association (authorized capital).

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

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

Pursuant to Section 315a para. 1 of the German Commercial Code (HGB), the Executive Board provides the following explanatory notes:

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

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

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

Share

The shares of DMG MORI AKTIENGESELLSCHAFT are listed in the SDAX and are traded on the official market on the stock exchanges in Frankfurt/Main, Berlin and Düsseldorf, as well as on the open market stock exchanges in Hamburg, Hanover, Munich and Stuttgart. DMG MORI AKTIENGESELLSCHAFT continues to meet transparency requirements of the German Stock Exchange's "Prime Standard". Following a regular review of the indices, the share was removed from the SDAX on 15 March 2019. DMG MORI was re-included in the SDAX on 24 June 2019.

Share Performance

In the stock market year 2019, the DMG MORI share was initially quoted at € 44.25 (2 January 2019) and closed at the price of € 42.35 (-4 %; SDAX +32 %) as of 30 December 2019. Market capitalization amounted to € 3.34 billion.

Guaranteed Dividend

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

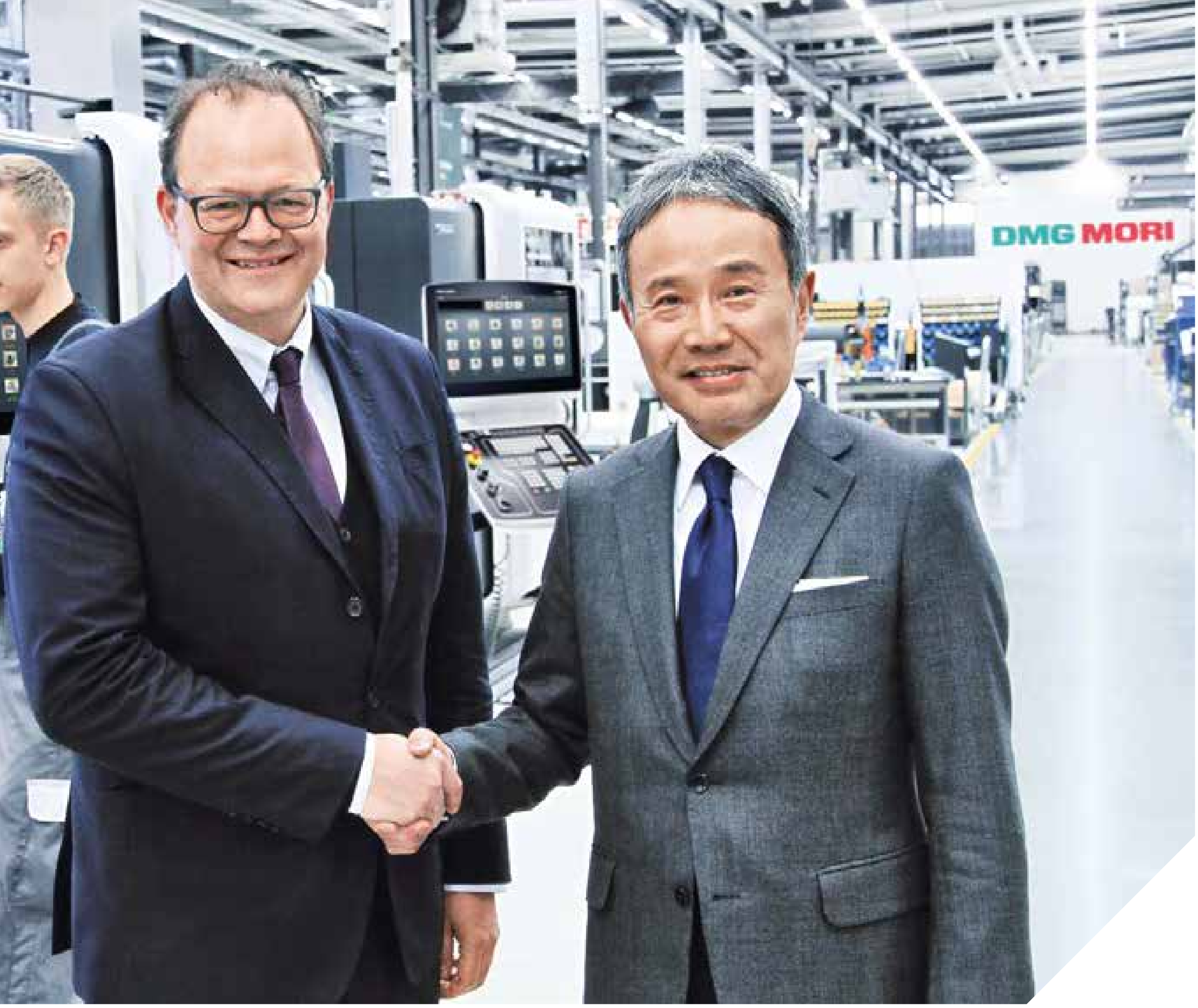
Successful together: Dr. Eng. Masahiko Mori (r.) and Christian Thönes shape the "Global One Company" together.

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

		2019	2018	2017	2016	2015	2014
Registered capital	€ million	204.9	204.9	204.9	204.9	204.9	204.9
Number of shares	million shares	78.8	78.8	78.8	78.8	78.8	78.8
Closing price 1)	€	42.35	43.10	46.02	43.16	38.08	23.50
Annual high 1)	€	48.35	50.60	53.85	44.76	38.90	26.82
Annual low 1)	€	40.90	42.80	42.95	35.02	23.28	18.85
Market capitalization	€ million	3,337.9	3,397.1	3,627.2	3,401.8	3,001.4	1,852.2
Dividend *	€	–	–	–	–	0.60	0.55
Dividend total *	€ million	–	–	–	–	47.3	43.4
Dividend yield *	%	–	–	–	–	1.6	2.3
Earnings per share 2)	€	1.93	1.88	1.49	0.57	1.90	1.41
Price-to-earnings ratio 3)		21.9	22.9	30.9	75.7	20.0	16.7

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

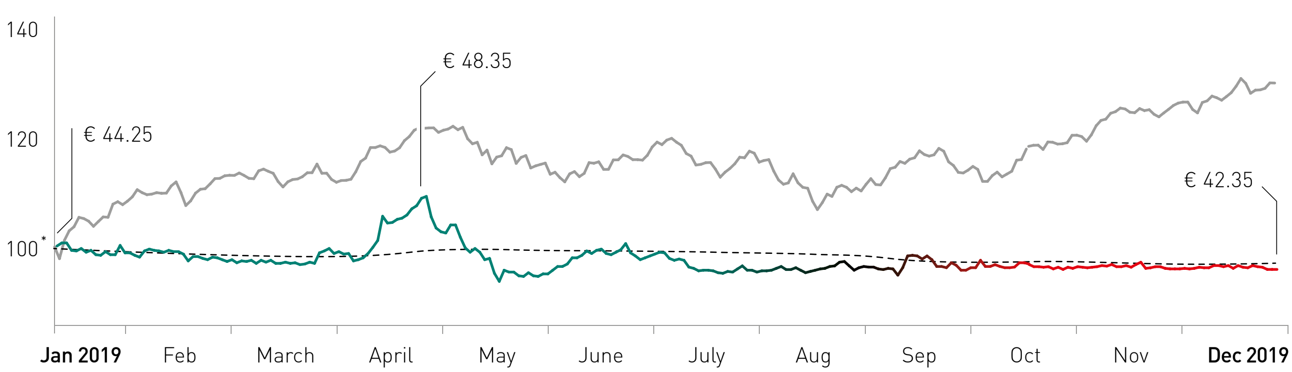
* Due to the domination and profit transfer agreement, DMG MORI AKTIENGESELLSCHAFT will cease paying dividends as of financial year 2016. Instead, DMG MORI GmbH has undertaken to pay external shareholders a compensation amount ("guaranteed dividend") of € 1.17 gross per share for each full financial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



Investor Relations // Financial Communications

Our Investor Relations and Financial Communications departments aim to provide an open and ongoing exchange of information with the capital market. Our transparent communication sustainably strengthens DMG MORI's public image. We continue to be in constant dialogue with our shareholders and international investors, as well as the business press and the relevant associations, institutions and decision makers.

A.04 | DMG MORI AKTIENGESELLSCHAFT-SHARE IN COMPARISON WITH THE SDAX® – JANUARY TO DECEMBER 2019
in %



* 2 January 2019 = 100, stock performances indexed XETRA; Source: Deutsche Börse Group

DIGITIZATION

CELOS UPDATE:
PLC-independent of any current version

***my* DMG MORI:**
new customer portal for integrated service optimization

WERKBLiQ Upgrade:
integrated optimization of service and maintenance processes – even for third-party machines

DMG MORI CONNECTIVITY

TULIP

DMG MORI PLANNING & CONTROL

CAD / CAM & SIMULATION

CELOS & TECHNOLOGY CYCLES

DMG MORI MESSENGER

my DMG MORI & WERKBLiQ

TULIP:
the ideal entry to digitization – digitize manufacturing processes yourself

DMG MORI
SECURE
CONNECTIVITY

in every DMG MORI machine

DMG MORI CONNECTIVITY:
without extra charge in standard in every new DMG MORI machine

CELOS UPDATE:
PLC-independent of any current version

WERKBLiQ Upgrade:
integrated optimization of service and maintenance processes – even for third-party machines

my **DMG MORI:**
new customer portal for integrated service optimization

1 **DMG MORI CONNECTIVITY**

2 **TULIP – Assembly workflow**

+ digital work instructions
+ quality & defects tracking
+ production visibility

DIGITIZATION

INTEGRATED MANUFACTURING TECHNOLOGIES

PLANNING | PREPARATION | PRODUCTION | MONITORING | SERVICE

3 **DMG MORI PLANNING & CONTROL**

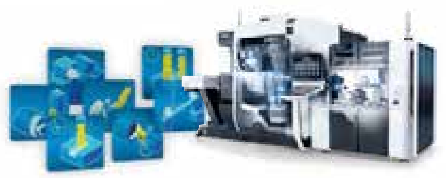
+ fully integrated order planning & control system

4 **CAD / CAM SYSTEMS & SIMULATION**

DMG MORI
Virtual Machine

5 **CELOS**

+ 25 CELOS apps
+ integrate own systems



TECHNOLOGY CYCLES
+ 60 % faster programming in dialog

6 **DMG MORI MESSENGER**

+ status of all connected machines at a glance

7 *my* **DMG MORI, WERKBLiQ & NET*service***

exclusive for DMG MORI customers

WERKBLiQ
also for third-party machines

+ continuous optimization of service and maintenance processes

Corporate Governance Report / Group Declaration on Corporate Management

↗ business report information not reviewed for content

The Executive Board and the Supervisory Board of DMG MORI AKTIENGESELLSCHAFT always act in accordance with good Corporate Governance and report in accordance with Section 3.10 of the German Corporate Governance Code on Corporate Governance at DMG MORI. This is reflected in responsible and transparent corporate management and corporate control. Good Corporate Governance is an essential element of strategic thinking and acting at all levels of the group. DMG MORI follows the recommendations of the German Corporate Governance Code.

In November 2019, the Executive Board and the Supervisory Board once again issued a compliance statement that confirmed the group's compliance with all recommendations of the "Government Commission on the German Corporate Governance Code" in the version of the code of 7 February 2017 since its publication in the electronic Federal Gazette (Bundesanzeiger) on 24 April 2017 without reservation. The Executive Board and the Supervisory Board likewise confirm that the recommendations of the "Government Commission on the German Corporate Governance Code" will also be complied with in the future. DMG MORI also complies with the suggestions of the German Corporate Governance Code except for two exceptions regarding the Annual General Meeting. For organizational and cost reasons, we have waived the Internet transmission and the accessibility of the representatives for the instruction-bound exercise of the voting rights of shareholders during the Annual General Meeting.

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

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

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. For detailed information on the opportunities and risk management system, please see page 72 et seqq.

Cooperation between the Executive Board and the Supervisory Board

The Executive Board and the Supervisory Board work closely together in the interests of the company. The Executive Board agrees the strategic direction of the company with the Supervisory Board and informs the latter regularly, timely and comprehensively of all issues of relevance to the company relating to strategy, business development, the risk position, risk management and compliance. Any deviations in the course of business from the established plans and targets of the group are discussed and the reasons therefore given. The Executive Board forwards the half-year reports and quarterly releases to the Finance and Audit Committee and discusses these reports and releases with the Finance and Audit Committee before their publication: The articles of association and the rules of procedure provide for the right of consent of the Supervisory Board to a wide range of business transactions proposed by the Executive Board.

The remuneration of both the members of the Supervisory Board and of the Executive Board is presented in detail in the remuneration report on page 29 et seqq. as part of the business report of the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

Objectives in the Composition of the Supervisory Board

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

› The Supervisory Board should be staffed with the same number of shareholder representatives with experience in managing or governing companies with global operations;

› Employees from key DMG MORI sectors should be considered as employee representatives;

› Knowledge about DMG MORI and key markets for DMG MORI, as well as knowledge about technical contexts and technology management should be taken into consideration;

› Specialist knowledge and experience in the use of accounting principles, internal monitoring procedures and compliance processes should be taken into consideration;

› At least two male and two female members on the Supervisory Board on the side representing the shareholders, as well as on the side representing the employees;

- At least 50 % of all Supervisory Board members should be independent;
- Avoiding conflicts of interest;
- An upper age limit of 70 years at the time of election to the Supervisory Board should be observed; limit of five terms of office;
- Nominations for future staffing of the Supervisory Board should also look, in particular, to the interests of the company, while observing the objectives mentioned above.

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

Diversity

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

Statutory Gender Quota Requirements

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

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

Avoiding Conflicts of Interest

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

Shareholders and Annual General Meeting

Our shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting passes resolutions, inter alia, on the approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the annual auditor or any changes to the articles of association. Shareholders may exercise their voting right in person. Shareholders who are unable to attend the Annual General Meeting personally are given the opportunity of exercising their voting right by proxy through an authorized person of their choice or by transfer of proxy to a representative of the group who will act as per their instruction. In addition, it is possible to obtain information about the Annual General Meeting timely via the Internet. All documents and information are made available to shareholders in good time on our website.

Transparency

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

Highly motivated: At DMG MORI, all trainees are optimally prepared from the start for the requirements of the modern working world and strengthened in digital skills.

Compliance

We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and to society. We therefore specifically undertake to uphold clear principles and values. In particular, this includes observing and upholding legal requirements and regulatory standards as well as voluntary commitments and our own internal guidelines. Our compliance management system is designed to safeguard our principles and values. Further information about our Compliance Management System can be found in the Sustainability Report 2019 and on our website.

Financial Accounting and Annual Audit

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

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

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

Remuneration Report

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

Supervisory Board Remuneration

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

In financial year 2019, the fixed remuneration for each individual member of the Supervisory Board was € 60,000; the chairperson receives the 2.5-fold amount (€ 150,000), but Dr. Eng. Masahiko Mori has been waiving his Supervisory Board Remuneration since 4 May 2018. The vice chairperson received the 1.5-fold amount (€ 90,000). Fixed remuneration totaled € 630,000 (previous year: € 718,604).

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

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

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

Executive Board Remuneration

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

Members of the Executive Board receive direct and indirect remuneration. The indirect remuneration component primarily consists of pension plan expenses. The direct remuneration of members of the Executive Board of DMG MORI AKTIENGESELLSCHAFT includes fixed and variable components. The variable components comprise a short-term incentive (STI), an individual and performance-based remuneration, and a long-term incentive (LTI).

Share ownership of the Executive Board members and the Supervisory Board members

Only one of the members of the Supervisory Board holds an interest in DMG MORI AKTIENGESELLSCHAFT. Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Nara, Japan). According to its last notification of voting rights, DMG MORI COMPANY LIMITED indirectly holds a 76.03 % share of voting rights in the share capital of DMG MORI AKTIENGESELLSCHAFT. Hence, Dr. Eng. Masahiko Mori is indirectly a shareholder of DMG MORI AKTIENGESELLSCHAFT.

Pursuant to section 19 MMVO (German Misuse of Power Regulation), members of the Supervisory Board or Executive Board, and other individuals subject to reporting requirements, must notify both the company and the Federal Financial Supervisory Authority (BaFin) whenever they buy or sell company shares or other company securities. The company is then legally required to publish such notification without delay. According notifications made by DMG MORI AKTIENGESELLSCHAFT can be viewed on the company website at all times.

The remuneration components are designed in such a way that they present a clear incentive for the Executive Board members to achieve the targets.

In this way, they support a sustainable and value-based corporate management. The criteria for the appropriateness of the remuneration primarily include the responsibilities of the respective Executive Board members, their personal performance, the performance of the entire Executive Board, also the business situation, the success and the prospects of the company within its comparative environment.

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

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

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

The fixed remuneration is the contractually defined basic remuneration that is paid monthly in equal amounts. The STI is based on targets relating to key figures. In 2019, the reference values used were the volume of the order intake and EBIT ("Earnings Before Interest and Taxes"). The target figures are on a sliding scale and are re-specified every year. As a precondition for the payment of the STI, the group's sustainability factor (total expenditures for research and development, corporate communication incl. marketing as well as for further training in relation to total sales revenues) for the respective financial year must reach or exceed a certain specified minimum value. This promotes sustainability-focused Corporate Governance.

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

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

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

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

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

Benefits in kind arise mainly from the values to be assessed in accordance with applicable tax regulations for the use of company cars and individual insurance contributions. Every member of the Executive Board is contractually entitled to

A.05 | REMUNERATION OF THE SUPERVISORY BOARD

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

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

benefits in kind, which may vary depending on their personal situation and are subject to tax payable by each Executive Board member. Pension commitments for current members of the Executive Board are implemented through a defined contribution pension plan. The expenses for the financial year just ended amounted to € 838 K (previous year: € 800 K).

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

Former members of the Executive Board and their surviving dependents were paid € 1,287 K in pensions (previous year: € 1,271 K). The pension obligations for former members of the Executive Board and their surviving dependents amounted to € 35,717 K (previous year: € 31,655 K).

A.06 | ALLOCATED GRANTS

in € K

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

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

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

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

1) Payments for pension provisions as defined contribution

A.06 | ALLOCATED GRANTS

in € K

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

1) Payments for pension provisions as defined contribution

A.07 | INFLOW FOR THE FINANCIAL YEAR

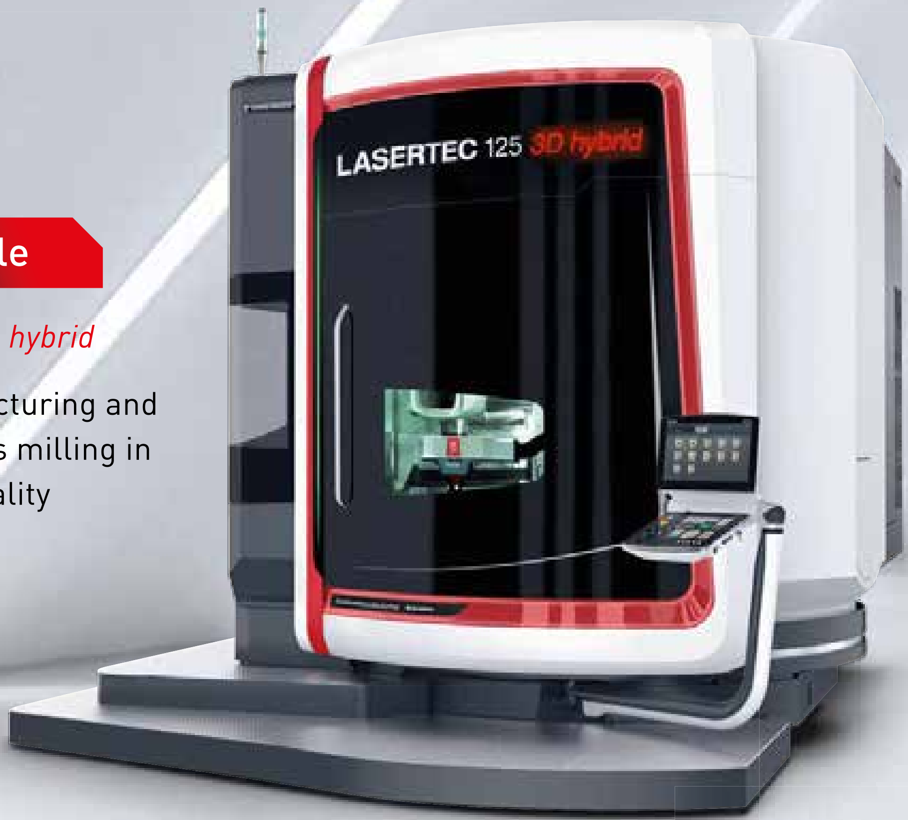
in € K

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

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

1) Payments for pension provisions as defined contribution

GLOBAL FULL LINER IN ADDITIVE MANUFACTURING



Powder nozzle

LASERTEC 125 *3D hybrid*

+ Additive Manufacturing and integrated 5-axis milling in finished part quality

Powder bed

LASERTEC 30 *SLM*
2nd Generation

+ Additive Manufacturing with selective laser melting

OPTOMET:
Parameter optimization software

ADDITIVE MANUFACTURING

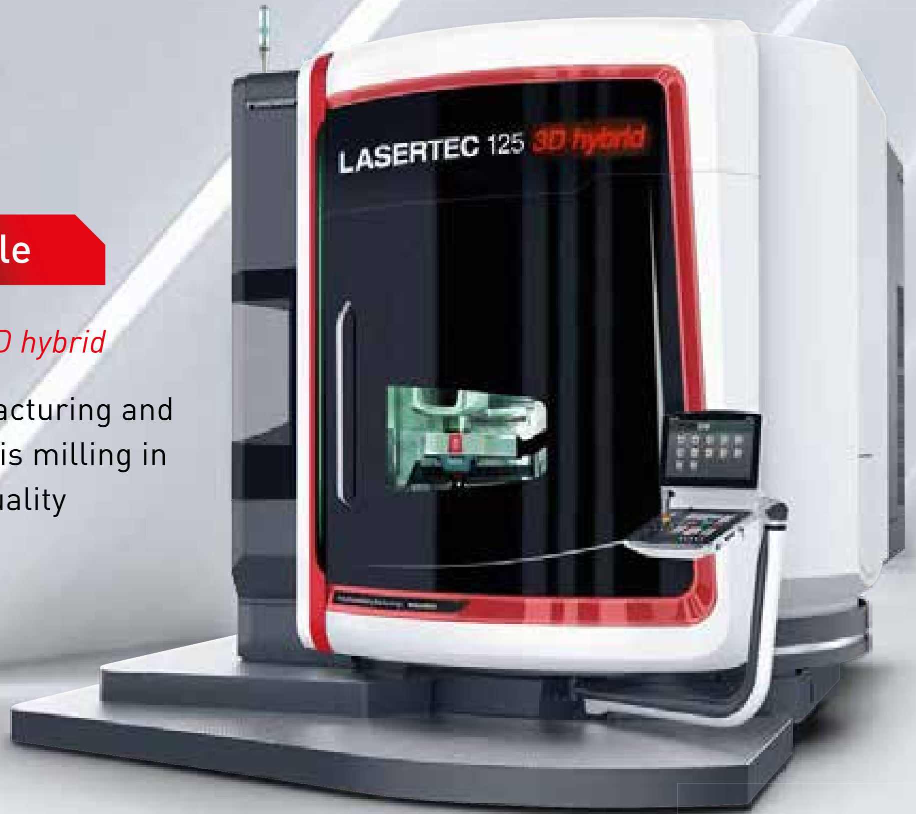
EVERYTHING FROM A SINGLE SOURCE

POWDER BED AND POWDER NOZZLE

60 %
LIGHTER
Powder nozzle holder

Additive Manufacturing by DMG MORI:
+ global full liner
+ 4 complete process chains
+ 20 years' experience
+ comprehensive support, training & service

GLOBAL FULL LINER IN ADDITIVE MANUFACTURING



Powder nozzle

LASERTEC 125 *3D hybrid*

+ Additive Manufacturing and integrated 5-axis milling in finished part quality

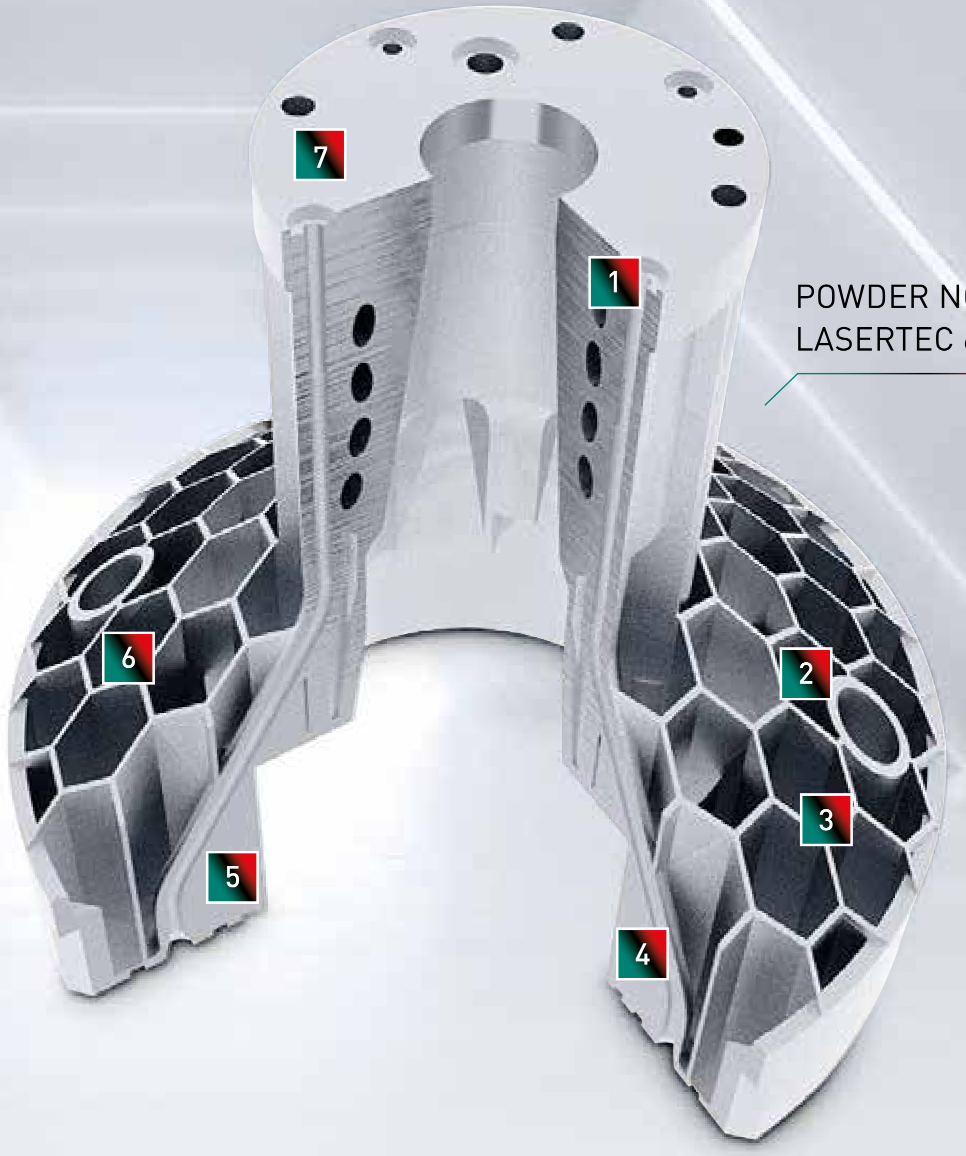
Powder bed

LASERTEC 30 *SLM*
2nd Generation

+ Additive Manufacturing with selective laser melting

OPTOMET:
Parameter optimization software

ADDITIVE MANUFACTURING



POWDER NOZZLE HOLDER
LASERTEC 65 *3D hybrid*

1. **Functional integration:** Enhanced cooling performance via complex interior ducts and a larger surface
2. **Production of non-assembly modules** by combining standard components with sealing and connecting elements.
3. **Lightweight design:** integrated honeycomb structure
4. **Complex geometries:** virtually limitless construction freedom
5. **Flexible product development** via fully digital process chain
6. **Work scheduling:** perfect interaction between parameter optimization and machines via the specially developed RDesigner
7. **Significant reduction in production costs** through tool-less production

40 %
LIGHTER
Wheel carrier

30 %
LIGHTER
Blow mold

30 %
LIGHTER
Milling head

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 and automation solutions, software products and services, we place special focus on:

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

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

Our research and development activities are decentralized and coordinated by a central product development body. This structure enables the development of the highest level of product competence, while at the same time opening up synergy effects through cross-plant cooperation. We are creating further synergies through our worldwide annual development conference, the "Global Development Summit". In September 2019, 270 international experts from various "Global One Company" business units met at the company's headquarters in Bielefeld to develop and promote new ideas.

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

		2019	2018	2017	2016	2015	2014
R & D employees	number	583	581	525	502	510	501
Proportion of R & D employees [1]	in %	15	15	15	15	14	14
R & D expense [2]	€ million	57.4	57.9	50.4	46.8	45.9	44.1
Innovation ratio [3]	in %	4.0	4.0	3.9	3.8	3.6	3.5
Capitalization ratio [4]	in %	8	8	13	18	18	18

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

Global Development Summit: At the Bielefeld headquarters 270 international experts from "Global One Company" came together to develop and advance new product ideas.

Together with DMG MORI COMPANY LIMITED, as "Global One Company", we presented over 40 innovations at 50 national and international trade fairs and open-house exhibitions during the reporting year. We also presented a wide range of new technology solutions from our future fields – Automation, Digitization, Additive Manufacturing, Technology Excellence, DMG MORI Qualified Products and Service Excellence.

Robo2Go ***Vision*** **//** use of standard pallets through innovative camera system

The highlight of 2019 was the EMO in Hanover. As the largest exhibitor, DMG MORI presented innovations and integrated technology solutions for the future of digital manufacturing across an exhibition space of more than 10,000 m² with 45 high-tech machines – including 29 with automation solutions.

In the Turning division, we presented the CLX 750. It features high machine rigidity for machining workpieces up to 600 kg in weight, a turning diameter of up to 700 mm and a footprint of just 8.9 m². In Milling, precision of the DMP 70 was improved by 60 % compared to the previous model. This compact and extremely rigid production machine can be automated with the WH 3 Cell transforming it into a highly dynamic manufacturing cell. The DMC 90 U duoBLOCK with integrated pallet changer is a convincing choice for 5-axis simultaneous machining with its stable duoBLOCK design and extensive equipment. In Advanced Technologies, the LASERTEC 125 Shape allows efficient surface structuring of large components.

In Additive Manufacturing, we presented the LASERTEC 125 *3D hybrid*. With this machine, we can produce, repair and maintain large components up to a diameter of 1,250 mm and a weight of 2,000 kg by means of laser deposition welding and cutting machining. For maximum quality and process reliability, the production process can be easily monitored and controlled using the new "AM Assistant".

When implementing additive manufacturing, our customers receive full support with our end-to-end process expertise – from the drawing to the finished part. Key components are our practice-oriented consulting service "Additive Intelligence" and the innovative OPTOMET software – for quick and reliable calculation of optimum process parameters.

In Automation, the WH Flex can be easily customized thanks to its modular design and can link up to 9 lathes or milling machines. Solutions for workpiece and pallet handling can be configured from a modular system. The "Digital Twin" allows commissioning times to be reduced by up to 80 % through prior real-time simulation of all processes. The Robo2Go was made even easier to use through an innovative 3D camera system. The Robo2Go *Vision* automatically identifies workpieces that can be randomly stacked on standard pallets. The Robo2Go is now also available for the universal lathe NLX with MAPPS and the CLX with FANUC control systems. The PH 400, which is easy to retrofit, the further developed LPP and the highly flexible PH Cell presented at the Pfronten 2020 open-house exhibition enrich our portfolio with pallet handling solutions. The PH-AGV 50 driverless transport system developed jointly with the company, Jungheinrich, moves autonomously across the shop floor and enables workpiece pallets to be loaded and unloaded automatically. It can be easily integrated into existing production areas thanks to its free layout design and convenient expandable design. Machine tools can be accessed freely. Intuitive control is provided by the DMG MORI Cell Controller.

DMG MORI Connectivity // complete networking of DMG MORI and third-party machines

In Digitization, with the CELOS Update all existing versions can be updated. The new CELOS version includes the following new features: The APP JOB MANAGER can be used to directly import jobs into CELOS from the customer's IT systems. The APPLICATION CONNECTOR enables the customer to use any of his own applications in CELOS. The MESSENGER collects machine data and provides all relevant machine status information at a glance. The PERFORMANCE MONITOR APP allows easy recording, analysis and visualization of machine productivity. The APP POWER PROBE allows the geometry of the component to be checked on the machine, so that any deviations can be detected at an early stage. The new APP PRODUCTION PLANNING enables automatic

WH Flex Automation Kit //
80 % faster commissioning thanks to Digital Twin

or manual production planning and control. The PRODUCTION FEEDBACK function allows the status of production jobs to be reported back by the machine operator, thus enabling quick response times to changes. In the PRODUCTION COCKPIT, all production-related information is clearly displayed on an individually configurable dashboard.

DMG MORI Connectivity enables the secure connection of DMG MORI and selected third-party machines. In this way, we ensure connection to all standard IoT platforms – including ADAMOS, MindSphere, FANUC Field – and also support all standard protocols, such as MQTT, MTconnect as well as the industry standard, umati – the new, standard interface between machine tools and higher-level IT systems, which DMG MORI played a key role in developing. Since the EMO, all newly purchased DMG MORI machines are now equipped with DMG MORI Connectivity at no extra cost.

Our cooperation with the software provider, TULIP, makes it easier for our customers to access digital manufacturing. Production employees can create apps themselves via Drag & Drop without any programming skills and thus digitize work processes quickly and easily.

With eight new DMG MORI Technology Cycles, we now provide 42 effective assistants for workshop-oriented programming. The new cycles enable e. g. the complete technology integration of turning, milling and grinding and improve quality and productivity. The new technology cycle "AM-Evaluator" visualizes process data in the field of Additive Manufacturing in the form of individual component reports. This makes process development and quality control much easier. The enhanced DMG MORI PowerTools – "DMG MORI Technology Library" and "DMG MORI Adaptive Machining" – ensure even greater process reliability and shorter throughput times in the CAD / CAM area.

A highlight in the area of Service Excellence is our new, modern customer portal, "*my* DMG MORI". It optimizes our service processes and provides for transparent and digital communication. For example, the portal provides access to documents such as operating manuals, a machine-specific service history and an overview of current service activities. All users of "*my* DMG MORI" can upgrade to the integrated service and maintenance platform WERKBLiQ which allows them to integrate third-party machines and other objects.

In the area of DMG MORI Qualified Products (DMQP) – our seal of approval for premium components – customers of LASERTEC *SLM* machines can now use the DMQP powder cycle. The DMQP coolant lubricant circuit also offers coolants specially developed for DMG MORI with extensive manufacturer expertise – from selection and ordering through to reconditioning. The full range of qualified ready-to-use materials from various partners can be ordered quickly and easily from the DMG MORI Webshop. In the area of DMG MORI COMPONENTS the *inline*MASTER spindle was presented. Its performance was enhanced by more than 50 % from that of its predecessor. Like all MASTER spindles, it has a 36-month warranty – with no limitation of hours.

New customer portal "*my* DMG MORI" for the optimization of service: After a few weeks more than 4,000 customers with more than 20,000 machines were registered.

Purchasing

In the reporting year, the cost of materials and services purchased amounted to € 1,524.0 million (previous year: € 1,480.1 million, of which € 1,278.4 million related to raw materials and consumables (previous year: € 1,264.4 million). The materials ratio thus amounted to 56.3 % (previous year: 55.5 %). The real net output ratio was 26.9 % (previous year: 27.4 %).

We live and breathe digitization. Starting with purchasing, this is the only way to achieve end-to-end networking. In the reporting year, we therefore placed focus on the digital transformation and standardization of processes.

At DMG MORI, innovation and change management are closely linked. In the reporting year, DMG MORI realigned its global purchasing strategy and continued to pursue internal digitization measures for Purchasing. Automated ordering processes, a global matrix organization with regional purchasing units and integrated IT solutions created even more efficient processes. By integrating these solutions, we were able to completely digitize most operational purchasing processes.

This network covers the entire value-added chain. Our focus is on digital products and data-based services. We can also improve demand forecasting and form more effective relationships with our suppliers. All these steps enable Purchasing sustainably to boost its contribution to the company's success.

This digital transformation and realignment of the company's global purchasing strategy was rewarded by the German Federal Association of Materials, Purchasing and Logistics (BME) with the Innovation Award 2019. The award has been presented annually at the BME Symposium in Berlin since 1986 and is aimed at companies that implement highly successful and innovative purchasing and logistics management strategies.

Together with strong partners and the established "DMG MORI Technology Partner" program, DMG MORI is also driving its innovation strength in purchasing. Our purchasing activities include everything required to develop and manufacture innovative products and end-to-end technology solutions. Supplier know-how plays a key role in establishing our technological edge and creating customer-focused, competitive products. We need motivated and reliable suppliers to help us achieve a high level of customer satisfaction. As strategic partners they are an important member of the global

Special honor: For its successful purchasing and logistics management, DMG MORI receives the innovation award from the Federal Association of Materials Management, Purchasing and Logistics e. V.

DMG MORI network. At the EMO Hannover, a total of seven suppliers received the "DMG MORI Partner Award 2019" before an audience of more than 300 TOP decision-makers.

Procurement at DMG MORI is organized globally. This allows production material, investments in property, plant and equipment as well as services to be procured in the quality required and at the best possible conditions. The close network of the individual procurement organizations enables us to achieve group-wide synergies in different procurement markets. Three regional purchasing units also help us to identify additional growth markets and qualify local suppliers. In this way, cost benefits can be realized for all production sites.

By using material group management with DMG MORI COMPANY LIMITED, both companies benefit from improved cost structures and synergy effects generated by multiple group-wide projects.

The new SAP Ariba cloud-based procurement platform was rolled out with the modules "Sourcing", "Supplier

Partner Award 2019: At the EMO in Hanover DMG MORI awards Top-suppliers.

Lifecycle & Performance" to all production companies worldwide in the reporting year. The automation of master data maintenance with AI-based software tools results in an improved analysis.

Purchasing is also constantly developing methods for the early integration of suppliers into the development process to secure key innovations for the company. In line with the digital transformation of purchasing, a web-based innovation platform was introduced in the reporting year. The implementation of this platform allows suppliers, customers and third-party companies to digitally present future-oriented concepts. In this way, innovations are recognized, evaluated and integrated into DMG MORI's technology planning at an early stage.

This early involvement of suppliers enables material cost targets to be reached more quickly. Quality can also be improved from a market and customer perspective. The "Product Cost Optimization" program (PCO) was further developed in the reporting year. For example, the new "Clean Sheets" visualize component costs – including all commercial and technical processes. The further development of PCO has also resulted in lower costs.

In the reporting year, we strengthened and developed existing technology partnerships, particularly in the areas of Digitization and DMG MORI Qualified Products (DMQP). At the "DMG MORI-TechDays", we launched a number of joint innovative projects with our technology partners in order to improve the coordination of global strategies and technological focus and implement them quickly.

Sustainability is a must. This also applies to Purchasing. Global compliance with sustainability standards is a basic DMG MORI requirement when working with suppliers. We use standard compliance assessments for supplier prequalification. This allows us to create an instant supplier self-assessment, which proves suppliers' conformity with sustainability and compliance standards.

TOP SOLUTIONS FOR 42 INDUSTRIES

Technology Excellence Center:

- + early involvement in development processes of the customer
- + integrative & comprehensive turnkey solutions
- + Key industries: Aerospace, Automotive, Die & Mold, Medical

AEROSPACE
AUTOMOTIVE
DIE & MOLD
MEDICAL

AUTOMOTIVE

AEROSPACE

DIE & MOLD

MEDICAL

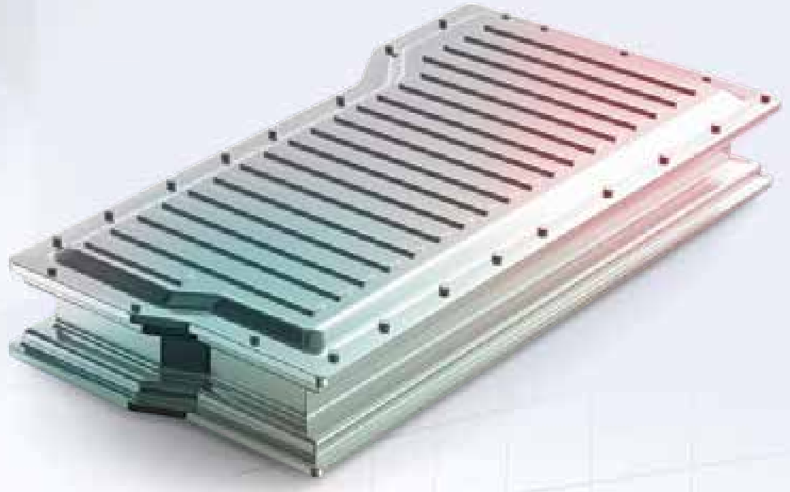
TECHNOLOGY EXCELLENCE

TOP SOLUTIONS FOR 42 INDUSTRIES

Technology Excellence Center:

+ early involvement in development processes of the customer
+ integrative & comprehensive turnkey solutions
+ Key industries: Aerospace, Automotive, Die & Mold, Medical

AUTOMOTIVE



AEROSPACE

TECHNOLOGY EXCELLENCE

AEROSPACE

FAN DISK FOR AIRCRAFT ENGINES
Material: TiAl6V4
Green Button process with Mill-Turn-Technology integration

DMC 125 U duoBLOCK

MEDICAL

BONE SCREW
Dimensions: ø 10 × 85 mm
Material: Ti6Al4V

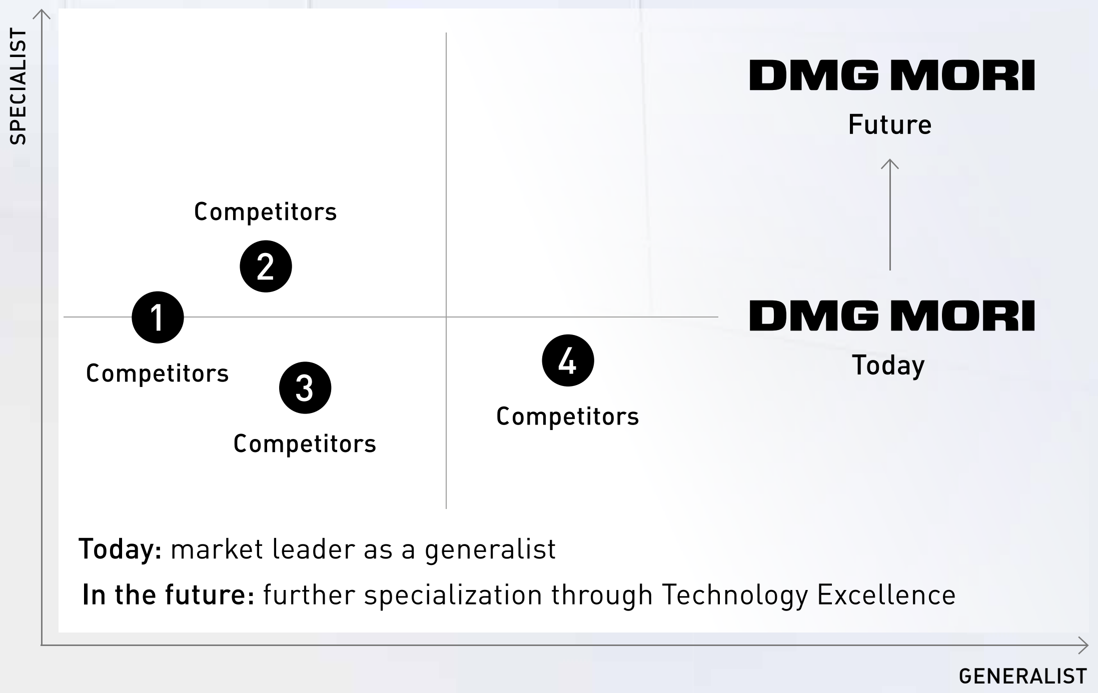
SPRINT 20|5 SWISSTYPE*kit*

AUTOMOTIVE

CRANKSHAFT
Dimensions: ø 150 × 420 mm
Material: 1,4305

CTX beta 1250 CS

Technology Excellence Development Path



Today: market leader as a generalist
In the future: further specialization through Technology Excellence

DIE & MOLD

BOBBYCAR MOLD
Dimensions: 580 × 300 × 380 mm
Material: 1,4122

DMU 65 monoBLOCK

Production and Logistics

Certified: In the new DMG MORI TAKT Academy, employees are trained in the "Digital Lean Six Sigma" methodology.

The aim of the production and logistics area is the efficient manufacture, assembly and delivery of our machines. This requires compliance with our strict quality standards and high on-time delivery rates. The TAKT project enables us to systematically implement our production strategy and transfer lighthouse projects, standards or process optimization to all production plants. Our component strategy stipulates the need to strengthen our core competences: By producing DMG MORI Components in-house, we can guarantee the highest quality standards and minimize supplier dependency. The key principles of our strategy are maximum capacity utilization and sustainable production.

Since 2019, our employees have been trained to use the "Digital Lean Six Sigma" methodology at our new "TAKT" Academy and projects have been implemented to increase productivity, reduce lead times and eliminate waste. One focus of our activities in the reporting year was the digitization of our processes and the integration of flexible automation solutions into our own value chain. By implementing the software solutions from TULIP, ISTOS and WERKBLiQ, we are also driving digital transformation internally. In addition, we are focusing on introducing new assembly and intralogistics concepts with driverless transport systems (AGVs) and collaborative robots (Cobots). Cobots are industrial robots that work alongside humans in the production process without being separated from them by safety guarding.

Also in production, we are cooperating closely with DMG MORI COMPANY LIMITED. By using global production capacities, we can reduce delivery times and transport costs – for the benefit of our customers.

In the reporting year, more than 20,000 ideas were submitted across the Group on our "DMG MORI Improve" platform and around 70 % of them were implemented. We implemented "DMG MORI Improve" also at REALIZER GmbH and DMG MORI Software Solutions GmbH in the reporting year. As part of continuous improvement process management, this module for workshops and projects is used extensively at all production sites and supports the mapping of "Digital Lean Six Sigma" projects.

Our "First Quality" strategy helps us to pool the quality processes we use globally. Our goal: 100 % customer satisfaction. The ongoing improvement of our quality management system and the use of future-oriented digital systems are still key to achieving top product and process quality.

Partnership for flexible manufacturing solutions: Christian Thönes (right), TULIP boss Natan Linder (left) and co-founder, Rony Kubat seal the alliance between DMG MORI and TULIP.

Digital transition made easy: DMG MORI and the US software provider, TULIP, make it easy to access digital manufacturing. Around 100 TULIP stations and over 20 in-house developed apps are already being used internally by DMG MORI, including in the spindle assembly at DECKEL MAHO Pfronten.

Grand Opening: In the new, state-of-the-art production hall FAMOT in Pleszew manufactures components weighing up to 40 tons for other DMG MORI plants.

In Milling, DECKEL MAHO Pfronten GmbH has consistently pursued our DMG MORI Components strategy and increased motor spindle assembly capacities by over 30 %. The dispatch area also underwent a major expansion. A project from the TAKT Academy for maximizing material flow in the logistics area was implemented. By minimizing disruptions and implementing a digital management system, lead times were reduced by around 80 % and waiting times by around 60 %. Another project involving the digitization of machine test runs using the "IoT-Connector" was also successfully completed.

DECKEL MAHO Seebach has improved on-time delivery rates in the area of mechanical production. Through the strategic use of process optimization methods and digital tools, both the number of missing parts and the downtimes within mechanical production were improved by 50 % respectively. The elimination of slide unit reworking and improvement of the material procurement of supplier parts were also projects from the TAKT Academy.

In Turning, GILDEMEISTER Drehmaschinen GmbH has redesigned the Robo2Go and CTX beta 800/1250 TC assembly lines and introduced synchronized flow assembly. Through the just-in-sequence supply of information, material and equipment to employees, we were able to achieve a significant improvement in lead times and productivity.

FAMOT has launched its new, state-of-the-art XXL production hall in Pleszew (Poland). The hall's key features are two XXL machining centers from DECKEL MAHO Pfronten, on which components weighing up to 40 tons can be produced for other DMG MORI plants, as well as two machines from the DMC portal series and three DMC machining centers. The DMC machines are connected to our linear pallet pool (LPP) system, which automates workpiece feeding and guarantees round-the-clock machining. The energy-efficient building, kept at an almost constant temperature, covers an area of 6,100 m^2, making it one of the most state-of-the-art oversize-part production halls at DMG MORI.

REPORT ON ECONOMIC POSITION

Business Environment

Overall Economic Development

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

In Germany, gross domestic product (GDP) growth of +0.6 % fell markedly (previous year: +1.5 %). At +1.2 %, economic development in the Eurozone was also down from the previous year (+1.9 %). Nearly all major economies saw a slowdown in economic momentum, particularly Italy at only +0.2 % (previous year: +0.7 %). With a growth rate of 0.8 %, the Russian economy also remained well below the previous year's rate (+2.2 %). At +1.3 %, only Great Britain remained nearly at the previous year's level (+1.4 %).

There was a slowdown in growth in Asia (+5.6 %) and China (+6.2 %) again (previous year: Asia +6.4 %, China +6.6 %). At +5 %, the Indian economy also experienced a downward trend (previous year: +6.8 %). The Japanese economy remained stable despite a decline in export demand. GDP rose by +1.0 % (previous year: +0.8 %).

The US economy lost momentum at the end of the year. GDP increased by +2.3 % over the whole year (previous year: +2.9 %). Latin America reported a -0.5 % decline (previous year +0.8 %).

The international business of DMG MORI AKTIENGESELLSCHAFT is affected by euro exchange rates. The US dollar, Chinese renminbi, Russian ruble and Japanese yen play a key role in this area. The euro depreciated against all these currencies in 2019.

Development of the Machine Tool Building Industry

INTERNATIONAL DEVELOPMENT

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

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

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

The VDW calculated a volume of € 72.1 billion for global production (previous year: € 74.2 billion). According to preliminary estimates, China was again the worldwide largest producer of machine tools with a volume of € 16.8 billion (previous year: € 16.4 billion). Germany with € 12.5 billion (previous year: € 12.6 billion) and Japan with € 11.7 billion (previous year: € 12.3 billion) follow in second and third

EMO Hanover: At the world's largest machine tool trade fair, DMG MORI as the biggest exhibitor showed a firework of innovations with 29 automated solutions and 30 digital products on over 10,000 m².

place respectively. Altogether, as in the previous year the ten largest production countries account for more than 89 % of all machine tools worldwide.

GERMAN MACHINE TOOL INDUSTRY

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

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

German machine exports fell by -9.0 % to € 9.8 billion (previous year: € 10.8 billion). The export ratio fell by five percentage points to 63.5 %. China was again the largest export market for German machine tools, but with a sharp -13.3 % drop to a current € 2.0 billion (previous year: € 2.3 billion). This constitutes 20.4 % of machine tool exports (previous year: 21.4 %). As in the previous year, the USA took second place with an export volume of € 1.1 billion (export share: 11.3 %). Italy was the third largest export market with € 0.5 billion and an export share of 4.9 % followed by France. Machine tool imports fell by -10.1% to € 3.7 billion (previous year: € 4.1 billion). With an import share of 27.3 %, about every fourth imported machine tool came from Switzerland. Japan (10.3 %) and Italy (9.0 %) followed in the rankings.

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

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

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

DMG MORI SEAL OF APPROVAL FOR PREMIUM COMPONENTS

The perfect synergy of machine, peripherals and accessories

MACHINING

HANDLING

MEASURING

MONITORING

AM MATERIALS

DMQP
DMG MORI QUALIFIED PRODUCTS

4. Monitoring

+ Sensors
+ Signal lamps
+ Workspace camera

3. Measuring

+ Probes
+ Tool calibration
+ Tool presetting

5. AM Materials

+ AM powder
+ AM powderparameters
+ Unpacking

2. Handling

+ Bar Feeder
+ Chip conveyors
+ Standard automation

DMQP Certificates
up to 30 % discount

1. Machining

+ Oil mist separators
+ Clamping fixtures
+ Software (CAD / CAM)

Perfectly aligned accessories

> 100 technology partners
> 2,400 DMQP products
+ warranty up to 36 months
+ 20-year spare part availability

DMG MORI QUALIFIED PRODUCTS

DMG MORI SEAL OF APPROVAL FOR PREMIUM COMPONENTS

The perfect synergy of machine, peripherals and accessories

4. Monitoring

+ Sensors
+ Signal lamps
+ Workspace camera

3. Measuring

+ Probes
+ Tool calibration
+ Tool presetting

2. Handling

+ Bar Feeder
+ Chip conveyors
+ Standard automation

5. AM Materials

+ AM powder
+ AM powder parameters
+ Unpacking

1. Machining

+ Oil mist separators
+ Clamping fixtures
+ Software (CAD/CAM)

DMG MORI QUALIFIED PRODUCTS

DMQP PLUS
DMG MORI QUALIFIED PRODUCTS

DMQP CERTIFICATES

Bonus program with up to 30 % discount

DMQP POWDER CYCLE

Wide range of powders including processing parameters

POWDER RANGE

RANGE OF POWDERS
+ 1,2709 (tool steel)
+ 1,4404 (stainless steel)
+ ALSi10Mg0.5 (aluminum)
+ CoCr ASM F75 (cobalt chrome)
+ CoCr (starbond CoS powder 55, dental)
+ Nicke Superalloy 625
+ Nickel Superalloy 718
+ Ti6A14V or 3,7165 (titanium)

DELIVERY
ORDERING

QUICK AND EASY ONLINE ORDERING
shop.dmgmori.com

DMQP LUBRICANT CYCLE

Sustainable cooling lubricant management

COOLING LUBRICANTS

SORTIMENT
+ cooling lubricants
+ grease
+ hydraulic oil
+ spindle oil
+ conservation

DELIVERY
ORDERING

EXPERT KNOWLEDGE

QUICK AND EASY ONLINE ORDERING
shop.dmgmori.com

DMG MORI TECHNOLOGY PARTNER FUCHS

ECOCOOL TNA-IDM
ECOCOOL AFC-IDM

Recommended by
DMG MORI Technology Excellence Center
Aerospace | Automotive | Die & Mold | Medical

Results of Operations, Financial Position and Net Worth

Order Intake

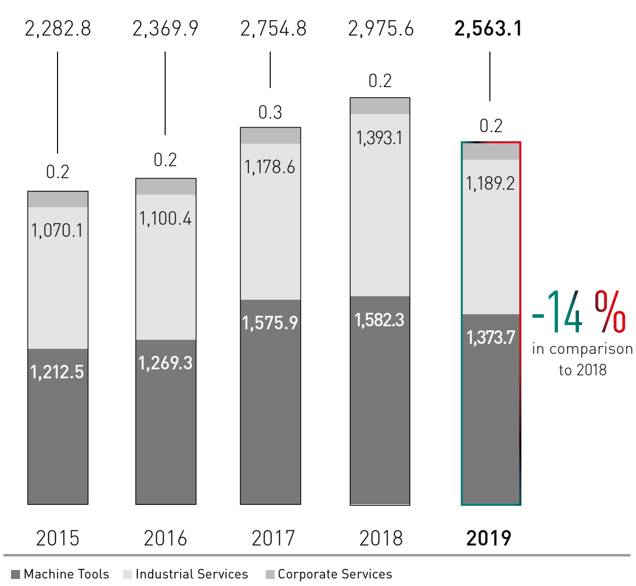
Order intake reached € 2,563.1 million as planned and was thus below last year's record high (€ 2,975.6 million). While the machine tool industry in part suffered significantly higher losses, at -14 %, our order intake developed better in difficult market conditions. Orders amounted to € 554.7 million in the fourth quarter (previous year: € 705.0 million).

In the "Machine Tools" segment, orders amounted to € 1,373.7 million (previous year: € 1,582.3 million). The "Industrial Services" segment recorded order intake of € 1,189.2 million (previous year: € 1,393.1 million), of which € 1,028.0 million was attributable to the Services division (previous year: € 1,236.1 million). This figure includes order intake from our original Service business (€ 664.5 million), which includes LifeCycle Services (including spare parts, maintenance and repair) and sales commission (previous year: € 708.7 million). Orders for machines by DMG MORI COMPANY LIMITED amounted to € 363.5 million (previous year: € 527.3 million). The Energy Solutions division accounted for € 161.2 million (previous year: € 157.0 million).

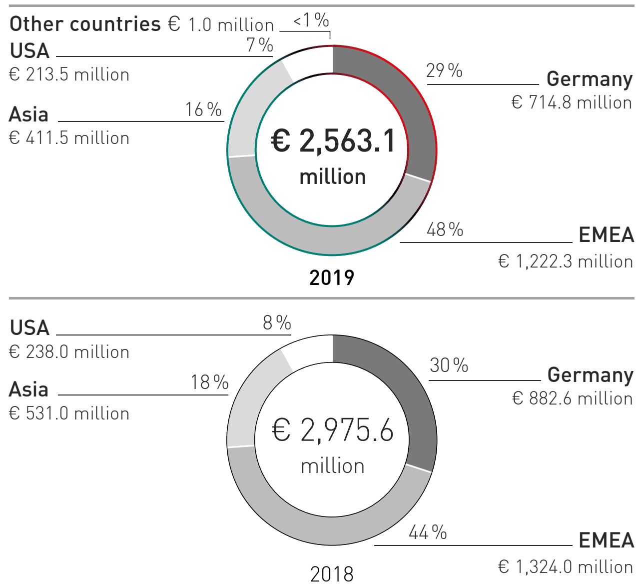
Domestic orders were € 714.8 million (previous year: € 882.6 million). International orders amounted to € 1,848.3 million (previous year: € 2,093.0 million). Thus, the share of international business was 72 % (previous year: 70 %). With 5,830 machines sold, the number of orders was below the previous year's figure (7,715). There was a marginal increase in sales prices across the entire product range.

B.01 | ORDER INTAKE BY SEGMENTS

in € million



B.02 | ORDER INTAKE BY REGIONS



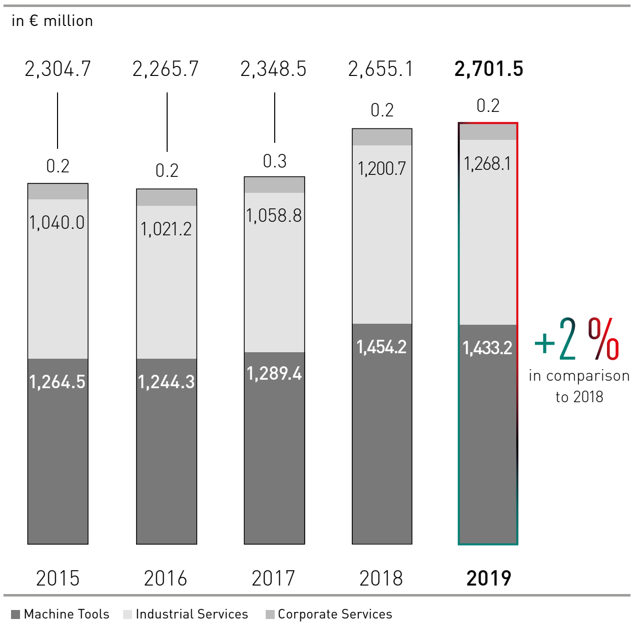
Sales Revenues

At € 2,701.5 million, sales revenues rose to a new record high in the company's history. They were up € 46.4 million or +2 % from the previous year (€ 2,655.1 million). In the fourth quarter, sales revenues increased by € 11.5 million to € 808.9 million (+1 %; previous year: € 797.4 million).

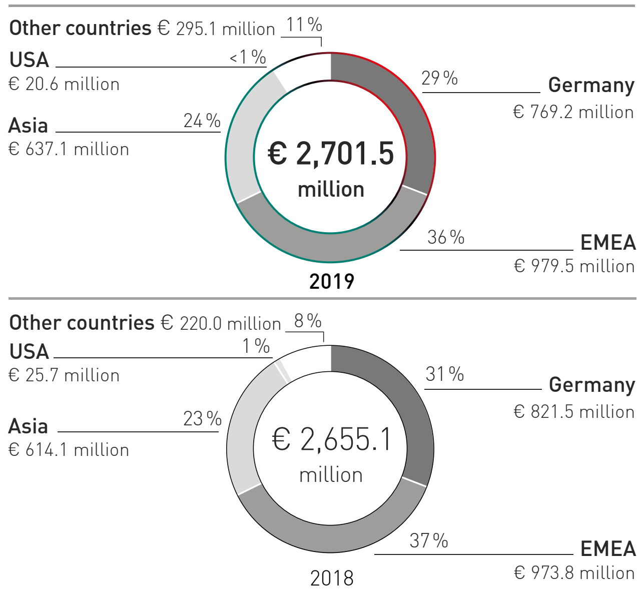
In the "Machine Tools" segment sales revenues were with € 1,433.2 million on the previous year's level (€ 1,454.2 million). Sales revenues reached € 405.0 million in the fourth quarter (previous year: € 461.9 million). In the "Industrial Services" segment, total annual sales revenues rose by € 67.4 million to € 1,268.1 million (+6 %; previous year: € 1,200.7 million). In the Services division, sales revenues were € 1,058.1 million (previous year: € 1,098.6 million). At € 540.0 million sales revenues from our core service business were at the level of the previous year (€ 539.4 million). Trade revenues with products from DMG MORI COMPANY LIMITED accounted for € 518.1 million (previous year: € 559.3 million). Energy Solutions accounted for € 210.0 million (previous year: € 102.1 million). The change is due to the completion of individual large-scale projects that are still being realized by the Energy Solutions according to the contract. In the fourth quarter, sales revenues in the "Industrial Services" segment rose to € 403.8 million (previous year's quarter: € 335.4 million).

International sales revenues increased by +5 % to € 1,932.3 million (previous year: € 1,833.6 million). Domestic sales revenues were € 769.2 million (previous year: € 821.5 million). The export rate was 72 % (previous year: 69 %).

B.03 | SALES REVENUES BY SEGMENTS



B.04 | SALES REVENUES BY REGIONS



Order Backlog

As of 31 December 2019, the Group's order backlog amounted to € 1,197.4 million (31 Dec 2018: € 1,609.9 million). The domestic order backlog was worth € 458.3 million (31 Dec 2018: € 515.7 million). The international order backlog amounted to € 739.1 million (31 Dec 2018: € 1,094.2 million). The lower order backlog value is – compared to the previous year – also attributable to a weaker order intake, as well as to a methodological change in the determination. International orders accounted for 62 % of the current order backlog (same date in the previous year: 68 %).

The order backlog for the individual segments developed as follows: In the "Machine Tools" segment, the order backlog amounted to € 612.1 million (31 Dec 2018: € 901.3 million). The "Industrial Services" segment had an order backlog totaling € 585.3 million as of 31 December 2019 (31 Dec 2018: € 708.6 million). € 540.6 million of this amount were attributable to the Services division (31 Dec 2018: € 601.2 million).

The order backlog allows for the extrapolation of an average order backlog of around 5 months in the "Machine Tools" segment (previous year: around 6 months) – a good foundation for the current financial year. Capacity utilization does however vary between the individual production companies.

Results of Operations

Results of operations also improved and reached new record values: EBITDA rose to € 299.8 million (previous year: € 280.8 million). EBIT reached € 221.7 million (previous year: € 217.1 million). The EBIT margin was 8.2 % as in the previous year. EBT amounted to € 219.1 million (previous year: € 214.8 million). The group reported an EAT of € 154.4 million as of 31 December 2019 (previous year: € 149.5 million).

The individual income statement items are discussed in more detail below. The total work done increased to € 2,706.1 million and exceeded the previous year's figure by € 38.2 million (€ 2,667.9 million). The increase was primarily the result of an increase in sales revenues by € 46.4 million or 2 % (previous year: € 2,655.1 million). The Energy Solutions division accounted for € 210.0 million (previous year: € 102.1 million).

The cost of materials increased by € 43.9 million to € 1,524.0 million (previous year: € 1,480.1 million), primarily due to high sales revenues. The materials ratio amounted to 56.3 % (previous year: 55.5 %). The change was in particular attributable to an increase of the material-intensive sales revenues from the Energy Solutions division and a modified mix of products and countries.

The gross profit reached € 1,182.1 million (previous year: € 1,187.8 million). The personnel ratio improved to 21.9 % (previous year: 22.3 %) with a higher total work done. Personnel expenses of € 592.4 million were slightly below the previous year's level (€ 595.9 million).

B.05 | INCOME STATEMENT

in € million	2019		2018		Changes against previous year	
Sales revenues	**2,701.5**	**99.8 %**	**2,655.1**	**99.5 %**	**46.4**	**1.7 %**
Changes in finished goods and work in progress	-16.4	-0.6 %	6.5	0.3 %	-22.9	352.3 %
Own work capitalized	21.0	0.8 %	6.3	0.2 %	14.7	233.3 %
Total work done	**2,706.1**	**100.0 %**	**2,667.9**	**100.0 %**	**38.2**	**1.4 %**
Cost of materials	-1,524.0	-56.3 %	-1,480.1	-55.5 %	-43.9	3.0 %
Gross profit	**1,182.1**	**43.7 %**	**1,187.8**	**44.5 %**	**-5.7**	**0.5 %**
Personnel costs	-592.4	-21.9 %	-595.9	-22.3 %	3.5	0.6 %
Other expenses and income	-289.9	-10.7 %	-311.1	-11.7 %	21.2	6.8 %
EBITDA	**299.8**	**11.1 %**	**280.8**	**10.5 %**	**19.0**	**6.8 %**
Depreciation	-78.1	-2.9 %	-63.7	-2.4 %	-14.4	22.6 %
EBIT	**221.7**	**8.2 %**	**217.1**	**8.1 %**	**4.6**	**2.1 %**
Financial result	-5.1	-0.2 %	-5.7	-0.1 %	0.6	10.5 %
Share of profits and losses of at equity-accounted investments	2.5	0.1 %	3.4	0.1 %	-0.9	26.5 %
EBT	**219.1**	**8.1 %**	**214.8**	**8.1 %**	**4.3**	**2.0 %**
Income taxes	-64.7	-2.4 %	-65.3	-2.5 %	0.6	0.9 %
EAT	**154.4**	**5.7 %**	**149.5**	**5.6 %**	**4.9**	**3.3 %**

The balance of other income and expenses improved to € -289.9 million (previous year: € -311.1 million). The other operating income increased by € 8.8 million to € 83.0 million (previous year: € 74.2 million). As in the previous year, this includes predominantly income from cost allocations of € 9.5 million (previous year: € 14.0 million) and exchange rate gains in the amount of € 37.4 million (previous year: € 35.3 million), which should be seen in connection with the exchange rate losses in the other operating expenses. In financial year 2019, an exchange rate gain in the amount of € 3.8 million resulted on the balance (previous year: € 3.5 million). The share of the other operating expenses in the total work done improved to 13.8 % (previous year: 14.5 %). With an increased total work done (+1.4 %), other operating expenses reduced by € 12.4 million to € 372.9 million (previous year: € 385.3 million). The sales-related expenses for outgoing freight and packaging material declined by € 0.8 million to € 57.4 million, for hire personnel and contractors by € 2.7 million to € 26.8 million and for other external services by € 1.0 million to € 34.5 million. Expenses for trade fairs and exhibitions increased by € 7.3 million to € 40.4 million; the increase was to a large degree attributable to the expenses incurred for the EMO which takes place every two years. The introduction of the new accounting standard IFRS 16 "Leases" resulted in a reduction of rental and leasing expenses by € 21.8 million.

Depreciation amounted to € 78.1 million (previous year: € 63.7 million). The higher depreciation predominantly resulted from the depreciation of rights of use in an amount of € 19.9 million attributable to the introduction of the new accounting standard IFRS 16 "Leases". The depreciation includes impairments in an amount of € 5.3 million (previous year: € 5.7 million), which largely relate to buildings and technical equipment.

The financial result was € -5.1 million (previous year: € -5.7 million). This was, among other things, attributable to higher interest income (€ 5.6 million; previous year: € 4.5 million) and higher interest expenses (€ 10.7 million; previous year: € 10.2 million). The result from companies valued at equity amounted to € 2.5 million (previous year: € 3.4 million). Total tax expenses amounted to € 64.7 million (previous year: € 65.3 million). The tax ratio improved to 29.5 % (previous year: 30.4 %). For more details, see the Notes to the Consolidated Financial Statements on page 119.

Financial Position

The financial position continued to develop positively in the reporting year: The free cash flow improved to € 168.8 million and thus reached a record level (previous year: € 154.2 million).

The cash flow from operating activities (cash inflow) increased to € 234.1 million (previous year: € 230.4 million). Substantial contributions to this cash flow came from earnings before taxes (EBT) in the amount of € 219.1 million (previous year: € 214.8 million) and depreciation of € 78.1 million (previous year: € 63.7 million). The reduction of inventories by € 18.8 million and trade debtors by € 15.8 million also contributed to the improved cash flow. The cash flow was reduced by prepayments that were € 128.0 million lower. The change is due to the decline in orders in the "machine tools" segment and the discontinuation of project business for Energy Solutions. The payments for income taxes (€ 77.6 million) and interest (€ 9.3 million) reduced the cash flow.

B.06 | CASH FLOW
in € million

	2019	2018
Cash flow from operating activity	234.1	230.4
Cash flow from investment activity	-114.2	-315.1
Cash flow from financing activity	-118.9	-123.5
Changes in cash and cash equivalents	1.3	-210.7
Liquid funds at the start of the reporting period	152.7	363.4
Liquid funds at the end of the reporting period	154.0	152.7

The cash flow from investment activities (cash outflow) amounted to € -114.2 million (previous year: € -315.1 million). The cash outflow for investments in property, plant and equipment amounted to € 71.2 million (previous year: € 60.8 million) and to € 25.5 million for intangible assets (previous year: € 21.1 million). The acquisition of financial fixed assets resulted in a total cash outflow of € 49.7 million (previous year: € 10.3 million), which is predominantly attributable to the participation in TULIP Interfaces Inc. and Pragati Automation Pvt. Ltd.

At 168.8 million, the free cash flow was at the highest level in the company's history (previous year: € 154.2 million). The free cash flow is defined as the balance of the cash flow from operating activities and the cash flow from investment activities. The outflows and inflows relating to the sale and acquisition of subsidiaries (€ -4.7 million; previous year: € -1.5 million), and to financial fixed assets (€ -44.2 million; previous year: € 12.6 million), as well as to the disbursement of the loan to DMG MORI GmbH (€ 0 million; previous year: € 250.0 million) remain outside of consideration.

B.07 | FREE CASH FLOW in € million	2019	2018
Free cash flow from operating activity	234.1	230.4
Free cash flow from investing activity	-65.3	-76.2
Free cash flow	168.8	154.2

The cash flow from financing activities (cash outflow) amounted to € -118.9 million (previous year: € -123.5 million). The cash flow resulted from the profit transfer payment to DMG MORI GmbH for 2018 in the amount of € 99.3 million (previous year: € 89.9 million). Application of the new accounting standard IFRS 16 “Leases” resulted in the recognition of lease payments in an amount of € 19.6 million in the cash flow from financing activities and had a positive effect on the free cash flow. The change in cash flow as of 31 December 2019 resulted in a balance of liquid funds of € 154.0 million (previous year: € 152.7 million). As of 31 December 2019, the company had surplus funds in the amount of € 154.0 million (previous year: € 152.7 million).

DMG MORI covers its capital requirements from the operating cash flow, liquid funds and short- and long-term financing. The amount of the agreed financing lines totaled € 850.7 million in financial year 2019 (previous year: € 802.4 million). Its material components are a syndicated credit facility in the amount of € 500.0 million concluded in February 2016 at improved conditions and with a maturity date of February 2021. This consists of a cash tranche in the amount of € 200.0 million and a guarantee tranche in the amount of € 300.0 million, additional guarantee lines of € 177.3 million and factoring agreements of € 167.5 million. In January 2018, the maturity of the syndicated credit line was extended until February 2022. As of 31 December 2019, 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 € 5.9 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 the liquidity required for our business activities available. Our syndicated loan agreement requires us to observe a market-standard covenant. This was complied with quarterly as well as of 31 December 2019. Lease agreements supplement the financing. The total future liabilities from the lease liabilities amount to € 61.4 million (previous year: € 66.8 million).

Concentrated financial strength:
Over 100 international employees took part in the DMG MORI Controller Meeting.

Net Worth

As of 31 December 2019, the balance sheet total increased by € 29.1 million to € 2,469.6 million (previous year: € 2,440.5 million). Amidst the higher balance sheet total, the equity ratio increased to 51.9 % (previous year: 49.1 %).

On the asset side, fixed assets increased by € 129.4 million or 18.8 % to € 815.9 million (previous year: € 686.5 million). Property, plant and equipment increased by € 71.7 million to € 506.6 million (previous year: € 434.9 million). The introduction of the new accounting standard IFRS 16 “Leases” on 1 January 2019 resulted in rights of use in an amount of € 62.2 million being recognized as property, plant and equipment on 31 December 2019. Intangible assets were € 199.5 million (previous year: € 190.3 million). Financial assets rose by € 48.5 million to € 109.8 million (previous year: € 61.3 million). The change resulted from the acquisition of the stake in TULIP Interfaces Inc. and Pragati Automation Pvt. Ltd. For an explanation of key investments, please see the chapter “Investments” on page 56.

Non-current receivables and other assets increased by € 4.4 million to € 76.0 million (previous year: € 71.6 million). Deferred tax assets increased to € 62.6 million (previous year: € 55.6 million). Inventories of € 611.8 million were 2.2 % or € 13.6 million lower (previous year: € 625.4 million). The inventories of raw materials and consumables reduced by € 7.1 million to € 275.8 million (previous year: € 282.9 million) and by € 25.6 million to € 138.5 million for work in progress (previous year: € 164.1 million). The inventory of finished goods increased to € 197.5 million (previous year: € 167.4 million). The inventory turnover ratio improved to 4.4 (previous year: 4.2). The share of inventories in the balance sheet total decreased to 24.8 % (previous year: 25.6 %).

Current receivables and other assets declined by 10.2 % or € 92.4 million to € 811.9 million from the previous year (previous year: € 904.3 million). Despite higher sales revenues, trade debtors declined to € 212.6 million, thanks to our consistent debtor management (previous year: € 227.0 million). The turnover rate of trade receivables improved to 8.4 (previous year: 8.3). Receivables from related parties were € 461.6 million (previous year: € 480.7 million). Other assets amounted to € 115.8 million (previous year: € 141.5 million).

On the balance sheet date, liquid funds amounted to € 154.0 million (previous year: € 152.7 million), which equates to 6.2 % of the increased balance sheet total (previous year: 6.3 %).

On the liabilities side, equity increased by € 83.7 million or 7.0 % to € 1,281.4 million (previous year: € 1,197.7 million). With a higher balance sheet total, the equity ratio reached 51.9 % (previous year: 49.1 %). As was the case on the same date in the previous year, the company has surplus funds and thus no gearing.

Long-term debts increased by € 36.5 million to € 147.7 million (previous year: € 111.2 million). The share in the balance sheet total amounted to 6.0 % (previous year: 4.5 %). Long-term provisions declined by € 1.6 million to € 94.4 million. The introduction of the new accounting standard IFRS 16 “Leases” on 1 January 2019 resulted in long-term lease liabilities of € 43.5 million as of 31 December 2019. € 3.1 million of the non-current liabilities concerned deferred tax liabilities (previous year: € 2.5 million). Long-term funding, comprising equity and long-term loan capital, increased by € 120.2 million or 9.2 % to € 1,429.1 million in the reporting period.

Short-term funding decreased to € 1,040.5 million (previous year: € 1,131.6 million). Short-term provisions increased to € 231.4 million as a result of the higher total work done (previous year: € 209.2 million). The introduction of the new accounting standard IFRS 16 “Leases” on 1 January 2019 resulted in short-term lease liabilities of € 17.9 million as of 31 December 2019. Trade creditors increased by € 12.0 million to € 207.4 million (previous year: € 195.4 million). Prepayments declined by € 128.0 million to € 214.6 million (previous year: € 342.6 million). The change is due to the decline in orders in the “machine tools” segment and the discontinuation of project business for Energy Solutions. Liabilities to other related parties declined by € 2.6 million to € 234.0 million (previous year: € 236.6 million) and include the transfer

B.08 | BALANCE SHEET OF DMG MORI in € million	31 Dec 2019		31 Dec 2018		Changes against previous year	
Assets						
Long-term assets	891.9	36.1 %	758.1	31.1 %	133.8	17.6 %
Fixed assets	815.9	33.0 %	686.5	28.1 %	129.4	18.8 %
Long-term receivables and other assets	76.0	3.1 %	71.6	3.0 %	4.4	6.1 %
Short-term assets	1,577.7	63.9 %	1,682.4	68.9 %	-104.7	6.2 %
Inventories	611.8	24.8 %	625.4	25.6 %	-13.6	2.2 %
Short-term receivables and other assets	811.9	32.9 %	904.3	37.0 %	-92.4	10.2 %
Liquid funds	154.0	6.2 %	152.7	6.3 %	1.3	0.9 %
Balance Sheet total	**2,469.6**	**100.0 %**	**2,440.5**	**100.0 %**	**29.1**	**1.2 %**
Equity and liabilities						
Long-term financing resources	1,429.1	57.9 %	1,308.9	53.6 %	120.2	9.2 %
Equity	1,281.4	51.9 %	1,197.7	49.1 %	83.7	7.0 %
Outside capital	147.7	6.0 %	111.2	4.5 %	36.5	32.8 %
Long-term provisions	94.4	3.8 %	96.0	3.9 %	-1.6	1.7 %
Long-term liabilities	53.3	2.2 %	15.2	0.6 %	38.1	250.7 %
Short-term financing resources	1,040.5	42.1 %	1,131.6	46.4 %	-91.1	8.1 %
Short-term provisions	231.4	9.4 %	209.2	8.6 %	22.2	10.6 %
Short-term liabilities	809.1	32.7 %	922.4	37.8 %	-113.3	12.3 %
Balance Sheet total	**2,469.6**	**100.0 %**	**2,440.5**	**100.0 %**	**29.1**	**1.2 %**

of profits to DMG MORI GmbH (2019: € 95.7 million; 2018: € 99.3 million). This matter affecting the liabilities to other related parties is recognized in cash flow from financing activities at the time payments are made.

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. Our longstanding excellent and trustful relationships with our customers and suppliers are also of particular importance. They allow us to have direct access to the relevant markets and make us more independent from short-term market fluctuations.

Initial application of the new accounting standard IFRS 16 "Leases" on 1 January 2019 did not have a significant influence on the business development and the results of operations, net worth and financial position. The effects of the initial application on the Consolidated Financial Statements are explained in the Notes to the Consolidated Financial Statements starting on page 99 et seq.

Investments

GLOBE // global ERP system for central IT-infrastructures

Investments in property, plant and equipment as well as intangible assets amounted to € 110.0 million (previous year: € 81.9 million). The planned increase over the previous year is to the largest extent attributable to the expansion of our production and logistics capacities and our "GLOBE – Global One Business Excellence" project for the implementation of a new global ERP system. The initial application of the new accounting standard IFRS 16 "Leases" means that the investments now also include additions from rights of use (€ 13.3 million).

We have completed the new ultra-modern XXL production hall in our production and supply plant FAMOT in Poland. The centerpiece of the energy-efficient production hall, which offers 6,100 m² and can keep a virtually constant temperature, are two XXL processing centers that can produce components with a weight of up to 40 tons for other DMG MORI plants, as well as two machines from the DMC Portal series and three DMC processing centers. The DMC machines are connected with our linear pallet-pool-system (LPP), which automates feeding and removing of workpieces and allows for round-the-clock processing. At DECKEL MAHO in Pfronten (Germany), we are currently in the construction phase of the extension and modernization of the assembly and logistics areas. One of the highlights here will be the flow-assembly line with autonomous transport systems (AGVs) for our monoBLOCK machines. GILDEMEISTER Drehmaschinen GmbH in Bielefeld saw the introduction of a cyclic assembly system for the Robo2Go 2nd Generation and the CTX beta TC series. This new system allows for significantly shorter throughput times and even more transparent assembly progress.

Depreciation of fixed assets taking into account capitalized development costs and leases amounted to € 78.1 million (previous year: € 63.7 million). Depreciation of capitalized development costs amounted to € 7.0 million (previous year: € 11.1 million). The additions to the financial fixed assets amounted to € 45.1 million and were primarily attributable to the stakes in TULIP and Pragati. Total investments amounted to € 155.1 million (previous year: € 90.7 million).

Ultra-modern XXL production hall:
The FAMOT plant in Pleszew (Poland) produces components with a weight of up to 4 tons for other DMG MORI plants.

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 € 156.3 million resulting from the profit transfers (previous year: € 170.9 million).

B.09 | INCOME STATEMENT OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB) in € million	**2019**	**2018**
Sales revenues	16.1	14.4
Other operating income	28.5	20.5
Other expenses	-72.0	-65.9
Income from financial assets	156.3	170.9
Financial result	2.5	3.1
Income taxes	-35.7	-43.7
EAT	95.7	99.3
Transfer of profits to DMG MORI GmbH	-95.7	-99.3
Net income	0	0
Net profit	**0**	**0**

Other income rose to € 28.5 million (previous year: € 20.5 million). This increase is mainly due to exchange rate gains of € 22.2 million (previous year: € 15.0 million).

Other expenses increased to € 72.0 million (previous year: € 65.9 million). This change primarily results from other operating expenses which increased to € 42.9 million (previous year: € 37.6 million) and exchange rate losses in the amount of € 16.8 million (previous year: € 12.3 million).

The financial result was € 2.5 million (previous year: € 3.1 million). Tax expenses amounted to € 35.7 million (previous year: € 43.7 million). Income taxes include the taxes charged by DMG MORI GmbH, as a result of fiscal unity. As per domination and profit transfer agreement, EAT in the amount of € 95.7 million (previous year: € 99.3 million) will be transferred to DMG MORI GmbH.

The DMG MORI AKTIENGESELLSCHAFT balance sheet total increased by € 22.4 million to € 1,889.9 million (previous year: € 1,867.5 million). Fixed assets were € 792.9 million (previous year: € 794.9 million).

Current assets and other assets increased to € 1,097.0 million (previous year: € 1,072.6 million). This change is mainly due to the increase in receivables from affiliated companies, which rose to € 998.9 million (previous year: € 964.8 million). Cash and cash equivalents dropped marginally to € 72.3 million (previous year: € 80.3 million).

On the liabilities side, equity remained the same as in the previous year at € 921.2 million. The equity ratio amounted to 48.7 % (previous year: 49.3 %), due to the higher balance sheet total. Liabilities to affiliated companies increased to € 934.4 million (previous year: € 908.2 million). These include the transfer of profits to DMG MORI GmbH for financial year 2019 in the amount of € 95.7 million, income taxes of € 32.3 million which are charged by DMG MORI GmbH as a result of fiscal unity, as well as finance and cost allocations with affiliated companies.

B.10 | BALANCE SHEET OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB) in € million	**2019**	**2018**
Assets		
Fixed assets	**792.9**	**794.9**
Shares in affiliated companies	753.9	753.9
Equity investments	6.7	6.7
Other fixed assets	32.3	34.3
Current and other assets	**1,097.0**	**1,072.6**
Receivables from affiliated companies	998.9	964.8
Other current assets and other assets	98.1	107.8
Balance Sheet total	**1,889.9**	**1,867.5**
Equity and liabilities		
Equity	**921.2**	**921.2**
Provisions	**30.6**	**33.5**
Liabilities	**938.1**	**912.8**
Liabilities to affiliated companies	934.4	908.2
Other liabilities	3.7	4.6
Balance Sheet total	**1,889.9**	**1,867.5**

QUALITY WITHOUT COMPROMISE

Our goal:
100 %
satisfied customers.

FIRST QUALITY

MASTER spindles – the core of our machine tools

+ Proven quality – 36-month warranty without limitation of hours
+ Maximum reliability – demonstrated in over 5,000 assembled MASTER spindles

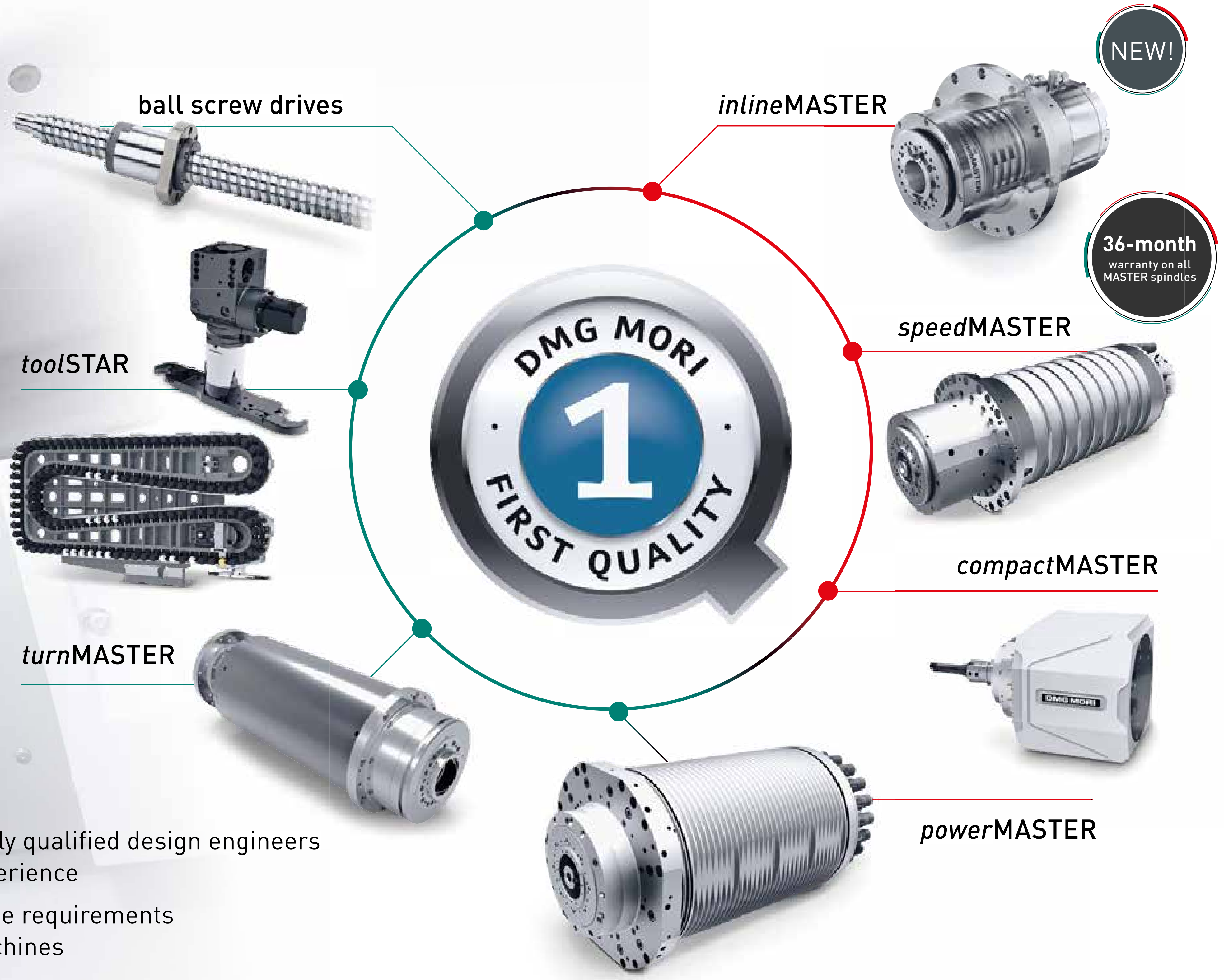
QUALITY WITHOUT COMPROMISE

Our goal:
100 %
satisfied customers.

FIRST QUALITY

DMG MORI COMPONENTS

Top quality – Durability – Productivity



+ developed by our highly qualified design engineers based on years of experience
+ perfectly tailored to the requirements of our DMG MORI machines

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.p.A. Our portfolio of turning machines covers the full range from universal turning machines through to turn-mill centers, vertical and horizontal 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 of the CLX and CMX series are built at our plants, FAMOT Pleszew Sp. z o.o. and GRAZIANO Tortona S.r.l. Ulyanovsk Machine Tools ooo produces the machines of the ECOLINE series locally – in Russia for Russia.

SAUER GmbH and REALIZER GmbH form the Advanced Technologies business division. The ultrasound-supported milling and grinding process (Ultrasonic) comprises laser processing technology (Lasertec) and Additive Manufacturing. In this future-oriented field, REALIZER GmbH allows us to offer powder-bed selective laser melting and through SAUER GmbH, we can offer laser deposition welding with powder nozzles.

DMG MORI Software Solutions GmbH pools our expertise in control system and software development across the entire group in the Digital Solutions division. ISTOS GmbH products allow production to be planned efficiently along the supply and value chain, enabling limited capacities to be fully maximized. Together with DMG MORI Software Solutions GmbH, ISTOS GmbH is shaping the future of digitization in the manufacturing sector. WERKBLiQ offers an end-to-end, cross-manufacturer repair and maintenance platform which connects everyone involved in the maintenance process. DMG MORI Digital GmbH is the first point of contact for our customers for any digitization-related queries and service issues. It should support our sales and service companies with customer-oriented consulting, implementation and qualification services. TULIP Interfaces, Inc. in which we acquired an interest in 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 skills. ADAMOS GmbH pools expertise from machine building, production and information technology. Together with 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 it was founded in 2017, fourteen additional partners have joined the project, including Engel, Karl Mayer, Mahr, Weber Maschinenbau, Oerlikon Textile, Illig Maschinenbau, Mayer & Cie,

B.11 | SEGMENT KEY INDICATORS DMG MORI in € million	2019	2018	Changes against previous year	
Order Intake	**2,563.1**	**2,975.6**	**-412.5**	**-14 %**
Machine Tools	1,373.7	1,582.3	-208.6	-13 %
Industrial Services	1,189.2	1,393.1	-203.9	-15 %
Corporate Services	0.2	0.2	0.0	0 %
Sales revenues	**2,701.5**	**2,655.1**	**46.4**	**2 %**
Machine Tools	1,433.2	1,454.2	-21.0	-1 %
Industrial Services	1,268.1	1,200.7	67.4	6 %
Corporate Services	0.2	0.2	0.0	0 %
EBIT	**221.7**	**217.1**	**4.6**	**2 %**
Machine Tools	112.2	126.8	-14.6	-12 %
Industrial Services	136.2	120.2	16.0	13 %
Corporate Services	-26.2	-29.8	3.6	12 %

B.12 | KEY FIGURES "MACHINE TOOLS" SEGMENT in € million	2019	2018	Changes against previous year	
Order intake				
Total	1,373.7	1,582.3	-208.6	-13 %
Domestic	370.4	487.2	-116.8	-24 %
International	1,003.3	1,095.1	-91.8	-8 %
% International	73	69		
Sales revenues				
Total	1,433.2	1,454.2	-21.0	-1 %
Domestic	441.4	467.7	-26.3	-6 %
International	991.8	986.5	5.3	1 %
% International	69	68		
Order backlog *				
Total	612.1	901.3	-289.2	-32 %
Domestic	141.9	212.9	-71.0	-33 %
International	470.2	688.4	-218.2	-32 %
% International	77	76		
Investments	135.8	81.8	54.0	66 %
EBITDA	155.5	169.9	-14.4	-8 %
EBIT	112.2	126.8	-14.6	-12 %
EBT	110.5	125.2	-14.7	-12 %
	2019	**2018**	**Changes against previous year**	
Employees *	4,077	4,120	-43	-1 %
including trainees	274	284	-10	-4 %

* Reporting date 31 December

Schlenker Spannwerkzeuge, Wittenstein, Geico and the Neuenhauser business group. In total, 30 partners belong to the ADAMOS network.

In our future-oriented field, Automation, we focus on end-to-end solutions. 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, facilitates the development of harmonized modular solutions and offers an end-to-end automation concept, especially for small and medium-sized companies.

Order intake amounted to € 1,373.7 million (previous year: € 1,582.3 million). The order intake in the fourth quarter was € 281.2 million (previous year: € 334.7 million). Domestic orders for the financial year amounted to € 370.4 million (previous year: € 487.2 million). International orders amounted to € 1,003.3 million (previous year: € 1,095.1 million). The share of international business was 73 % (previous year: 69 %). The "Machine Tools" segment accounted for 54 % of all orders (previous year: 53 %).

At € 1,433.2 million, sales revenues almost reached the previous year's level (€ 1,454.2 million). In the fourth quarter, sales revenues amounted to € 405.0 million (previous year: € 461.9 million). Domestic sales revenues for the financial year amounted to € 441.4 million (previous year: € 467.7 million). International revenues rose to € 991.8 million (previous year: € 986.5 million). The export ratio amounted to 69 % (previous year: 68 %). The "Machine Tools" segment accounted for a share of 53 % of sales revenues (previous year: 55 %).

On 31 December 2019, the order backlog was € 612.1 million (previous year: € 901.3 million). The domestic order backlog amounted to € 141.9 million (previous year: € 212.9 million). At € 470.2 million, international orders had a share of 77 % (previous year: € 688.4 million; 76 %).

EBITDA reached € 155.5 million (previous year: € 169.9 million). EBIT was at € 112.2 million (previous year: € 126.8 million). EBT amounted to € 110.5 million (previous year: € 125.2 million).

Investments in property, plant and equipment and in intangible assets amounted to € 91.8 million (previous year:

€ 73.0 million). The planned increase over the previous year is mainly due to the expansion of our production and logistics capacities and our "GLOBE – Global One Business Excellence" project for the implementation of a new global ERP system.

At our Polish production and supplier plant FAMOT, we completed our new state-of-the-art and energy-efficient XXL production hall. The hall's key features are two XXL machining centers from DECKEL MAHO Pfronten, on which components weighing up to 40 tons are produced for other DMG MORI plants, as well as five DMC gantry machines. Three of these DMC 210 U are connected to our linear pallet pool system (LPP), which automates workpiece infeed and outfeed and enables round-the-clock machining. At DECKEL MAHO Pfronten, we are in the construction phase of expanding and modernizing the assembly and logistics area. The flow assembly line with autonomous transport systems (AGVs) for our monoBLOCK machines will be a special highlight. At GILDEMEISTER Drehmaschinen GmbH in Bielefeld, a flow assembly line was introduced for the Robo2Go 2nd Generation and the CTX beta TC series – for considerably shorter lead times and even more transparent assembly progress. At DECKEL MAHO Seebach, we have installed air-conditioning in the mechanical production area and thus ensured a stable ambient temperature in production.

With first-time application of the new accounting standard IFRS 16 "Leases", investments also include additions from rights of use (€ 1.8 million). Capitalized development costs amounted to € 4.6 million (previous year: € 4.4 million). The additions to financial assets amounted to € 44.0 million and resulted primarily from the investment in TULIP and Pragati. Investments totaled € 135.8 million (previous year: € 81.8 million).

The "Machine Tools" segment had 4,077 employees at year-end (previous year: 4,120 employees). The percentage of employees in this segment accounted for 56 % (previous year: 55 %). The personnel quota was 19.7 % (previous year: 19.2 %). Personnel costs amounted to € 282.3 million (previous year: € 279.5 million).

Industrial Services

The "Industrial Services" segment includes the business activities of the Services and the Energy Solutions divisions. On 1 July 2019, DMG MORI sold key Energy Solutions business operations to a strategic investor. This will help DMG MORI to focus on its core business with machine tools and services, as well as on the expansion of its future fields, Automation, Digitization and Additive Manufacturing. In the Services division, we combine the marketing activities and the LifeCycle

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

	2019	2018	Changes against previous year	
Order intake				
Total	1,189.2	1,393.1	-203.9	-15 %
Domestic	344.2	395.2	-51.0	-13 %
International	845.0	997.9	-152.9	-15 %
% International	71	72		
Sales revenues				
Total	1,268.1	1,200.7	67.4	6 %
Domestic	327.6	353.6	-26.0	-7 %
International	940.5	847.1	93.4	11 %
% International	74	71		
Order backlog *				
Total	585.3	708.6	-123.3	-17 %
Domestic	316.4	302.8	13.6	5 %
International	268.9	405.8	-136.9	-34 %
% International	46	57		
Investments	17.0	6.3	10.7	170 %
EBITDA	166.8	137.7	29.1	21 %
EBIT	136.2	120.2	16.0	13 %
EBT	130.7	113.7	17.0	15 %
	2019	**2018**	**Changes against previous year**	
Employees *	3,081	3,299	-218	-7 %
including trainees	73	112	-39	-35 %

* Reporting date 31 December

Services for both our machines and those of DMG MORI COMPANY LIMITED. DMG MORI Life Cycle Services allows our customers to maximize the productivity of their machine tools over their entire life cycle – from their 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. The innovative customer portal, "*my* DMG MORI", digitizes service processes, setting new standards for transparent communication.

The economic headwind in the reporting year also affected orders in the "Industrial Services" segment. Order intake reached € 1,189.2 million (previous year: € 1,393.1 million). Of which € 1,028.0 million was attributable to the Services division (previous year: € 1,236.1 million). This includes orders from our original business, LifeCycle Services (inter alia spare parts, maintenance and services), as well as from sales commissions of € 664.5 million (previous year: € 708.7 million). Orders for machines by DMG MORI COMPANY LIMITED were € 363.5 million (previous year: € 527.3 million). Energy Solutions accounted for € 161.2 million (previous year: € 157.0 million). Order intake in the fourth quarter reached € 273.4 million (previous year: € 370.2 million). Domestic orders throughout the year amounted to € 344.2 million (previous year: € 395.2 million). International orders amounted to € 845.0 million (previous year: € 997.9 million). 71 % of all orders came from abroad (previous year: 72 %). 46 % of all orders were for "Industrial Services" (previous year: 47 %).

Sales revenues rose by 6 % to € 1,268.1 million (previous year: € 1,200.7 million). The Services area contributed to this with € 1,058.1 million (previous year: € 1,098.6 million). At € 540.0 million sales revenues from our original service business were at the level of the previous year (€ 539.4 million). Sales revenues from trade with products of DMG MORI COMPANY LIMITED were € 518.1 million (previous year: € 559.3 million). Energy Solutions accounted for € 210.0 million (previous year: € 102.1 million). The change is due to the completion of individual large-scale projects that are still being realized by the Energy Solutions according to the contract. In the fourth quarter, sales revenues amounted to € 403.8 million (previous year: € 335.4 million). Domestic sales revenues reached € 327.6 million for the financial year (previous year: € 353.6 million). Foreign sales revenues increased to € 940.5 million, mainly due to the completion of individual large-scale projects in Energy Solutions (previous year: € 847.1 million). The share was 74 % (previous year: 71 %). "Industrial Services" were attributed a share of 47 % in sales revenues (previous year: 45 %).

As of 31 December 2019, order backlog amounted to € 585.3 million (previous year: € 708.6 million). EBITDA in the "Industrial Services" segment amounted to € 166.8 million (previous year: € 137.7 million). EBIT reached € 136.2 million (previous year: € 120.2 million) and EBT was € 130.7 million (previous year: € 113.7 million). Investments in property, plant and equipment and in intangible assets amounted to € 15.9 million (previous year: € 6.3 million) and resulted essentially from the initial application of IFRS 16 (€ 11.2 million). We also continued to equip our service staff with the latest tools and measuring equipment.

There were 3,081 employees in the "Industrial Services" segment at the end of the financial year (previous year: 3,299 employees). The percentage of employees in this segment accounted for 43 % (previous year: 44 %). This personnel adjustment is mainly attributable to the sale of key Energy Solutions business operations to a strategic investor. The personnel quota was 22.6 % (previous year: 24.5 %). Personnel expenditure was € 287.2 million (previous year: € 294.2 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 increased to € -26.2 million (previous year: € -29.8 million). The financial result was positive and amounted to € 4.6 million (previous year: € 5.8 million). EBT went up to € -21.6 million (previous year: € -24.0 million).

Investments in property, plant and equipment and in intangible assets amounted to € 2.3 million (previous year: € 2.6 million). We have modernized specific areas of our site in Bielefeld. In particular, the infrastructures of the development department and staff restaurant were completely refurbished. Additions from rights of use pursuant to IFRS 16 amounted to € 0.4 million.

As of 31 December 2019, the "Corporate Services" segment had 87 employees (previous year: 84). As in the previous year, this represents 1 % of the group's workforce.

B.14 | KEY FIGURES "CORPORATE SERVICES" SEGMENT

in € million	2019	2018	Changes against previous year
Order intake	0.2	0.2	0.0
Sales revenues	0.2	0.2	0.0
Investments	2.3	2.6	-0.3
EBITDA	-22.0	-26.7	4.7
EBIT	-26.2	-29.8	3.6
EBT	-21.6	-24.0	2.4
	2019	2018	Changes against previous year
Employees *	87	84	3

* Reporting date 31 December

my DMG MORI: new customer portal for integrated service optimization

SERVICE EXCELLENCE

DMG MORI MACHINES

QUICK SUPPORT

OPTIMUM SUPPLY

BEST CLASS SPINDLE SERVICE

UPGRADE WERKBLiQ

THIRD-PARTY MACHINES / REGARDLESS OF MANUFACTURER

Remote service: Live stream with NET*service* & SERVICE*camera:* quick, reliable and intuitive

***my* DMG MORI:**
new customer portal
for integrated
service optimization

SERVICE EXCELLENCE

DMG MORI MACHINES

01 QUICK SUPPORT

Every day, over 3,000 service technicians on call around the globe

02 MORE SERVICE

24/7 availability – our DMG MORI service experts

03 MORE AVAILABILITY

> 95 % availability
> 310,000 different original spare parts on stock

36-month
warranty on all
MASTER spindles

Over 6,000 spindles readily available worldwide

Non-Financial Key Performance Indicators

↗ business report information not reviewed for content

Sustainability

Sustainability is an integral part of our corporate strategy. In numerous projects and initiatives, we show how we are living up to our corporate responsibility – sustainably and completely: from our suppliers to our products and employees through to our customers.

For the third consecutive time, DMG MORI is reporting in detail on measures aimed at preserving the environment and resources as well as increasing its energy efficiency in a separate sustainability report, which is enclosed with this Annual Report and available online at the following link:
→ en.dmgmori-ag.com/corporate-responsibility

With the Sustainability Report 2019, 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.

All measures to save energy in our company are summarized under the term "ENERGYSAVING". The DMG MORI energy management system is certified according to ISO 50001.

DMG MORI reduces emissions of climate-damaging greenhouse gases by investing in state-of-the-art technical systems and building technology, as well as efficient production systems. We continue to focus on reducing the energy consumption of our machines and production – particularly with regard to fossil fuels like coal, oil or gas. Our energy management is an integral part of the DMG MORI sustainability strategy. Our clear goal: 2020 DMG MORI will be CO_2-neutral.

Even during the development of our products there is a particular focus on resource and energy efficiency. We summarize our machine-specific and product-specific measures to increase the energy efficiency of our machine tools under the term "GREENMODE". Our "First Quality" strategy ensures a long service life of more than 20 years, thereby contributing to saving resources and avoiding waste.

A perfectly fine-tuned, fully digitized and automated value chain assures that our customers can utilize all production resources with a high degree of efficiency and thereby achieve significant savings in materials and energy – from planning and work preparation to production, monitoring and service.

As a partner in the VDMA sustainability initiative "Blue Competence", we commit to the twelve sustainability principles and pro-actively promote sustainability in the machine and plant building industry. Our company is also taken voluntary action for the implementation of the UN Agenda 2030 and the Paris Climate Convention. This has motivated us to joining the "Development and Climate Alliance" in the reporting year.

The separate Sustainability Report provides a detailed and comprehensive sustainability balance. Issues that have been designated special importance in the DMG MORI materiality analysis concern the environment, human resources and compliance.

ENERGYSAVING
Saving energy in our company through energy efficiency measures and state-of-the-art plant and building technology.

GREENMODE
Maximum efficiency through energy-optimized design and operation of our machines. CELOS APPs ensure transparency and optimization of energy consumption.

OUR GOAL: 2020 DMG MORI WILL BE CO_2-NEUTRAL

Sustainability initiative:
The VDMA sustainability initiative "Blue Competence" stands for innovation and technology leadership in the area of sustainable solutions in the machine and plant building industry.

Successful at the "World Skills": DMG MORI was awarded the "Medal of Excellence" at the first world championship of skills held in the Russian city of Kazan.

Employees

On 31 December 2019, the group had 7,245 employees, including 347 apprentices (previous year: 7,503 employees, including 396 apprentices). The number of employees decreased by 258. This is mainly attributable to the sale of key Energy Solutions business operations to a strategic investor. The number of agency workers employed throughout the group decreased to 313 at the end of the financial year (previous year: 484).

The personnel costs amounted to € 592.4 million (previous year: € 595.9 million). Wages and salaries thereby accounted for € 501.8 million (previous year: € 506.7 million), social insurance contributions for € 86.6 million (previous year: € 85.6 million) and the costs of retirement pensions for € 4.0 million (previous year: € 3.6 million). The personnel expenses ratio improved to 21.9 % (previous year: 22.3 %).

Together strong: 150 trainees took part in the cross-plant football tournament "DMG MORI Apprentice Cup" at the Schüco Arena in Bielefeld.

We have been placing a high value on the qualifications of our employees for many years. Our qualification structure continues to be at the same high level: As last year, 97 % of the employees have a professional qualification or is currently working towards a professional qualification. In total, expenses for vocational and further training amounted to € 18.5 million (previous year: € 18.3 million). Our employees' age structure is balanced.

The employee sickness rate was 3.9 % as in the previous year and thus again below the most recent industry average of 5.7 %. The employee fluctuation rate amounted to 9.9 % (previous year: 7.7 %). At the same time, the proportion of employees in key positions or of high potentials who left our company (dysfunctional fluctuation) was 2.0 % (previous year: 2.6 %).

Attractive employer: The business magazine, "stern" recognizes DMG MORI as an "Enterprise with a future". "Focus Money" also names DMG MORI as one of "Germany's best training enterprises" and also awards it with the title "TOP career opportunities".

Overall Statement of the Executive Board on Financial Year 2019

2019 was a very successful year for DMG MORI with new record values – and that in a difficult market environment. While the machine tool industry partly suffered significantly higher losses, our order intake developed better and reached € 2,563.1 million as planned (previous year: € 2,975.6 million). According to provisional figures from the German Machine Tool Builders' Association (VDW) and British economic research institute, Oxford Economics global machine tool consumption in 2019 fell by -2.8 % to € 72.1 billion for the first time in three years.

Sales revenues rose by +2 % to € 2,701.5 million and exceeded the previous year's record value (€ 2,655.1 million). We have also further improved our result and achieved new record figures: EBIT reached € 221.7 million (previous year: € 217.1 million). The EBIT margin was 8.2 % as in the previous year. The company's financial position also continued to develop positively: Free cash flow rose to the record value of € 168.8 million (previous year: € 154.2 million).

These key figures have confirmed our forecasts – despite the growing economic headwind. Dynamically we advance our future fields. We are optimizing our existing and proven achievements sustainably for excellence. In this way, we consistently develop from a machine tool builder to an integrated solution provider in the manufacturing environment.

Automation, Digitization, Additive Manufacturing, Technology Excellence and DMG MORI Qualified Products are DMG MORI's strategic areas of innovation. Excellence in quality and service is our highest priority. This is followed by our commitment to being an attractive employer for our highly qualified employees, the harmonization of systems and processes via the ERP "GLOBE" project, and the issue of sustainability. We want to further expand our global market shares and sustainably strengthen our strong innovation power as a "Global One Company".

OPEN-MINDED AND VISIONARY

DMG MORI IS COMMITTED TO TAKING A RESPECTFUL AND CONSIDERATE APPROACH TO RELIGIOUS BELIEFS AND WORLDVIEWS!

E

INCLUSIVE AND SUPPORTIVE

PEOPLE WITH DISABILITIES ARE OFFERED JOBS WHERE THEY CAN BE PRODUCTIVE AND CONTINUE TO DEVELOP THEIR POTENTIAL.

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TOLERANT AND RESPECTFUL

DMG MORI VALUES ALL EMPLOYEES, IRRESPECTIVE OF THEIR GENDER IDENTITY AND SEXUAL ORIENTATION.

T

DIVERSE

THE MANY DIFFERENT NATIONALITIES AT OUR COMPANY PROVIDE US WITH DIVERSE PROBLEM-SOLVING APPROACHES. THEY ARE OUR SOURCE OF INSPIRATION AND THE DRIVING FORCE BEHIND OUR SUCCESS!

I

EXCHANGE OF KNOWLEDGE AND IDEAS

YOUNG AND OLD WORK AS A TEAM AT DMG MORI. THIS AGE DIVERSITY CREATES A SUCCESSFUL COOPERATION.

V

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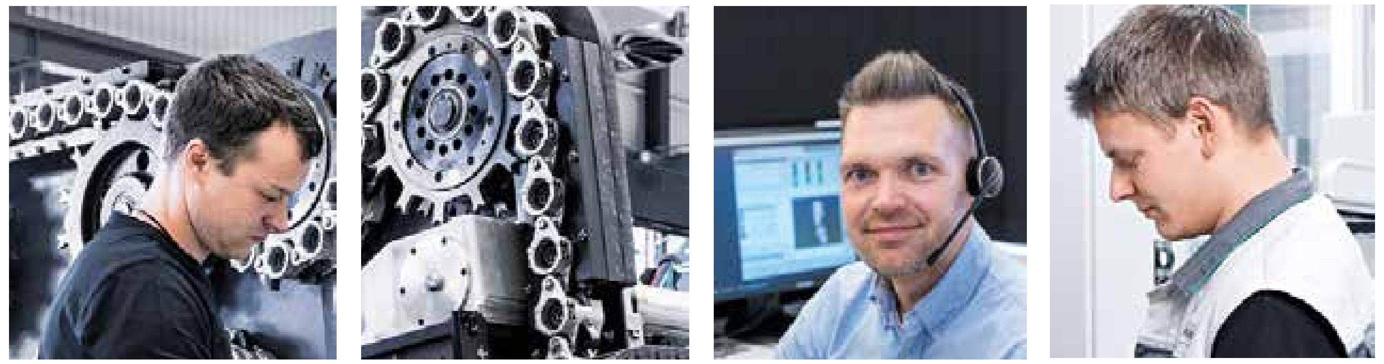
EMPLOYEES

Y

EMPLOYEES

DIVERSITY



OPEN-MINDED AND VISIONARY
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DIVERSE
THE MANY DIFFERENT NATIONALITIES AT OUR COMPANY PROVIDE US WITH DIVERSE PROBLEM-SOLVING APPROACHES. THEY ARE OUR SOURCE OF INSPIRATION AND THE DRIVING FORCE BEHIND OUR SUCCESS!

EXCHANGE OF KNOWLEDGE AND IDEAS
YOUNG AND OLD WORK AS A TEAM AT DMG MORI. THIS AGE DIVERSITY CREATES A SUCCESSFUL COOPERATION.

As “Global One Company”, DMG MORI embraces diversity and equal opportunities. We are pursuing our goal to drive innovation, make products better and shape the future with dedication, commitment and transparency.

OPPORTUNITIES AND RISK REPORT

Opportunities Management System (CMS)

Opportunities at DMG MORI are systematically identified, analyzed and managed outside of our risk management system and associated reporting. Alongside annual and medium-term planning, we draw up rolling forecasts ("RFC") on an ongoing basis. 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 machine tools and industrial services. This enables us, for example, to identify individual significant opportunities in sales and services quickly and to take appropriate action. Our CRM is based on a number of operational early indicators, such as market potential, order intake or trade fair evaluations. This means we can target our sales and service activities and can take advantage of opportunities consistently. Furthermore, we continuously monitor our markets and can thus identify any broader economic and industry-specific opportunities early on.

In addition, other operational opportunities are identified during the ongoing management process. The opportunities thus defined are discussed with the Executive Board and short-term strategies are developed on this basis.

Overall economic opportunities we can identify from our targeted and comprehensive activities in all the established market regions and existing growth markets. DMG MORI is present worldwide with 154 sales and service companies.

Our innovative product portfolio and our consistent digitization strategy make use of industry-specific opportunities. In order to meet the technological requirements, our balanced product portfolio includes various machine types at different price levels. Overall, DMG MORI continues to record a high level of interest worldwide in its products, not only for its turning and milling machines but also for its Advanced Technologies, as impressively demonstrated at EMO Hanover. A focus of our research and development work is placed on our five strategic future fields: Automation, Digitization, Additive Manufacturing, Technology Excellence and DMG MORI Qualified Products.

Strategic opportunities for DMG MORI result from continuous product innovations and integrated technological solutions that support our customers on the way of digitized and fully automated manufacturing technologies. The high quality of our machine tools and industrial services is also a competitive advantage. We consistently implement our quality orientation in our entire value chain: from research and development to production, through to sales and services. This provides us with the opportunity of sustainably maintaining our position in numerous markets and of continuously building upon it.

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

Performance-related opportunities arise from the constant enhancement of our processes in the areas of production, technology, quality, purchasing and logistics. We are successively introducing fully digitized processes, particularly in the areas of production and logistics, in our manufacturing plants. Moreover, we make sure that our services are sustainable both for the environment and for society. We believe that our sustainability strategy of making the company 2020 CO_2-neutral will present opportunities to shape our profile as an environmentally responsible and sustainable manufacturer of capital goods and provider of integrated technological solutions.

Risk Management System (RMS)

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

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

Risk early warning system

In our risk early warning system we record and manage the risks of any future development. 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. We record, assess and control risks whose inherent potential is dictated by environmental circumstances.

Our risk early warning system consists of five elements:

1. the company-specific Risk Management Manual that defines the system,

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

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

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

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

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

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

At DMG MORI risks are assessed as being the result of the maximum risk potential notified and their determined probability of occurrence (gross risks), in order to then deduct the effect of the risk reduction or elimination measures (net risks). The subsidiaries report to the Risk Management Department 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 subjected to a prior assessment by representatives in the central areas of all subsidiaries and scrutinized in "pre-risk assessment meetings". Additionally, a risk catalog is prepared on the basis of the annual risk inventory. The reporting of contents is compulsory. Any additional risk inventories are allocated to the other risks.

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

› Local risks are individual risks that the group companies are exposed to and that we can assess locally.
› Central risks are risks that can only be assessed centrally – at least in part. These include, for example, risks arising out of the group's financing.
› Group effects usually arise from consolidation requirements; this includes, for example, the double counting of risks, which 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 with net risks directly in the ongoing corporate planning or as accruals for the provision of risks. Risks threatening the continuation of business are reported immediately, also outside of the periodic reporting. Risk-bearing capacity – defined as the relation of the accumulated expected value of all risks identified after adjustment for current group effects and total group equity – is a key risk indicator alongside the possible financial effects.

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

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

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

Internal Control System (ICS)

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

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

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

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

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

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

Insurance management

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

Overview of the 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	Unlikely	Moderate
Research & development	Unlikely	Insignificant
Personnel	Unlikely	Insignificant
IT	Possible	Insignificant
Financial	Unlikely	Insignificant
Legal	Unlikely	Insignificant
Tax	Low	Insignificant
Other	Unlikely	Insignificant

Presentation of the individual risk areas

Macroeconomic risks result from a further weakening of the economy with a significantly lower propensity to invest. In addition to the negative macroeconomic development, the effects of global uncertainties, such as the trade war between the United States and China, and the consequences of a worsening Middle East conflict with a direct impact on the crude oil price have to be taken into consideration. The increasingly global spread of the corona virus represents a high level of uncertainty. The extent, duration and negative impact on the industry are not yet foreseeable. The spread of the corona virus can result in specific risks from loss of demand for export-oriented companies worldwide. In addition, production risks can arise from an interruption in the supply chain, temporary factory closings and delays in delivery times. Moreover, there may be restrictions in sales and service, which may also be due to the customer. There are also uncertainties on the financial markets, which may have a strong impact locally on the respective national economies as well as on the world economy. Overall it must be assumed that there is a likelihood of occurrence and that this situation will have a significant effect on our company's business activities.

In Germany, a much weaker momentum in economic growth is expected in 2020, which may have an effect on the demand for capital goods with a decline in industrial production.

Slowing economic momentum is also expected in Europe, which may lead to increased uncertainty due to the continuing lack of implementation of the necessary structural reforms in several euro countries. Effects on investment behavior and consumer confidence can already clearly be seen. In Italy, especially, the situation could get worse in the short-term. The effects of the withdrawal of Great Britain from the EU, which remains organizationally unresolved, may have a negative impact in the future on our business located in Great Britain as well as on other countries in the EU. The Russian economy is still recovering slowly from the economic slumps and sanctions of the past years. Due to the renewed escalation of political conflicts with foreign countries, further sanctions are possible, which could have a negative impact on the Russian economy. In the USA it has become apparent that the president's plans to revise the existing free trade agreements and return to protectionism can be pursued generally, but their implementation is limited. Due to the existing uncertainties, however, considerable risks may result from the future political, fiscal and trade policy focus of the USA. A worldwide cyclical downturn could have a material impact on the market for machine tools and thus on order intake. We are counteracting these risks through constantly monitoring cyclical trends and where applicable, taking the measures required. Moreover, changes in exchange rates resulting from political or economic crises may also impact our future competitive position (economic currency risk). In particular, a possible devaluation of the US dollar, Chinese renminbi, Russian ruble and British pound could lead to our products becoming more expensive in the countries concerned as well as in the markets that are dependent on the dollar. An appreciation of the Japanese yen would further increase our costs for purchases of machines from DMG MORI COMPANY LIMITED. We counteract this risk through international sourcing as well as by regionalized production.

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

Corporate strategy risks lie mainly in false estimations of future industry-specific developments and in possible misjudgments in technological developments. We counteract these risks through intensive monitoring of the market and competition, regular strategy discussions with customers and suppliers, a comprehensive global trade fair presence and a company strategy focused on innovation. The group-wide introduction of a new ERP system may lead to unforeseeable events that adversely affect the operational business. As a result of the domination and profit transfer agreement, risks for the future economic development of the company result from potential instructions given by DMG MORI GmbH. These instructions do not necessarily have to be in the sole interest of DMG MORI AKTIENGESELLSCHAFT but they are set in the interest of the group.

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

Production risks, such as production ineffectiveness or potential quality-related risks, are subject to permanent control by means of key performance indicators for order intake and backlog, assembly and manufacturing progress, contribution margin per machine type and the turnover rate of raw materials and consumables as well as of other inventories. In principle, we avoid incalculable production projects, hence we consider these risks to be manageable and controllable. We strive to counteract plagiarism with our innovations focused product strategy as well as with active IP management consisting of registering your own IPs and enforcing our rights. We thus want to which safeguard our technological lead. We counteract risks of technical work safety with a consistent application and implementation of statutory work safety regulations and the highest certified technical standards at all sites. We conduct all legally prescribed reviews and voluntary audits. We counteract environmental risks with full implementation of statutory environmental standards, appropriate and safe storage of hazardous goods, and the environmentally conscious disposal of hazardous goods and other waste. Furthermore, we aim to ensure an efficient use of resources to conserve scarce environmental resources in our internal business processes.

In the area of **research and development,** risks exist due to possible budget excesses, failed developments, increased start-up costs for new products, and delayed market launches of innovations. We are countering this risk by a group-wide harmonized product development process and involving our sales and service units as early as possible. We also rely on the coordinated cooperation with DMG MORI COMPANY LIMITED, customers, suppliers and universities. We avoid incalculable research and development projects; hence we consider these risks to be manageable and controllable.

Personnel risks exist due to our constant need for highly-qualified managers and employees. Inadequate recruitment and retention of these employees may adversely affect the group's development long-term. We limit these risks through a modern corporate culture, employee surveys, comprehensive programs for vocational training and personal development, performance-related remuneration with a performance-based incentive scheme, early successor planning and deputizing arrangements. A permanent availability of highly qualified managers and staff could also be negatively affected by a high rate of illness. We counteract this risk in particular through a preventive occupational health care scheme.

IT risks occur due to the increased networking of our internal systems. IT risks may arise from network failure or from data being falsified or destroyed through user and program errors or through external influences. In addition, we are subject to the risks of organized data espionage, blackmail, cybercrime and fraudulent scamming. The negative trend has accelerated significantly in the 2019 financial year. It is clear that the concrete threat level has increased. We counteract these information technology risks through optimum security arrangements for our IT environment, regular investment in our hardware and software, by the use of virus scanning programs and firewall systems, and by controlling access and authorizations. In addition, we create appropriate awareness among our staff by regularly training and updating them on the relevant risks and the existing threat situation.

Financial risks across all segments result among others from our international activities in the form of currency-related risks, which we assess and hedge by means of our currency strategy. The essential components of DMG MORI financing are a syndicated loan, which comprises a cash and an aval tranche and is firmly agreed until February 2022, and a factoring program. All financing agreements include an agreement on compliance with a standard covenant. The liquidity of the group is considered sufficient. In principle, we bear the risk of bad debt, which may result in allowances or in individual cases may even result in default. Further information on risks according to IFRS 7 is given in the Notes on page 137 et seq.

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

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

Overall Statement of the Executive Board to the Risk Situation

The Executive Board rates the existing risks as controllable and, based on current information, does not view the continued existence of the group to be endangered by these risks. Compared with the reporting in the Annual Report 2018 the risks have increased slightly overall. The Executive Board counteracts the risk development by means of a continuously updated business development supervision and by holding Executive Board meetings and status meetings at regular intervals. The risks-bearing capacity of equity was calculated based on the accumulated overall expected risk value determined. The group's equity significantly exceeds the total risk expected value determined.

GLOBE – GLOBAL ONE BUSINESS EXCELLENCE

GLOBE

Excellence in integration, innovation and performance:

+ harmonization of systems and processes
+ new, standardized ERP system
+ enterprise architecture with business approach
+ ERP as a road to digitization

GLOBE – GLOBAL ONE BUSINESS EXCELLENCE

GLOBE

BUSINESS APPROACH

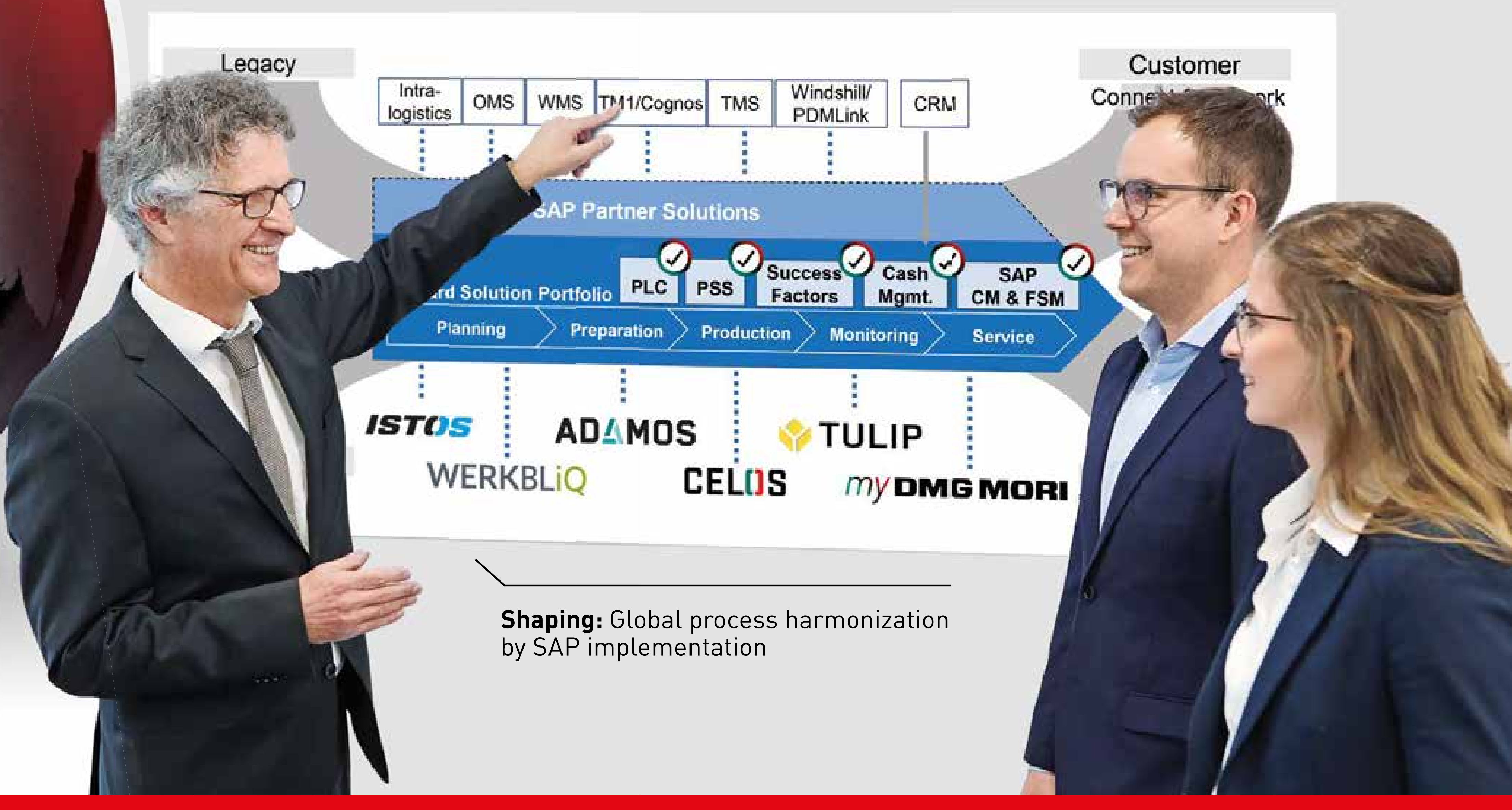
"GLOBE: the basis for digitization of our own value chain"

"User-centered management and integration of mobile apps"

"End user-focused approach for maximum added value"

"Real-time access to company and production data"

"Highly integrated system design: Holistic, end-to-end process concept"



Shaping: Global process harmonization by SAP implementation

FORECAST REPORT

Future Business Environment

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

The slump in global machine tool consumption is expected to continue in 2020. The VDW and Oxford Economics are forecasting a -0.6 % decline to € 71.7 billion (previous year: -2.8 %; € 72.1 billion). In view of the existing global uncertainties, these forecasts are likely to be revised during the course of the year.

According to the VDW and Oxford Economics the machine tool consumption in Germany at -14.5 % should decline noticeably stronger than in many other countries (previous year: +6.5 %).

Consumption in Europe is expected to fall by -4.4 %. In view of the structural changes in the automotive industry, this decline will hit Germany and France particularly hard.

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

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

Future Development of DMG MORI

As a worldwide leading supplier of end-to-end and sustainable technology solutions for the manufacturing industry, our aim is to continue to expand our market position in the future. Together with DMG MORI COMPANY LIMITED – as "Global One Company" – we are forging ahead with the implementation of our motto "Dynamic . Excellence".

Our corporate strategy is aimed at actively promoting innovation in the manufacturing industry and, with end-to-end solutions, meeting dynamic customer requirements even more effectively in the future. With a comprehensive range of machine tools, automation and digitization solutions, and our DMQP, our aim is to be the world's No. 1 for our customers in the future: From development and production through to the global sales and service of innovative machine tools.

In addition to our five strategic future fields – Automation, Digitization, Additive Manufacturing and Technology Excellence as well as DMQP – we are placing focus on quality and service, the ERP-project "GLOBE", employees and sustainability. With dynamic and excellence, we will once again give everything in 2020 to make our customers successful. Moreover, we have set an ambitious sustainability goal: This year we will be CO_2-neutral.

Also 2020 will be a challenging year. The market environment will become noticeably more difficult. In addition, there is the increasing worldwide spread of the corona virus, the extent, duration and negative consequences of which for the economy as a whole and for the industry are currently not foreseeable. Reliable statements about the influence on the business development of DMG MORI are therefore difficult to quantify completely.

Against this background and with the sale of Energy Solutions in 2019, we expect order intake and sales revenues of around € 1.8 – 2.0 billion for the whole year. EBIT should be around € 80 – 100 million and free cash flow should be around € 10 – 30 million.

Our agreed financing framework will cover the necessary liquidity requirements in financial year 2020. We therefore have sufficient financial leeway in the group at all times. We expect market interest rates to rise moderately towards the end of the year.

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

For financial year 2020, we plan to invest around € 85 million in tangible and intangible assets. Our activities continue to focus on the expansion and modernization of our production plants in Pfronten. We are also continuing to invest in our ERP project "GLOBE – Global One Business Excellence" to harmonize and optimize systems and processes and are pushing ahead with the implementation of the new global ERP system.

In the area of research and development, we will sustainably pursue our innovation strategy. For the current financial year, we are again planning a wide range of innovations from the areas of Automation, Digitization, Additive Manufacturing, Technology Excellence and DMG MORI Qualified Products (DMQP) and are consistently pursuing our "First Quality" strategy.

Research and development expenses are expected to amount to around € 60 million. Overall, about 15 % of the workforce at the plants will continue to work in the area of research and development.

Overall Statement of the Executive Board on Future Business Development 2020

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

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

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

INNOVATIONS FOR THE ENVIRONMENT AND SOCIETY

SUSTAINABILITY

TRUST

ENVIRONMENT

RESPONSIBILITY

EMPLOYEES

QUALITY

DMG MORI CARES

BLUECOMPETENCE
Alliance Member
Partner of the Engineering Industry Sustainability Initiative

charta der vielfalt
SIGNED

Development and Climate Alliance

CEOs FOR RECYCLED PAPER
Recycled paper-friendly company

INNOVATIONS FOR THE ENVIRONMENT AND SOCIETY

SUSTAINABILITY

OUR GOAL: 2020 DMG MORI WILL BE CO_2-NEUTRAL

Development and Climate Alliance

We have made a voluntary commitment to implement the UN 2030 Agenda and the Paris Climate Treaty. This is why we have joined the "Development and Climate Alliance".

Charta of Diversity

By signing the "Charta of Diversity" we have made a clear stance on recognition, respect and diversity.

Sustainability Initiative Blue Competence

As a member of the VDMA sustainability initiative "Blue Competence" we are commited to comply with the twelve sustainability guidelines.

CEOs for recycled paper

We support the "Pro Recycling Paper" initiative, and throughout the group, are switching to recycled paper with the "Blue Angel" label. This is one of our many contributions to environmental protection.

ENERGY-SAVING

Saving energy in our company through energy efficiency measures and state-of-the-art plant and building technology.

GREENMODE

Maximum efficiency through the energy-optimized design and operation of our machines. CELOS apps ensure transparency and optimization of energy consumption.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 January to 31 December 2019

D.01	Notes	2019 € K	2018 € K
Sales revenues	6	2,701,489	2,655,128
Changes in finished goods and work in progress		-16,388	6,481
Own work capitalised	7	20,962	6,326
Total work done		**2,706,063**	**2,667,935**
Other operating income	8	83,029	74,182
Operating performance		**2,789,092**	**2,742,117**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		1,278,463	1,264,442
Cost of purchased services		245,580	215,660
		1,524,043	1,480,102
Personnel costs	10		
Wages and salaries		501,829	506,661
Social security contributions, pensions and other benefits		90,536	89,236
		592,365	595,897
Depreciation, amortization and impairment losses	11	78,104	63,729
Other operating expenses	12	372,842	385,256
Operating result		**221,738**	**217,133**
Financial income	13		
Interest income		5,431	4,280
Other income		215	170
		5,646	4,450
Financial expenses	14		
Interest payable		9,538	8,969
Interest expense from pension provisions		506	456
Other financial expenses		722	760
		10,766	10,185
Financial result		-5,120	-5,735
Share of profits and losses of at equity-accounted investments	15	2,548	3,388
Earnings before taxes		219,166	214,786
Income taxes	16	64,724	65,256
Annual profit		**154,442**	**149,530**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		151,874	148,257
Of which attributed to non-controlling interests	17	2,568	1,273
Earnings per share pursuant to IAS 33 in € (undiluted)	**18**	**1.93**	**1.88**
Earnings per share pursuant to IAS 33 in € (diluted)	**18**	**1.93**	**1.88**

Consolidated Statement of Other Comprehensive Income

for the period 1 January to 31 December 2019

D.02	Notes	2019 € K	2018 € K
Annual profit		**154,442**	**149,530**
Other comprehensive income			
Remeasurement of benefit-oriented pension plans		-6,164	5,956
FVOCI – Equity instruments – net change of fair value		-322	0
Income taxes		1,759	-1,526
Sum of items never reclassified to income statement		**-4,727**	**4,430**
Differences from currency translation		21,511	-25,217
Net investments		1,035	1,220
Changes in market value of hedging instruments	39	-49	-377
Market value of hedging instruments – reclassification to the income statement		-46	585
Income taxes	29	28	-63
Sum of items which are reclassified to the income statement		**22,479**	**-23,852**
Other comprehensive income for the period after taxes		**17,752**	**-19,422**
Total comprehensive income for the period		**172,194**	**130,108**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		169,215	128,956
Of which attributed to non-controlling interests		2,979	1,152

Consolidated Cash Flow Statement

For the period 1 January to 31 December 2019

D.03		2019	2018
CASH FLOW FROM OPERATING ACTIVITY	Notes	€ K	€ K
Earnings before taxes (EBT)		219,166	214,786
Depreciation, amortisation and impairment losses	11	78,104	63,729
Financial result	13, 14	5,120	5,735
Other income and expenses not affecting payments		-6,484	-4,094
Change in provisions	30, 31	12,819	44,563
Result from the disposal of fixed assets		-833	-596
Income tax refunds		1,541	2,264
Income taxes paid		-77,620	-51,146
Interest received		4,349	4,599
Interest paid		-9,298	-9,151
Changes in asset and liabilities items			
Inventories	24	18,802	-85,718
Trade debtors	23, 25	43,934	-42,832
Other assets not from investments or financing activity		27,925	-24,804
Trade creditors	34	30,767	30,428
Other liabilities not from investments or financing activity		-114,165	82,615
	40	**234,127**	**230,378**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		31,379	5,722
Amounts paid out for investments in tangible assets		-71,225	-60,832
Amounts paid out for investments in intangible assets		-25,502	-21,104
Cash flow from the takeover of control over subsidiaries	40	-5,450	-1,500
Cash flow from the loss of control over subsidiaries	40	812	0
Amounts paid out for investments in financial assets	40	-44,237	-8,754
Amounts paid out for loans to other related parties	25	0	-250,000
Amounts received from disposal in financial assets	40	40	21,406
		-114,183	**-315,062**
CASH FLOW FROM FINANCING ACTIVITY			
Cash outflows for repayment of financial debts	40	0	-37,765
Profit transfer to DMG MORI GmbH	40	-99,326	-89,865
Amounts received from changes in interests in subsidiaries	40	0	4,094
Cash outflows of principal for lease liabilities		-19,588	0
	40	**-118,914**	**-123,536**
Changes affecting payments		1,030	-208,220
Effects of exchange rate changes on financial securities		294	-2,504
Cash and cash equivalents as at 1 January	27	152,681	363,405
Cash and cash equivalents as at 31 December	**27**	**154,005**	**152,681**

Consolidated Balance Sheet

As at 31 December 2019

D.04 ASSETS	Notes	31 Dec 2019 € K	31 Dec 2018 € K
LONG-TERM ASSETS			
Goodwill	19	138,082	139,399
Other intangible assets	19	61,464	50,973
Tangible assets	20	506,579	434,880
Equity-accounted investments	22	84,202	58,851
Other equity investments	21	25,595	2,403
Trade receivables from third parties	23	7	1,263
Other long-term financial assets	23	9,627	11,963
Other long-term assets	23	3,747	2,757
Deferred tax assets	28	62,555	55,606
		891,858	**758,095**
SHORT-TERM ASSETS			
Inventories	24	611,810	625,381
Trade receivables from third parties	25	212,637	226,989
Receivables from at equity accounted companies	25	12,472	21,244
Receivables from other related companies	25	461,550	480,705
Receivables from other equity investments	25	33	47
Receivables from down payment invoices	6	9,060	33,260
Other short-term financial assets	26	46,740	60,241
Other short-term assets	26	69,125	81,272
Income tax receivables		276	584
Cash and cash equivalents	27	154,005	152,681
		1,577,708	**1,682,404**
Balance Sheet Total		**2,469,566**	**2,440,499**

D.04 EQUITY AND LIABILITIES	Notes	31 Dec 2019 € K	31 Dec 2018 € K
EQUITY			
Subscribed capital	29	204,927	204,927
Capital reserve	29	498,485	498,485
Retained earnings and other reserves	29	563,702	489,823
Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT		**1,267,114**	**1,193,235**
Non-controlling equity interests	29	14,335	4,453
Total equity		**1,281,449**	**1,197,688**
LONG-TERM DEBTS			
Provisions for pensions	30	43,008	37,828
Other long-term provisions	31	51,389	58,180
Long-term lease liabilities	3	43,469	0
Contract liabilities	6	4,072	1,890
Other long-term financial liabilities	33	157	8,205
Other long-term liabilities	33	2,444	2,649
Deferred tax liabilities	28	3,124	2,505
		147,663	**111,257**
SHORT-TERM DEBTS			
Other short-term provisions	31	231,408	209,245
Short-term lease liabilities	3	17,886	0
Trade payables to third parties	34	207,368	195,393
Liabilities to at equity accounted companies	34	7,401	2,266
Liabilities to other related companies	34	234,038	236,613
Liabilities to other equity investments	34	800	0
Tax liabilites		20,329	17,850
Payments received on account	6	214,551	342,575
Contract liabilities	6	23,698	21,532
Contract liability from down payment invoices	6	9,060	33,260
Other short-term financial liabilities	34	28,064	31,124
Other short-term liabilities	34	45,851	41,696
		1,040,454	**1,131,554**
Balance Sheet Total		**2,469,566**	**2,440,499**

Development of Group Equity

For the period 1 January 2018 to 31 December 2019

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 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.

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

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

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
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
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**

Consolidated Fixed Asset Movement Schedule

As at 31 December 2018 (Part of the notes)

D.06

ACQUISITION AND PRODUCTION COSTS

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

DEPRECIATION

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

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

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

Segmental Reporting

In the Consolidated Financial Statements 2019 (Part of the notes)

D.07

SEGMENTATION BY BUSINESS SEGMENTS

in € K	"Machine Tools" 2019	"Machine Tools" 2018	Changes against previous year		"Industrial Services" 2019	"Industrial Services" 2018	Changes against previous year	
Sales revenues with other segments	1,117,024	1,093,591	23,433	2.1 %	72,113	60,014	12,099	20.2 %
Sales revenues with third parties	1,433,209	1,454,180	-20,971	-1.4 %	1,268,106	1,200,757	67,349	5.6 %
EBIT	112,236	126,832	-14,596	-11.5 %	136,202	120,211	15,991	13.3 %
Financial result	-1,597	-1,546	-51	-3.3 %	-5,464	-6,519	1,055	16.2 %
thereof interest income	3,123	2,325	798	34.3 %	4,637	3,491	1,146	32.8 %
thereof interest expenses	-4,585	-3,813	-772	-20.2 %	-6,337	-6,959	622	8.9 %
Share of profit for the period of at equity accounted investments	-185	-94	-91	-96.8 %	0	0	0	0.0 %
EBT	110,454	125,192	-14,738	-11.8 %	130,738	113,692	17,046	15.0 %
Carrying amount of at equity accounted investments	28,984	8,411	20,573	244.6 %	1,100	0	1,100	100.0 %
Segment assets	1,363,906	1,301,859	62,047	4.8 %	1,877,800	1,964,977	-87,177	-4.4 %
Investments	135,879	81,755	54,124	66.2 %	17,054	6,317	10,737	170.0 %
Depreciation	43,248	43,096	152	0.4 %	30,618	17,496	13,122	75.0 %
Employees	4,077	4,120	-43	-1.0 %	3,081	3,299	-218	-6.6 %

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

INFORMATION ON GEOGRAPHICAL AREAS

in € K	Germany 2019	Germany 2018	Changes against previous year		Rest of Europe 2019	Rest of Europe 2018	Changes against previous year		North America 2019	North America 2018	Changes against previous year	
Sales revenues with third parties	1,104,982	1,171,525	-66,543	-5.7 %	1,248,165	1,219,016	29,149	2.4 %	0	0	0	0.0 %
Long-term assets	327,827	281,202	46,625	16.6 %	374,294	340,180	34,114	10.0 %	0	0	0	0.0 %

	"Corporate Services"		Changes against previous year		Transition		Group		Changes against previous year	
	2019	2018			2019	2018	2019	2018		
	14,802	14,707	95	0.6 %	-1,203,939	-1,168,312	0	0	0	0.0 %
	174	191	-17	-8.9 %	0	0	2,701,489	2,655,128	46,361	1.7 %
	-26,250	-29,829	3,579	12.0 %	-450	-81	221,738	217,133	4,605	2.1 %
	1,941	2,330	-389	-16.7 %	0	0	-5,120	-5,735	615	10.7 %
	8,007	7,039	968	13.8 %	-10,336	-8,575	5,431	4,280	1,151	26.9 %
	-7,673	-5,188	-2,485	-47.9 %	8,467	6,444	-10,128	-9,516	-612	-6.4 %
	2,733	3,482	-749	-21.5 %	0	0	2,548	3,388	-840	-24.8 %
	-21,576	-24,017	2,441	10.2 %	-450	-81	219,166	214,786	4,380	2.0 %
	54,118	50,440	3,678	7.3 %	0	0	84,202	58,851	25,351	43.1 %
	1,892,465	1,862,875	29,590	1.6 %	-2,741,035	-2,759,261	2,393,136	2,370,450	22,686	1.0 %
	2,251	2,617	-366	-14.0 %	0	0	155,184	90,689	64,495	71.1 %
	4,238	3,137	1,101	35.1 %	0	0	78,104	63,729	14,375	22.6 %
	87	84	3	3.6 %	0	0	7,245	7,503	-258	-3.4 %

	Asia		Changes against previous year		Other		Changes against previous year		Transition		Group		Changes against previous year	
	2019	2018			2019	2018			2019	2018	2019	2018		
	348,342	264,587	83,755	31.7 %	0	0	0	0.0 %	0	0	2,701,489	2,655,128	46,361	1.7 %
	12,118	9,731	2,387	24.5 %	0	0	0	0.0 %	-8,114	-5,861	706,125	625,252	80,873	12.9 %

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT FOR THE FINANCIAL YEAR 2019

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 2019 to 31 December 2019 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.

DMG MORI AKTIENGESELLSCHAFT with its registered office in Bielefeld, Gildemeisterstrasse 60, is listed at the Bielefeld District Court, section B, under the number 7144 and is the parent company of 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 needsbased software products. The Consolidated Financial Statements and the Group Management Report of DMG MORI AKTIENGESELLSCHAFT for the reporting period as at 31 December 2019 will be available through the electronic Federal Gazette (Bundesanzeiger), the Commercial Register as well as from our website → **en.dmgmori-ag.com**. DMG MORI COMPANY LIMITED, Nara, Japan, is the ultimate parent company of the DMG MORI group. The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT are included in the Consolidated Financial Statements of DMG MORI COMPANY LIMITED, Nara (Japan). These Consolidated Financial Statements can be found online at → **www.dmgmori.co.jp.**

DMG MORI GmbH, a wholly owned subsidiary of DMG MORI COMPANY LIMITED, has concluded a domination and profit transfer agreement with DMG MORI AKTIENGESELLSCHAFT, pursuant to Sections 291 et seq. 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 9 March 2020.

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 according to the acquisition method.

The consideration transferred for the acquisition of such interests corresponds to the fair value of the exchanged assets and the liabilities incurred or assumed at the date of the acquisition. Furthermore, they include the fair value of any assets or liabilities 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 de-recognizes 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 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. Profits and losses from intercompany goods and services are eliminated and deferred tax assets and liabilities from consolidation affecting net income are taken into account. Intercompany sales, as well as all other intercompany income, are offset against the corresponding expenses with no effect on income.

Other related companies 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, with the exception of Magnescale Co. Ltd. and its subsidiaries, which are considered as associated companies. If not shown separately, any information on other related companies 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 recognition and measurement principles. For this purpose, those financial statements that were prepared in accordance with local regulations were adjusted to the uniform group recognition and measurement 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 recognition and measurement methods are the same as those applied in the previous year.

Changes in accounting and valuation methods due to new standards

On 1 January 2019, 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. As expected, especially the application of the new standard, IFRS 16, has proved to have or have had no material impact on the Consolidated Financial Statements of DMG MORI.

IFRS 16 – Leases

The DMG MORI group applied IFRS 16 for the first time on 1 January 2019 using the modified retrospective approach. The right-of-use asset was recognized at the amount equal to the lease liability. Comparative information was not restated.

D.08	
IFRS 16	Leases
Amendments to IFRS 9	Prepayment features with negative compensation
IFRIC 23	Uncertainty over income tax treatment
Amendments to IAS 28	Long term interests in associates and joint ventures
Changes to IAS 19	Plan amendment, curtailment or settlement
Improvements to IFRS 2015 – 2017	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

When applying IFRS 16 for the first time, the group elected not to apply the new disclosure requirements for comparative information, but to provide this information based on the disclosure requirements of the previously applied standard, IAS 17 and related interpretations. Further information on the changes in accounting policies are set out below.

IFRS 16 introduces a uniform accounting model that prescribes how leases should be accounted for on the lessee's balance sheet. A lessee recognizes a right-of-use asset, which reflects its right to use the underlying asset and a lease liability, which reflects its obligation to make lease payments. There are special provisions for short-term leases and leases for low-value assets. The lessor's accounting is comparable with the previous standard – meaning that the lessor continues to classify leases as either finance leases or operating leases.

IFRS 16 replaces the existing guidelines on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

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

Leases where the DMG MORI group is the lessee

The DMG MORI group has recognized new assets and liabilities for its former operating leases. The rights of use recognized in property, plant and equipment are initially measured at cost, which corresponds to the initial measurement of the lease liability. During initial measurement of the right-of-use asset, the DMG MORI group applied the simplified approach which does not recognize initial direct costs.

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. The weighted average incremental borrowing rate as at 1 January 2019 was 2.8 %.

For leases with a lease term of 12 months or less after the date of initial application (short-term leases) and leases where the underlying asset has a low value, the group uses the practical expedient of not recognizing a right-of-use asset and a lease liability. The corresponding lease payments continue to be recognized as expenses in the income statement. Non-lease and lease components are generally accounted for separately.

The application of IFRS 16 changes the nature of expenses, as the group now recognizes depreciation on right-of-use assets and interest expenses from lease liabilities. Unlike the previous approach, under which expenses for operating leases were disclosed in full in earnings before interest and taxes (EBIT), interest expenses from the compounding of the lease liability are now recognized in the financial result in accordance with IFRS 16.

In the cash flow statement, payments of principal are recognized in cash flow from financing activities, while interest payments for leases are presented in cash flow from operating activities. All cash outflows for operating leases were previously recognized in cash flow from operating activities.

There were no material effects on the DMG MORI group from existing finance leases.

Leases where the DMG MORI group is the lessor

Lessor accounting in IFRS 16 remains largely unchanged from IAS 17. Lessors must still continue to classify leases as finance or operating leases.

Transition effects on the financial statements

As part of the transition to IFRS 16, assets for the right to use lease assets and lease liabilities of € 66,289 K were recognized as of 1 January 2019.

The difference between € 66,832 K in expected future minimum lease payments for operating leases as of 31 December 2018 and € 66,289 K in lease liabilities recognized in the opening balance sheet is mainly due to the reassessment of the obligations to be recognized in accordance with the requirements of IFRS 16 and the lease terms included in the recognition of liabilities, the non-recognition of lease payments for non-lease components, short-term and low-value leases and the effect of discounting of € 4,280 K.

The values recognized on the balance sheet in relation to first-time application on 1 January 2019 are broken down by item as follows:

D.09 | RIGHT-OF-USE ASSETS in € K	1 Jan 2019
Land and buildings	27,991
Technical equipment and machinery	12,580
Other facilities, factory and office equipment	25,718
Total	**66,289**

D.10 | LEASE LIABILITIES in € K	1 Jan 2019
Land and buildings	27,991
Technical equipment and machinery	12,580
Other facilities, factory and office equipment	25,718
Total	**66,289**

The application of IFRS 16 resulted in lower operating expenses in financial year 2019, while depreciation increased. This led to a rise in EBITDA and marginal improvement in EBIT. Further information on the individual income statement items can be found in the notes to the income statement.

Amendments to IFRS 9 – Prepayment features with negative compensation

The adjustments relate to a narrow-scope amendment to the evaluation criteria regarding the classification of financial assets. Under certain conditions, financial assets with a negative prepayment feature with negative compensation may be directly recognized in equity at amortized cost or fair value through other comprehensive income instead of at fair value in profit or loss.

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

IFRIC 23 – Uncertainty over income tax treatment

IFRIC 23 clarifies how the recognition and measurement requirements of IAS 12 are applied when there is uncertainty over income tax treatments. Estimates and assumptions must be made for the purposes of recognition and measurement, e. g. whether an estimate is made separately or together with other uncertainties, a probable or expected value is used for the uncertainty and whether changes have occurred from the previous period. Detection risk is not considered in the recognition of uncertain balance sheet items. Accounting is based on the assumption that the tax authorities will investigate the matter in question and that they have access to all the relevant information.

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

Amendments to IAS 28 – Long-term interests in Associates and Joint Ventures

These amendments contain a clarification that IFRS 9 must be applied to long-term interests in associates and joint ventures that are not accounted for using the equity method.

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

Amendment to IAS 19 – Plan Amendment, Curtailment or Settlement

Under IAS 19, Pension obligations must be measured for plan amendments, curtailments and settlements based on updated assumptions.

The amendment clarifies that after such an event, the current service cost and net interest for the remaining period must be recognized based on updated assumptions.

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

Improvements to IFRS 2015-2017: Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

The annual improvements to IFRSs (2015-2017) amended four IFRSs.

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

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

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

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

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.11	
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual Framework	Amendments to references to the conceptual framework in IFRS standards

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

Conceptual Framework – Amendments to references to the conceptual framework in IFRS standards
The revised conceptual framework comprises a new subsection, "Status and purpose of the conceptual framework" and a complete eight chapters.

They include chapters on "The reporting entity" and "Presentation and disclosure". The issue of "Derecognition" has been added to the chapter on "Recognition".

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

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

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

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.12	
Amendments to IFRS 3	Definition of a business
IFRS 17	Insurance contracts
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 and IFRS 7	Interest Rate Benchmark Reform

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 DMG MORI group is not currently expecting any material impact on the Consolidated Financial Statements.

IFRS 17 – Insurance Contracts
IFRS 17 replaces IFRS 4 and thus, for the first time, specifies standard 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 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate
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 operation 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 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 – 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 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 are applicable to reporting periods beginning on or after 1 January 2020, 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.

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 at least once a year for impairment and whenever there is an indication to do so. This requires the creation of cash-generating units and an allocation of goodwill to the cash-generating units as well as the higher of the two values of fair value less selling 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 2019, the carrying amount of goodwill totalled € 138,082 K (previous year: € 139,399 K). This change from the previous year is due to a disposal and currency effects. More information about this can be found on pages 120 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 2019, provisions for pensions amounted to € 43,008 K (previous year: € 37,828 K). More information about this can be found on pages 128 et seq.

Intangible assets arising from development

Intangible assets arising from development are capitalized according to the recognition and measurement methods presented on page 104 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 2019, the carrying amount of intangible assets arising from development amounted to € 14,620 K according to the best possible assessment (previous year: € 16,938 K).

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), determining the net disposal value of inventories (see Note 24), as well as for the assessment of deferred taxes on tax losses carried forward (see Note 28).

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

In individual cases the actual values may differ from the assumptions and estimates made, requiring a significant adjustment in the book value of the assets or liabilities concerned. Pursuant to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", changes will be taken into account at the time of their discovery and 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:

Intangible and tangible assets

D.13 | 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 recognized 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 and accumulated impairment. Borrowing costs are recognized as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled (see page 112 "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

Until 31 December 2019, the group accounted for its leases under IAS 17 "Leases" and applied the following rules.

Leases, where a significant share of the risks and rewards that are associated with ownership of the lease asset remain with the lessor, were classified as operating leases under IAS 17. In connection with an operating lease, payments were recognized on a straight-line basis for the period of the lease in the income statement.

The group leased specific tangible fixed assets (lease asset). Leases for tangible fixed assets, where the group bore the significant risks and the benefits from ownership of the lease asset, were classified as finance leases under IAS 17. Assets under finance leases were recognized at the beginning of the lease term at the lower of fair value of the lease asset and present value of the minimum lease payments. A lease liability of the same amount was recognized as a liability under long-term liabilities. Each lease payment was divided into an interest portion and a repayment portion. The interest portion of the lease payment was recognized as an expense in the income statement. Tangible fixed assets held under a finance lease were depreciated over the shorter of the two following periods: the economic useful life of the asset or the lease term. IAS 17 "Leases" and other lease directives were replaced by IFRS 16. DMG MORI applied IFRS 16 for the first time on 1 January 2019. Further information on first-time application of IFRS 16 and its implications for the DMG MORI group can be found on page 99 et seq.

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.

Since 1 January 2019, the DMG MORI group has, basically for all leases, recognized rights to use leased assets and liabilities for the payment obligations entered on the balance sheet.

The right-of-use assets are initially measured at cost, which corresponds to the initial measurement of the lease liability. They are subsequently adjusted for payments made on or before the commitment date, plus any initial direct costs and the estimated costs of dismantling, removing or restoring the underlying asset or the site on which it is located, less any lease incentives received.

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 the amortized carrying amount 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 assets leased back are presented in the consolidated financial statements in accordance with the lessee accounting principles shown above. Otherwise, the asset continues to be accounted for and the revenue received is recognized as a financial liability under IFRS 9.

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 the 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 sublease 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. If such signs exist, the fair value of the assets will be estimated and, if required, depreciated accordingly in profit or loss. An impairment test for individual assets is only possible if recoverable amounts can be allocated to the individual asset. If this is not possible, the recoverable amount of the cash-generating unit pertaining to the asset must be determined (asset's cash-generating unit).

Pursuant to IAS 36 "Impairment of Assets", goodwill has to be tested for impairment at least once a year and whenever criteria are met for an impairment test. DMG MORI AKTIENGESELLSCHAFT carried out an impairment test on 31 December 2019. In the impairment test, the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount of the cash-generating unit is the higher of the asset's fair value less costs to sell and its value in use.

DMG MORI tests the impairment of goodwill in accordance with the value in use on the basis of estimated future cash flows, which are derived from the DMG MORI group's three-year plan approved by the responsible committees. The assumptions made with regard to key planning parameters reflect past experiences. The calculation of cash values for estimated future cash flow is based primarily on assumptions as to future sales prices or volume and costs. The assumed development of sales revenue and overall performance is primarily determined on the basis of the expected order intake for machine tools (see forecast report, page 80 et seq). The expenses are planned according to the expected increase in costs. Planning is based on a detailed planning period extending up to financial year 2023.

When estimating the value in use, the group projected a marginal drop in sales revenue for 2023 in the detailed planning period compared to financial year 2019 (excluding Energy Solutions business operations).

As regards the EBIT margin, it projected a slightly higher EBIT margin for 2023 in the detailed planning period compared to financial year 2019 (excluding Energy Solutions business operations).

A sustainable growth rate of 1 % was assumed for the period following the detailed planning period, which is in line with general expectations of future business development.

For purposes of impairment testing, the cash-generating unit "Machine Tools" was allocated goodwill in an amount of € 57,073 K (previous year: € 57,073 K) and the cash-generating unit "Industrial Services" was allocated goodwill in an amount of € 81,009 K (previous year: € 82,326 K).

The cash flows determined were discounted at pre-tax weighted cost of capital rates (WACC) of 12.9 % (previous year: 13.0 %) for the cash-generating unit "Machine Tools" and 12.4 % (previous year: 12.5 %) 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 2019 there was no need for impairment. The impairment tests included sensitivity analyses of key assumptions. The findings showed that no change in key assumptions deemed possible by the Executive Board would have led to impairment.

At equity accounted companies

The group's shares in financial assets 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 book value and the recoverable amount is determined to be impairment and recognized in the income statement item "Share of profits and losses of at equity-accounted investments".

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

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

Inventories

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 112 "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 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.

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 amortised cost
- Debt instruments that are measured at fair value with value changes recognized in other comprehensive income (FVOCI debt instruments)
- Equity instruments that are measured at fair value with value changes recognized in other comprehensive 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 to be taken into account 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 2019 and in the previous year, financial asset conditions were not renegotiated.

Within the scope of factoring agreements, selected trade debtors are sold on a revolving basis to banks. Factoring is a standard financial instrument in the industry and an additional component of the financing mix. As of 31 December 2019, factoring agreements were concluded, as in the previous year, with a total volume of € 167.5 million. As of the balance sheet date, receivables with a volume of € 120.0 million (previous year: € 116.1 million) were sold.

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

Impairment

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

The valuation concept based on expected credit losses 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 lifetime expected credit loss method must always be used to measure trade debtors and contract assets without significant financing components. There is also an option to use this method for trade debtors and contract assets with a significant financing component. DMG MORI has decided to use the full lifetime expected credit loss method for all trade debtors and contract assets ("simplified approach").

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

Impairments in the form of individual value adjustments make adequate allowance for the expected non-payment risks. Specific credit losses lead to de-recognition of the respective receivables. Within the scope of individual value adjustments, receivables, for which there is a potential devaluation requirement, will be tested for impairment and, if necessary, adjusted. The calculation of specific allowances for doubtful 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 judgment when assessing the impact of changes in economic factors on expected credit losses. 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 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 0.01 % and 4.67 %.

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 income statement 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 recognising 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 that apply 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. 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. 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 regulations contained in IAS 12 "Income Taxes".

In 2019, IFRIC published a clarification on the balance sheet presentation of income taxes. According to this clarification, current tax provisions must in future be presented as tax liabilities. For this reason, tax provisions reported as of 31 December 2018 were disclosed as tax liabilities on the balance sheet. This change has no effect on the group's earnings and financial position.

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 (KStG) 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 (DPTA) and the compensation payments probably to be made during this period and must be recognized in equity as "other non-financial liability" under the decrease in capital reserves. 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 2019, the provisions amounted to € 7,231 K (previous year: € 10,854 K).

Provisions and liabilities

Provision for benefit-oriented pensions is determined according to the projected unit credit method pursuant to IAS 19 (rev. 2011) "Employee Benefits". Under this method, not only those pensions and pension rights known or accrued at the balance sheet date are 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 included future cost increases. Provisions with a remaining term of more than one year were discounted, at a rate before taxes 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 revaluated 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 programme 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 pre-finance trade debtors from individual subsidiaries 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 2019, a total of € 12,367 K (previous year: € 17,717 K) 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 fulfils 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.

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 2019 that arose from the development assets amounted to € 8 K (previous year: € 7 K) and from property, plant and equipment amounted to € 0 K (previous year: € 0 K), which can be directly attributed to the acquisition, construction or production of a qualifying asset. As in the previous year, a borrowing cost rate of 1 % was used. Other borrowing costs were therefore directly recognized as expense in the period.

Revenues from Contracts with Customers

The group applied IFRS 15 "Revenue from Contracts with Customers" as of 1 January 2018. 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, 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 machine tools, transport, machine commissioning and training) are attributable to contracts from the sale of machine tools and that these obligations have their own rules regarding the 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.

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 shown in the sales revenues.

4. CONSOLIDATION GROUP

D.14 | NUMBER OF FULLY CONSOLIDATED COMPANIES	31 Dec 2019	31 Dec 2018
National	30	32
International	46	49
Total	**76**	**81**

At the balance sheet date, the DMG MORI group, including the DMG MORI AKTIENGESELLSCHAFT, comprised 85 companies (previous year: 87). In addition to DMG MORI AKTIENGESELLSCHAFT 75 subsidiaries (previous year: 80) were included in the Consolidated Financial Statements as part of the full consolidation process. Nine companies (previous year: six) accounted for at equity were included in the Consolidated Financial Statements. The DMG MORI AKTIENGESELLSCHAFT is directly or indirectly entitled to a majority of voting rights of the fully consolidated companies.

Since the end of financial year 2018, the companies,

› Pragati Automation Pvt. Ltd., Bangalore (India),
› DMG MORI Digital GmbH, Bielefeld, and
› Vershina Operation, LLC., Narimanov (Russia),

have been added to the consolidation group.

In September 2019, GILDEMEISTER Beteiligungen GmbH acquired a 30 % interest in Pragati Automation Pvt. Ltd., Bangalore (India), for a selling price of € 20,489 K. This acquisition allows DMG MORI to secure a long-term partner as a quality supplier of key strategic core components for tool magazines. The company's share capital amounts to € 894 K.

In November 2019, GILDEMEISTER Beteiligungen GmbH established DMG MORI Digital GmbH in Bielefeld. DMG MORI holds a 40 % interest. The company's share capital amounts to € 50 K.

With effect from 6 February 2017, the group acquired a 50.1 % interest in REALIZER GmbH, Borchen. Between 2018 and 2020, three fixed and contractually agreed payments were made in return for the acquisition of the remaining 49.9 % interest. Moreover, variable consideration was agreed, subject to the fulfilment of contractual terms. DMG MORI was required to pay the contingent consideration to the selling shareholders within a four-year period, if specific key earnings figures (number of machines sold) and technological targets were met.

The fair value of the consideration recognized (for a 100 % interest) on the acquisition date totaled € 14,687 K and was to be provided in cash. This comprised a fixed consideration of € 10,113 K and contingent consideration of € 4,574 K. As of 31 December 2018, there was a residual commitment from the consideration agreed in an amount of € 7,995 K.

In December 2019, it was agreed with the seller to increase the group's shares in REALIZER GmbH to 100 %. The outstanding fixed purchase price payments of € 4,000 K and a contingent payment in the amount of € 800 K were paid in the financial year. In addition, payments in an amount of € 650 K that were paid in 2019 were agreed with the seller for the contingent consideration in the amount of € 2,650 K. The fair value of a remaining contingent consideration of € 500 K as of 31 December 2019 fell to € 0 K. The changes in the contingent consideration were recognized in other operating income.

In financial year 2019, DMG America Inc., Itasca (USA) was dissolved.

DMG MORI Global Service Milling GmbH, Pfronten was merged with DMG MORI Global Service Turning GmbH, Bielefeld with retroactive effect from 1 January 2019. DMG MORI Global Service Turning GmbH has been renamed to DMG MORI Global Service GmbH.

The company listed below is also classified as joint venture in the previous year under IFRS 11:

› DMG MORI HEITEC GmbH, Erlangen.

The companies listed below were also classified as associated companies under IFRS 11. Pursuant to IFRS 11.24, the interests were included in the Consolidated Financial Statements "at equity" from the date of their acquisition:

› Pragati Automation Pvt. Ltd., Bangalore (India),
› DMG MORI Digital GmbH, Bielefeld,
› INTECH DMLS PRIVATE LIMITED, Bangalore (India),
› Magnescale Co. Ltd., Kanagawa (Japan),
› Magnescale Europe GmbH, Wernau,
› Magnescale Americas, Inc., Davis (USA),
› DMG MORI Finance GmbH, Wernau,
› Vershina Operation, LLC., Narimanov (Russia).

Disposal of subsidiaries

With effect from 1 July 2019, Energy Solutions business operations were sold to a strategic investor (share-deal and asset-deal). The order backlog at Energy Solutions at this date was mainly processed in the reporting year and resulted in sales revenue. All interests 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),

and selected, contractually agreed assets and liabilities were transferred to a strategic investor (share-deal and asset-deal). Due to the low materiality of the individual companies and the amounts involved, the information is presented as a single total. The purchase price amounted to € 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 gain on disposal is recognized under 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.15
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 of. 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 2018, the income, financial and asset position were not significantly affected in this regard.

A general overview of all companies within the DMG MORI group can be found on pages 151 et 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 organisational 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 translation differences arising from items being translated at different rates in the balance sheet and income statement were recognized directly in equity.

Foreign exchange differences from receivable or payable monetary items from/to a 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.16]

D.16 | CURRENCIES		Exchange rate on reporting date = € 1		Average exchange rate = € 1	
	ISO-Code	31 Dec 2019	31 Dec 2018	2019	2018
Australian dollars	AUD	1.59950	1.62200	1.60897	1.57941
Canadian dollars	CAD	1.45980	1.56050	1.48823	1.53108
Swiss franc	CHF	1.08540	1.12690	1.11235	1.15292
Chinesise renminbi	CNY	7.82050	7.87510	7.73531	7.81262
Czech crowns	CZK	25.40800	25.72400	25.66377	25.67031
British pound	GBP	0.85080	0.89453	0.87730	0.88591
Indian rupees	INR	80.18700	79.72980	78.84879	80.28468
Japanese yen	JPY	121.94000	125.85000	122.25846	130.34692
Polish zloty	PLN	4.25680	4.30140	4.29917	4.26195
Russian rubles	RUB	69.95630	79.71530	72.79492	73.78871
Singapore dollars	SGD	1.51110	1.55910	1.52788	1.59062
US dollars	USD	1.12340	1.14500	1.12142	1.18034

Sources: European Central Bank, Frankfurt / Main

NOTES TO INDIVIDUAL ITEMS IN THE INCOME STATEMENT

6. SALES REVENUES

Broken down by sales area, that is, according to the customer's place of business, the following distribution of sales revenues occurred: [→ D.17]

D.17 in € K	2019	2018
Germany	769,203	821,500
EU (excluding Germany)	979,531	973,778
USA	20,603	25,735
Asia	637,080	614,081
Other countries	295,072	220,034
	2,701,489	**2,655,128**

A breakdown and explanation of the sales revenues from the sale of goods and provision of services are given in segment reporting on page 96 et seq. and in the "Segment Report" chapter of the Group Management Report on page 60 et seq.

Sales revenues include € 623 K in income from sale and leaseback and € 2,223 K in income from right-of-use subleases.

The table below shows a reconciliation of sales revenue for 2019 by sales territory, key product and service lines as per reporting segment. [→ D.18 | D.19]

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

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

Contract balances

The following table provides information on contract balances from contracts with customers. [→ D.20]

Payment received on account mainly include payment received from customers for machines. Contract liabilities mainly include invoices for commissioning and training services not yet rendered.

Contract liabilities from down payment invoices mainly relates to due and unpaid down payment invoices for which there is an unconditional claim for payment. There are no contract assets.

The total amount of € 399,257 K (previous year: € 313,174 K) included in the payments received on account, contract liabilities and contract liabilities from down payment invoices at the beginning of the period was recognized as sales revenue of € 397,367 K (previous year: € 312,246 K) in financial year 2019.

The group expects services amounting to € 247,309 K (previous year: € 397,367 K) that were allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period, to result in sales revenue in financial year 2020. The group has applied the practical expedient in IFRS 15.121 and thus has not presented these services separately.

The group expects € 4,072 K (previous year: € 1,890 K) in revenues from training, commissioning, extended warranty periods, tool packages and maintenance contracts to result in sales revenue between 2021 and 2023.

D.20

in € K	Note	Carrying amount as of 31 December 2019	Carrying amount as of 31 December 2018
Trade receivables from third parties	25	212,644	228,252
Receivables from at equity accounted companies	25	12,472	21,244
Receivables from other related companies	25	461,550	480,705
Receivables from other equity investments	25	33	47
Receivables from down payment invoices		9,060	33,260
Total		**695,759**	**763,508**
Payments received on account		214,551	342,575
Contract liabilities		27,770	23,422
Contract liabilities from down payment invoices		9,060	33,260
Total		**251,381**	**399,257**

7. OWN WORK CAPITALISED

Own work capitalised primarily results from the developed intangible assets for machine tools projects pursuant to IAS 38 "Intangible assets". Capitalised production costs include all costs that are directly and indirectly attributable to the development process and necessary parts of development-related overheads as well as borrowing costs.

8. OTHER OPERATING INCOME

D.21 | INCOME UNRELATED TO ACCOUNTING PERIOD in € K	2019	2018
Release of provisions	8,392	3,656
Profit on asset disposals	1,576	2,185
Receipt of payments for written off receivables	1,307	84
Other income unrelated to accounting period	3,189	3,385
	14,464	**9,310**
OTHER OPERATING INCOME		
Gains on currency and exchange rates	37,379	35,308
Refund of expenses and on-debiting	9,491	14,017
Reduction in impairment losses	3,006	2,754
Bonuses and allowances	509	511
Letting and leasing	476	468
Compensation for damages	460	1,023
Others	17,244	10,791
	68,565	**64,872**
Total	**83,029**	**74,182**

On balance, exchange rate and currency gains occurred in the financial year 2019 in the amount of € 3,833 K (previous year: € 3,539 K).

Income from rents and leases includes € 40 K in income from right-of-use subleases.

9. COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10. PERSONNEL COSTS

In financial year 2019, total executive remuneration from direct and indirect remuneration amounted to € 10,219 K (previous year: € 10,078 K). Direct remuneration of Executive Board members accounted for € 9,381 K (previous year: € 9,278 K), of which the fixed remuneration accounted for € 2,250 K (previous year: € 2,478 K) and STI accounted for € 2,758 K (previous year: € 3,349 K). Individual performance remuneration was € 1,875 K (previous year: € 2,063 K). The value of the LTI amounted to € 2,391 K (previous year: € 1,283 K). Benefits in kind accounted for € 107 K (previous year: € 105 K). In addition to direct remuneration, indirect remuneration was spent in the form of pension commitments amounting to € 838 K (previous year: € 800 K).

Former members of the Executive Board and their surviving dependants received € 1,287 K (previous year: € 1,271 K). Pension provisions for former members of the Executive Board and their surviving dependants have been formed in the amount of € 35,717 K (previous year € 31,655 K).

The remuneration system for the Executive Board and the Supervisory Board is explained on pages 29 et seq. of the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out on pages 29 et 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 2019, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 29,399 K (previous year: € 28,165 K). This includes employers' contributions to statutory pension insurance amounting to € 27,408 K (previous year: € 26,247 K).

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

D.22	Average number		At the balance sheet date	
	2019	2018	31 Dec 2019	31 Dec 2018
Wage earners	1,979	1,902	1,955	1,932
Salary earners	5,007	5,031	4,943	5,175
Trainees	349	362	347	396

11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

A distribution of depreciation and amortization of intangible and tangible assets is provided in the asset movement schedule on 92 et seq. The increase in depreciation and amortization from the previous year is mainly due to write-downs on right-of-use assets amounting to € 19,937 K related to the introduction of the new accounting standard, IFRS 16 "Leases". The following table shows a detailed breakdown:

D.23 | AMORTIZATION OF RIGHT-OF-USE ASSETS in € K	2019
Land and buildings	3,778
Technical equipment and machinery	3,647
Other equipment, factory and office equipment	12,512
Total	**19,937**

Depreciation and amortization include impairments of € 5,275 K (previous year: € 5,654 K) for tangible assets.

12. OTHER OPERATING EXPENSES

Expenses for corporate communication, trade fairs and other advertising expenses have risen compared to the previous year. This significant rise in financial year 2019 is due to expenses for the EMO in Hanover. This item also includes expenses for product marketing and our marketing activities. [→ D.24]

Exchange rate and currency losses in connection with exchange rate and currency gains can be seen in other operating income. On balance, exchange rate and currency gains occurred in an amount of € 3,833 K (previous year: € 3,539 K).

Sales commissions rose from the previous year and are related to sales, as well as to the nature, amount and region where these sales are generated.

The reduction in expenses for rental and leases is mainly due to the application of the new accounting standard, IFRS 16, and is attributable to the related capitalization of rights of use for leases. The remaining expenses include € 5,532 K in expenses for short-term leases, € 1,097 K in expenses for low-value asset leases, excluding short-term, low value asset leases, and € 654 K in expenses for variable lease payments.

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

D.24 | EXPENSES UNRELATED TO ACCOUNTING PERIOD in € K	2019	2018
Losses from the disposal of fixed assets	701	1,589
Other taxes	3,141	348
Other expenses unrelated to accounting period	3,485	2,242
	7,327	**4,179**
OTHER OPERATIONAL EXPENSES		
Freight out, packaging	57,412	58,191
Travelling and entairtainment expenses	41,741	40,348
Corporate communication, trade fairs and other advertising expenses	40,430	33,112
Other external services	34,538	35,451
Exchange rate and currency losses	33,546	31,769
Expenses for temporary employment and contractors	26,752	29,515
Sales commissions	18,133	17,933
Additions to provisions	14,485	12,969
Other personnel costs	14,412	15,298
Rental and leases	13,922	30,117
Cost of preparation of accounts, legal and consultancy fees	13,888	14,124
Stationery, post and telecommunication expenses	8,653	8,767
Insurance	6,939	6,091
Impairment on receivables	6,484	8,078
Other taxes	5,214	4,776
Licences and trademarks	2,802	2,596
Monetary transactions and capital procurement	1,261	2,121
Investor and Public Relations	837	992
Others	24,066	28,829
	365,515	**381,077**
Total	**372,842**	**385,256**

In the financial year 2019, € 899 K (previous year: € 1,091 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 29 seq. of the Remuneration Report.

13. FINANCIAL INCOME

Interest earned and other income of the DMG MORI group amounted to € 5,646 K (previous year: € 4,450 K). These also include interest income amounting to € 3,700 K (previous year: € 2,457 K) from the loan to DMG MORI GmbH.

14. FINANCIAL EXPENSES

Financial expenses of € 10,766 K (previous year: € 10,185 K) are related primarily to interest expenses and other financial expenses.

Interest expenses of € 9,538 K (previous year: € 8,969 K) are mainly related to interest expenses for financial liabilities and group factoring. Due to first-time application of IFRS 16, this also includes € 979 K (previous year: € 61 K) in interest from leases and € 637 K (previous year: € 577 K) in interest expenses calculated by DMG MORI GmbH in the financial year.

This also includes an interest component of € 506 K (previous year: € 456 K) from allocations to pension provisions.

As in the previous year, the expense amounting to € 633 K is disclosed under other financial expenses from the scheduled amortization of transaction costs for the new syndicated credit line of DMG MORI AKTIENGESELLSCHAFT in financial year 2016. In addition, € 84 K (previous year: € 91 K) from the interest accrued on other long-term provisions have been taken into account.

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

Profits from companies accounted for at equity amount to € 2,548 K (previous year: € 3,388 K). This mainly includes the income generated in financial year 2019 from the pro rata earnings in the year under review for Magnescale Co. Ltd., Kanagawa (Japan) amounting to € 1,771 K (previous year: € 2,950 K) and the pro rata income from the interest in DMG MORI Finance GmbH in an amount of € 962 K (previous year: € 532 K). The income is presented in the development of fixed assets under "other changes" of the depreciation.

16. INCOME TAXES

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

D.25 in € K	2019	2018
Current taxes	**69,554**	**71,665**
Tax expense for the current financial year	64,049	71,379
Tax income for previous periods	-322	-697
Tax expense for previous periods	5,827	983
Deferred taxes	**-4,830**	**-6,409**
Losses carried forward	1,864	-2,151
Temporary differences	-6,807	-4,321
Tax rate reduction	113	63
	64,724	**65,256**

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 € 32,295 K (previous year: € 43,467 K) resulting from the taxable entity of DMG MORI GmbH, Bielefeld. An amount of € 322 K (previous year: € 697 K) resulted from ongoing tax income for previous years. This additionally includes current tax expenses in the amount of € 5,827 K (previous year: € 983 K) relating to previous years.

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 2019, the domestic corporate income tax rate was 15.0 % plus 5.5 % solidarity surcharge. This results in an effective corporate income tax rate of 15.8 %. Taking account of 14.0 % trade tax (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 31 %.

The sale of companies resulted in a net increase in deferred tax assets of € 4 K. Income taxes on other comprehensive income amounted to € 1,787 K (previous year: € -1,589 K) and relate to changes in the market values of derivative financial instruments, the revaluation of defined benefit plans and exchange rate effects included in other comprehensive income.

The difference between current and expected income tax expenditure is due to the following. [→ D.26]

Consolidated Financial Statement

Notes

Explanatory Notes for Income Statement

Explanatory Notes for Balance Sheet

D.26 in € K	2019	2018
Earnings before taxes	219,166	214,786
DMG MORI AKTIENGESELLSCHAFT income tax rate in percent	29.8	29.8
Expected tax income / expenditure	65,311	64,006
Tax consequences of the following effects		
Adjustment due to different tax rate	-7,936	-5,436
Effects from the changes in tax rate	113	63
Tax reduction due to the revenues exempt from taxation	-1,277	-1,010
Tax loss carried forward	957	-457
Non-recognition of temporary differences / deferred taxes previous years	433	1,080
Tax increase due to non-deductible expenses	6,112	6,201
Tax income or expenditure for prior years	5,505	286
Tax credits	-5,067	0
Other adjustments	573	523
Income taxes	**64,724**	**65,256**

The reported income tax expense for the 2019 financial year of € 64,724 K (previous year: € 65,256 K) is € 587 K lower (previous year: € 1,250 K higher) than the expected income tax expense of € 65,311 K (previous year: € 64,006 K), which would theoretically result from applying the domestic tax rate of 29.8 % (previous year: 29.8 %) for the 2019 financial year 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 € 3,272 K (previous year: € 2,076 K) and adjustments made to deferred tax assets on losses carried forward from previous years in an amount of € 1,036 K (previous year: € 0 K). On the other side, deferred taxes previously not recognized on losses carried forward in the amount of € 3,351 K (previous year: € 2,533 K) could be capitalized or utilized.

17. ANNUAL PROFIT ATTRIBUTED TO NON-CONTROLLING INTERESTS

A pro rata annual profit of € 2,568 K (previous year: € 1,273 K) is attributed to non-controlling interests. The item primarily includes the pro rata earnings from non-controlling interests in GILDEMEISTER LSG Beteiligungs GmbH, Würzburg and DMG MORI Machine Tools Trading Co. Ltd., Shanghai (China).

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.27]

D.27	2019	2018
Group result excluding annual net income attributable to non-controlling interests	€ 151,874 K	€ 148,257 K
Average weighted number of shares (pieces)	78,817,994	78,817,994
Earnings per share	€ 1.93	€ 1.88

Earnings result exclusively from continued business. Group earnings after tax of € 154,442 K were reduced by the results of non-controlling interests in the amount of € 2,568 K. The earnings per share (undiluted) were € 1.93 in the reporting year (previous year: € 1.88). As in the previous year, there were no dilutive effects.

NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

19. INTANGIBLE ASSETS

Goodwill amounts to € 138,082 K (previous year: € 139,399 K).

The changes result from the conversion of goodwill denominated in foreign currency into the group's currency Euro and a proportionate reduction in goodwill in connection with the sale of key Energy Solutions business operations.

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 € 14,620 K (previous year: € 16,938 K). Research and development costs are immediately recognized as an expense and amounted to € 52,743 K in the financial year 2019 (previous year: € 53,425 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.

A write-up on the previous year's impairment in the amount of € 843 K was not required, as the recoverable amount was € 0.

The development and a breakdown of items in the group's intangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in the Group Management Report on page 56.

20. TANGIBLE ASSETS

The development and a breakdown of items in the group's tangible assets are illustrated in the consolidated fixed asset movement schedule. Investments are explained in the Group Management Report on page 56.

In the financial year, impairments amounting to € 5,275 K (previous year: € 4,811 K) were recognised in depreciation. There were no reversals of impairments recognised in the previous year.

An impairment was identified for a building with technical equipment and factory and office equipment, resulting from a change in the purpose of the building and vacancies. A review of the recoverable amount resulted in the recognition of an impairment loss of € 4,215 K (previous year: € 3,362 K), which was allocated to depreciation and recognized under the 'Industrial Services' segment. The recoverable amount at the impairment date was € 28,313 K (31 December 2018: € 33,397 K). The building was sold to a third party at this value in April 2019. The lease back of part of a building created a right-of-use asset in the amount of € 5,372 K. As the addition of this right-of-use asset is related to the disposal of the building, it was also entered in the disposal column in the consolidated fixed asset movement schedule and was offset against the disposals, "Right-of-use asset – land and buildings" (€ -4,611 K), resulting in a net value of € 761 K.

DMG MORI has identified an impairment of € 836 K for an electricity storage plant, as the plant should no longer be used. The amount was allocated to the item "Depreciation and amortization" and recognized in the "Corporate Services" segment. The plant's recoverable amount was € 0 K.

In the previous year, an impairment loss of € 1,449 K was included in depreciation and amortization and recognized in the "Industrial Services" segment.

The DMG MORI group leases certain tangible assets such as land and buildings, technical equipment and machinery, office equipment and cars. In accordance with the application of IFRS 16, the DMG MORI group recognizes right of use assets amounting to € 62,186 K under tangible assets as at 31 December 2019. Additions to right of use assets during financial year 2019 amounted to € 13,325 K. Similarly, lease liabilities of € 61,355 K were recognized as liabilities (see page 134 et seq.).

The following items were recognized for leases on the balance sheet:

D.28 | RIGHT OF USE ASSETS in € K	**31 Dec 2019**
Land and buildings	28,261
Technical equipment and machinery	11,659
Other equipment, factory and office equipment	22,266
Total	**62,186**

Under IAS 17, tangible assets in the previous year included leased assets to the value of € 592 K that had to be charged to the respective group company as the beneficial owner ("finance lease") due to the structuring of the underlying lease contracts. The carrying amounts of capitalized lease items are broken down as follows: € 271 K for technical equipment and machinery and € 321 K for other equipment, factory and office equipment.

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 recognise subsequent changes in the fair value of equity investments in other comprehensive income.

In financial year 2019, further partners joined the strategic alliance of ADAMOS GmbH. GILDEMEISTER Beteiligungen GmbH participated in a capital increase with a value of € 1.0 million. The interest held by GILDEMEISTER Beteiligungen GmbH continued to amount to 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.

In September 2019, GILDEMEISTER Beteiligungen GmbH acquired 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.

Moreover, the 40 % interest of GILDEMEISTER energy solutions GmbH in Sonnenstromalpha GmbH & Co. KG, Hamburg and the 5% interest of GILDEMEISTER Beteiligungen GmbH in STBO GmbH, Bielefeld are included. The interest in Pro-Micron GmbH & Co. KG Modular System was sold during the financial year. The fair value at the date of sale was € 81 K. This resulted in a disposal loss of € 41 K, which was recorded in other comprehensive income.

The DMG MORI group does not exercise any significant influence over these companies.

As of 31 December 2019, the fair value of the investments amounted to € 25,595 K (previous year: € 2,403 K).

As in the previous year, no impairment on equity investments was recorded in the reporting year.

An overview of all DMG MORI group companies and information on registered offices, equity and equity interests in financial year 2019 are shown on pages 151 et seq

22. EQUITY-ACCOUNTED INVESTMENTS

The following overview shows aggregated key financial figures for companies accounted for at equity included in the Consolidated Financial Statements. The figures refer to equity interests, carrying amounts and notes on the balance sheet as well as to sales revenues, other income and expenses:

D.29	31 Dec 2019		31 Dec 2018	
	Equity interest %	Carrying amount € K	Equity interest %	Carrying amount € K
Total at reporting date		**84,202**		**58,851**
of which Joint Ventures				
DMG MORI HEITEC GmbH	50.0	676	50.0	503
of which Associates				
DMG MORI Finance GmbH	42.6	11,612	42.6	10,650
Magnescale Co. Ltd.	44.1	42,506	44.1	39,790
INTECH DMLS PRIVATE LIMITED	30.0	7,498	30.0	7,908
Pragati Automation Pvt. Ltd.	30.0	20,784		
DMG MORI Digital GmbH	40.0	26		
Vershina Operation, LLC.	33.3	1,100		

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. GILDEMEISTER Beteiligungen GmbH holds a 50% interest in the company. The carrying amount at the reporting date amounts to € 676 K (previous year: € 503 K). DMG MORI HEITEC GmbH, Erlangen was classified as a jointly controlled entity and has been consolidated at equity since the date of acquisition.

The equity interests of the at equity accounted companies correspond to the voting rights. Details of the results from at equity accounted companies are presented in the explanatory notes to the individual items on the income statement under "Share of profits and losses of at equity accounted investments" on page 119. We consider Magnescale Co. Ltd. and DMG MORI Finance GmbH to be essential.

We consider the 44.1% interest held in Magnescale Co. Ltd., Kanagawa (Japan), a subsidiary of DMG MORI COMPANY LIMITED, Nara (Japan), and a manufacturer of high-precision technologies for position measurement, with its fully owned subsidiaries Magnescale Europe GmbH, Wernau, and Magnescale Americas, Inc., Davis (USA), as being a significant interest. Impairment tests were conducted based on the future cash flows, which were derived from company planning. This plan was based on a marginal increase in sales revenues and EBIT margins. The cash flow calculated was discounted using a WACC rate of 8.66%. In financial year 2019, the company's annual results amounted to € 4,014 K.

The most significant items to the balance sheet and the income statement have been combined for all three companies and presented in the following table. [→ D.30]

Besides annual net profit, a currency effect of € 2,141 K (previous year: € 4,206 K) was recognized on a pro rata basis in other comprehensive income. This results in total earnings of € 6,155 K (pro rata € 2,716 K) (previous year: € 10,891 K, pro rata € 4,805 K).

D.30 | MAGNESCALE CO. LTD. in € K	31 Dec 2019	31 Dec 2018
Short-term assets	44,883	46,228
Long-term assets	51,214	51,784
Short-term liabilities	9,734	14,970
Long-term liabilitites	6,715	9,549
Net carrying amount	**79,648**	**73,493**
Sales revenues	96,030	100,004
Net income for the year	4,014	6,685

The values of DMG MORI Finance GmbH are also summarized in the following table.

D.31 | DMG MORI FINANCE GMBH in € K	31 Dec 2019	31 Dec 2018
Short-term assets	201,812	222,705
Long-term assets	357,289	301,106
Short-term liabilities	200,198	175,047
Long-term liabilities	331,612	323,734
Net carrying amount	**27,291**	**25,030**
Sales revenues	168,991	137,031
Net income for the year	2,261	1,251

The reconciliation of the carrying amounts at the reporting date is as follows:

D.32 | MAGNESCALE CO. LTD. in € K	31 Dec 2019	31 Dec 2018
Net carrying amount at 1 January	73,493	62,602
Results after taxes	4,014	6,685
Other comprehensive income	2,141	4,206
Net carrying amount at 31 December	79,648	73,493
Proportional equity	35,141	32,425
Consolidation / other	7,365	7,365
Carrying amount at equity accounted interests	**42,506**	**39,790**

D.33 | DMG MORI FINANCE GMBH in € K	31 Dec 2019	31 Dec 2018
Net carrying amount at 1 January	25,030	23,779
Results after taxes	2,261	1,251
Net carrying amount at 31 December	27,291	25,030
Proportional equity	11,612	10,650
Carrying amount at equity accounted interests	**11,612**	**10,650**

23. LONG-TERM RECEIVABLES AND OTHER ASSETS

D.34 in € K	31 Dec 2019	31 Dec 2018
Trade debtors	7	1,263
Other long-term financial assets	9,627	11,963
Other long-term assets	3,747	2,757
	13,381	**15,983**

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 2019	31 Dec 2018
Security deposits and other security payments	653	1,826
Other assets	8,974	10,137
	9,627	**11,963**

Other financial assets include the fair value of an option for purchasing shares in a company amounting to € 2,911 K (previous year: € 3,233 K). During the financial year, a write-down was made in an amount of € 322 K (previous year: addition of € 33 K) and recognized in other comprehensive income.

Other long-term assets include the following items:

D.36 in € K	31 Dec 2019	31 Dec 2018
Tax refund claims	1,475	1,462
Other assets	2,272	1,295
	3,747	**2,757**

The tax refund claims do not contain receivables for income taxes.

24. INVENTORIES

Inventories are made up as follows:

D.37 in € K	31 Dec 2019	31 Dec 2018
Raw materials and consumables	275,831	282,909
Work in progress	138,453	164,107
Finished goods and goods for resale	197,526	167,357
Payments on account	0	11,008
	611,810	**625,381**

Finished goods and goods for resale include machines in an amount of € 62,639 K (previous year: € 54,528 K) acquired from DMG MORI COMPANY LIMITED for trading purposes. Of inventories shown in the balance sheet on 31 December 2019, € 157,584 K (previous year: € 109,038 K) were recognized at their net realisable value. In the financial year, impairment of inventories in an amount of € 31,992 K (previous year: € 23,430 K) were recognized as cost of materials.

In the financial year, revaluations amounting to € 2,584 K (previous year: € 3,423 K) arose primarily resulting from the increase in net realisable values; they also were recognized as cost of materials.

25. SHORT-TERM RECEIVABLES

Trade receivables from other related companies include receivables from DMG MORI COMPANY LIMITED amounting to € 79,154 K (previous year: € 91,314 K). In addition, as in the previous year, other receivables from other related companies include receivables from DMG MORI GmbH from the issue of a loan amounting to € 370,000 K and from accrued interest in an amount of € 617 K (previous year: € 370,644 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 programmes. As in the previous

D.38 in € K	31 Dec 2019	31 Dec 2018
Trade receivables		
from third parties	212,637	226,989
from at equity accounted companies	12,472	21,244
from other related companies	90,978	110,070
from other equity investments	33	47
Total trade debtors	**316,120**	**358,350**
Other receivables from other related companies	370,572	370,635
Total	**686,692**	**728,985**

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 € 67,750 K (previous year: € 65,999 K) and foreign receivables with a value of € 52,250 K (previous year: € 50,140 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 € 316,360 K (previous year: € 358,552 K), for which no specific allowance has been made, are broken down as follows: [→ D.39]

D.39 in € K	31 Dec 2019	31 Dec 2018
Germany	74,013	94,629
Europe	146,272	139,020
Asia	24,822	33,823
America	0	251
DMG MORI CO. Group	91,527	110,676
Total	**336,634**	**378,399**

The allowances of trade debtors have developed as follows:

D.40 in € K	2019	2018
Allowances as of 1 January	**18,786**	**15,746**
Write-offs	-1,688	-2,285
Net remeasurement in financial year	3,478	5,325
Allowances as of 31 December	**20,576**	**18,786**

A separate statement of impairments 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.

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 2019, there were derecognized trade receivables with a contract value of € 515 K (previous year: € 3,759 K), but which are currently pending an enforcement measure.

Expenses relating to allowances and write-off 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 in € K	31 Dec 2019	31 Dec 2018
Other short-term financial assets	46,740	60,241
Other short-term assets	69,125	81,272
	115,865	**141,513**

Other short-term financial assets include the following items:

D.42 in € K	31 Dec 2019	31 Dec 2018
Discounted customers' bills	14,407	25,760
Security deposits and other security payments	7,044	6,613
Receivables from factoring	5,901	7,305
Creditors with debit balance	4,147	6,899
Fair market value of derivative financial instruments	2,551	1,964
Purchase price receivables from asset disposal	2,185	0
Receivables from employees and former employees	648	754
Loans to third parties	52	11
Other short-term financial assets	9,805	10,935
	46,740	**60,241**

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 2019	31 Dec 2018
Tax refund claims	28,121	28,109
Prepayments	19,450	32,982
Other assets	21,554	20,181
	69,125	**81,272**

Tax refund claims primarily include receivables from value added tax.

27. CASH AND CASH EQUIVALENTS

At the reporting date, bank credit balances amounted to € 154,005 K (previous year: € 152,681 K). Information on the calculation and recognition of impairments can be found under note 38.

The development of cash and cash equivalents constituting the financial fund pursuant to IAS 7 "Cash Flow Statement" is illustrated in the Consolidated Cash Flow Statement on page 87.

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 realised.

As at 31 December 2019, deferred tax assets on losses carried forward amounted to € 3,289 K (previous year: € 5,153 K) and were allocated as follows: as in the previous year, for the German tax group there were no German corporate tax and trade tax loss carry forwards as well as

D.44	31 Dec 2019		31 Dec 2018	
in € K	Assets	Liabilities	Assets	Liabilities
Intangible assets	14,860	7,767	17,897	7,921
Tangible assets	9,786	4,089	10,449	4,326
Financial assets	109	0	296	0
Inventories	15,783	1,647	12,622	2,030
Receivables and other assets	17,359	2,225	10,991	2,391
Provisions	16,827	8,273	12,337	7,004
Liabilities	9,202	3,783	9,004	1,976
Tax loss carried forward	3,289	-	5,153	-
	87,215	**27,784**	**78,749**	**25,648**
Balancing	-24,660	-24,660	-23,143	-23,143
Total	**62,555**	**3,124**	**55,606**	**2,505**

D.45	2019	2018
in € K	Deferred tax expense / -income	Deferred tax expense / -income
Intangible assets	2,929	517
Tangible assets	463	-1,179
Financial assets	188	-254
Inventories	-3,453	-1,407
Receivables and other assets	-7,091	-4,016
Provisions	-1,406	1,485
Liabilities	1,676	596
Tax loss carried forward	1,864	-2,151
Total	**-4,830**	**-6,409**

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 € 3,289 K (previous year: € 4,117 K). In the reporting year, deferred tax assets on losses carried forward amounting to € 604 K (previous year: € 3,000 K) were re-capitalized, € 1,432 K (previous year: € 849 K) was offset with current taxable income and € 1,036 K was written off due to the entry of a domestic company into the German tax group. The tax losses carried forward amount to a total of € 86,035 K (previous year: € 102,501 K), of which € 71,370 K (previous year: € 80,940 K) were not recognized. Out of the unrecognized tax losses brought forward, € 27,211 K (previous year: € 24,639 K) are available for utilization for an indefinite period, while € 40,039 K (previous year: € 43,463 K) must be used within the next five years. Moreover, the rest of the tax loss carry forwards not recognized in an amount of € 4,120 K (previous year: € 12,838 K) expire within 6 to 10 years.

With regard to subsidiaries which had tax losses in the current year or in the previous year, deferred tax asset amounting to € 35 K (previous year: € 1,419 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 there will be sufficient positive taxable income available to realise the tax assets.

For passive temporary differences associated with interest in subsidiaries in the amount of € 19,163 K (previous year: € 18,506 K), no deferred taxes have been recognized because the requirements of IAS 12.39 are met.

The deferred tax assets recognized directly in equity rose by € 1,787 K to € 10,838 K as of the reporting date (previous year: € 9,051 K). These break down into deferred tax assets amounting to € 10,802 K (previous year: € 9,043 K) on actuarial gains and losses recognised in equity, as well as € 36 K relating to the valuation of financial instruments in equity (previous year: € 8 K).

29. EQUITY

The movement of individual components in group equity for financial years 2019 and 2018 is presented in the Consolidated Statement of Changes in Equity on page 90 et seq. Business transactions are presented under "Transactions with owners" in which the owners have acted in their capacity as owners.

Subscribed capital

The share capital of DMG MORI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 and is fully paid up. It is divided into 78,817,994 no-par value shares with a theoretical par value of € 2.60 per share. Each share carries the right to one vote.

The following statements have essentially been taken from the articles of association of DMG MORI AKTIENGESELLSCHAFT (version May 2019).

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 be taken over by one or more banks or companies, as defined by Section 186 para. 5 (1) of the German Stock Corporation Act (AktG), designated by the Executive Board, with the obligation to offer them to the shareholders (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 of up to € 5,000,000 for the issue of shares to company employees and to employess of the companies affiliated with the company as per Section 15 AktG (German Stock Corporation Act),

b) capital increases for contribution in kind, to acquire, in suitable cases, companies, parts of companies or interests in companies, or other assets in return for shares,

c) capital increases for cash contributions, if the issuing price of the new shares is not significantly lower, in accordance with Section 203, para.1 and 2, and Section 186 para. 3 (4) of the German Stock Corporation Act, than the stock market price on the final effective date of the issuing price determined by the Executive Board and if the total pro rata amount of the share capital attributable to the new shares, for which the shareholders' subscription rights are excluded, neither on the effective date nor on the date of exercise of this authorization exceeds 10 percent 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 para. 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 the 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 of the authorisation taking effect or at the time of its utilization. Included in this 20 % 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 this after this date.

Capital reserve

As of 31 December 2019, the capital reserves were unchanged at € 498,485,269. The group's capital reserve includes the premiums for the issue of shares of DMG MORI AKTIENGESELLSCHAFT in the previous years.

The transaction costs directly attributable for capital procurement, reduced by the related income tax benefits, have each been deducted from the capital reserve.

RETAINED EARNINGS AND OTHER RESERVES

Statutory provision

The disclosure does not affect the statutory reserve of DMG MORI AKTIENGESELLSCHAFT in an amount of € 680,530.

Retained earnings

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 liabilities-side differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS-rules. Additionally, this item contains the changes from the revaluation of defined benefit plans.

Other reserves

The other reserves contain the differences arising from foreign currency translation recognized directly in equity of international subsidiaries and the post-tax effects from the valuation of financial instruments recognised directly in equity. Deferred taxes recognised directly in equity in connection with the valuation of financial instruments recognized directly in equity amount to € 36 K as of 31 December 2019 (previous year: € 8 K).

A detailed overview on the composition of, or changes in, other reserves in the financial year 2019 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 2019 financial year of DMG MORI AKTIENGESELLSCHAFT closes with a result pre-profit transfer of € 95,741,985 (previous year: € 99,325,615). The entire profit will be transferred to DMG MORI GmbH. According to IFRS regulations, this is a transaction with equity providers.

As at 31 December 2019, 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 at 31 December 2019, amount to € 14,335 K (previous year: € 4,453 K). The change from the previous year is mainly due to the net profit from non-controlling interests and transfer of the 49 % interest in DMG MORI Machine Tools Trading Co. Ltd, Shanghai (China), to DMG MORI COMPANY LIMITED in June 2019.

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 2019, 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. The covenant was met as of 31 December 2019.

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 2019	31 Dec 2018
Cash and cash equivalents	154,005	152,681
Financial debt	0	0
Surplus fund	154,005	152,681
Total Equity	1,281,449	1,197,688
Equity ratio	51.9 %	49.1 %
Gearing	–	–

Total equity has increased in absolute terms by € 83,761 K. The equity ratio as of 31. December 2019 rose to 51.9 % (previous year: 49.1 %)

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. Expenses for this amounted to € 1,991 K in financial year 2019 (previous year: € 1,918 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 in %	Germany 2019	Rest of the world 2019	Germany 2018	Rest of the world 2018
Discount interest rate	0.68	0.27	1.51	0.78
Salary trend	0.00	2.60	0.00	2.90
Pension trend	2.00	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 increase of 2.60 % 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 € 945 K (previous year: Income € 1,472 K).

Payments from insurance companies are accounted for as benefits received and the benefits actually granted are disclosed as benefits paid.

Pension provisions for former members of the Executive Board and their surviving dependants have been formed in the amount of € 35,717 K (previous year: € 31,655 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]

Payments to beneficiaries from pension plans not financed by funds in 2020 are expected in an amount of € 2,341 K (previous year for 2019: € 2,361 K), while payments to funded pension plans in the financial year 2020 are estimated to amount to about € 345 K (previous year for 2019: € 521 K).

The average weighted duration of pension obligations in Germany is around thirteen years and in Switzerland between twenty-one and twenty-three 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.

D.48		31 Dec 2019		31 Dec 2018	
in € K		Germany	Rest of the world	Germany	Rest of the world
	Cash value of pension commitments not financed by funds	33,909	1,523	32,167	1,243
+	Cash value of funded pension commitments	19,998	14,599	18,267	15,090
–	Current value of pension plan assets	-16,248	-10,773	-16,305	-12,634
=	**Net value of amounts shown in the balance sheet on the reporting date**	**37,659**	**5,349**	**34,129**	**3,699**
	of which pensions	43,008		37,828	
	of which assets (–)	0		0	

D.49	2019		2018	
	in € K	in %	in € K	in %
Stock exchange listed				
Cash and cash equivalents	97	0.36	0	0.00
Shares	2,706	10.02	0	0.00
Obligations	4,352	16.11	0	0.00
Property	2,776	10.27	0	0.00
Other	842	3.11	0	0.00
Not stock exchange listed				
Qualifying insurance poilicies (Life insurance)	16,248	60.13	16,305	56.34
Other	0	0.00	12,634	43.66
Total plan assets	**27,021**	**100.00**	**28,939**	**100.00**

D.50

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.51

in € K	Defined benefit obligation 2018 Germany	Defined benefit obligation 2018 Rest of the world	Fair value of plan assets 2018 Germany	Fair value of plan assets 2018 Rest of the world	Net debt (net asset) from defined benefit plans 2018 Germany	Net debt (net asset) from defined benefit plans 2018 Rest of the world
As at 1 January	**54,941**	**18,249**	**-16,370**	**-12,240**	**38,571**	**6,009**
Included in profit and loss						
Current service cost	0	1,092	0	0	0	1,092
Past service cost	547	0	0	0	547	0
Interest expense (income)	632	111	-191	-78	441	33
Exchange rate changes	0	653	0	-472	0	181
	1,179	**1,856**	**-191**	**-550**	**988**	**1,306**
Included in other comprehensive income Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	-1,996	-899	0	0	-1,996	-899
– experience adjustments	-1,288	-1,035	0	0	-1,288	-1,035
– demographic adjustments	663	-198	0	0	663	-198
Effects on plan assets excluding interest income	0	0	-316	-887	-316	-887
	-2,621	**-2,132**	**-316**	**-887**	**-2,937**	**-3,019**
Other						
Contributions paid by the employer	0	0	-2,341	-1,195	-2,341	-1,195
Pension payments made	-3,065	-1,640	2,913	2,238	-152	598
	-3,065	**-1,640**	**572**	**1,043**	**-2,493**	**-597**
As at 31 December	**50,434**	**16,333**	**-16,305**	**-12,634**	**34,129**	**3,699**

D.52 in € K	2019	2018	2017	2016	2015
Cash value of all pension commitments	70,029	66,767	73,190	85,104	75,412
Current value of the pension plan assets of all funds	-27,021	-28,939	-28,610	-36,232	-34,626
Funding status	43,008	37,828	44,580	48,872	40,786

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]

D.53	Effects on the entitlements at 31 Dec 2019	
	in € K	in %
Cash value of the entitlement obligations	**70,029**	
In the case of:		
reduction of the discount rate by 0.25 %-points	72,387	3.37
increase of the discount rate by 0.25 %-points	67,770	-3.23
reduction of the pension trend by 0.25 %-points	68,425	-2.29
increase of the pension trend by 0.25 %-points	71,643	2.31
reduction of the life expectancy by 1 year	66,821	-4.58
increase of the life expectancy by 1 year	73,256	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 € 46,981 K (previous year: € 49,369 K), part-time retirement payments of € 5,914 K (previous year: € 4,592 K), holiday pay of € 17,407 K (previous year: € 16,911 K) and anniversary payments of € 12,734 K (previous year: € 10,893 K). Most of the provision 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 2019, liquid assets of € 2,760 K (previous year: € 3,113 K) were transferred to the trust property.

Risks arising from warranties and retrofitting relate to present obligations to third parties, the use of which is probable and the anticipated amount of which can be reliably estimated. The measurement of provisions was carried out on the basis of previous experience, taking into account the conditions and taking into account possible price increases on the balance sheet date. The obligations from the sales area are included in the liabilities for commissions, contractual penalties and other liabilities. Most of the provision should be paid in the coming year.

The other provisions primarily include risks from legal disputes, obligations for commissioning to be carried out and other various services, for which uncertainties exist regarding dates and required future expenses and whose expected amounts can be reliably estimated. The risk of further

D.54	31 Dec 2019		31 Dec 2018	
in € K	Total	of which short-term	Total	of which short-term
Obligations arising from personnel	112,211	85,908	112,599	83,233
Risks arising from warranties and retrofitting	58,033	47,863	52,097	43,406
Obligations arising from sales	55,762	54,906	40,826	39,626
Legal and consultancy fees and costs of preparation of accounts	4,216	4,216	4,785	4,785
Other	52,575	38,515	57,118	38,195
Total	**282,797**	**231,408**	**267,425**	**209,245**

D.55

in € K	1 Jan 2019	Additions	Used	Reversal	Change in the group of consolidated companies	Other changes	31 Dec 2019
Obligations arising from personnel	112,599	69,291	59,741	10,063	-56	181	112,211
Risks arising from warranties and retrofitting	52,097	35,692	26,113	3,975	0	332	58,033
Obligations arising from sales	40,826	33,089	12,462	6,175	0	484	55,762
Legal and consultancy fees and costs of preparation of accounts	4,785	3,135	2,636	1,054	-6	-8	4,216
Other	57,118	34,612	22,534	16,194	0	-427	52,575
Total	**267,425**	**175,819**	**123,486**	**37,461**	**-62**	**562**	**282,797**

outflows beyond these provisions is considered unlikely as of 31 December 2019. For the short-term provisions, it can be assumed that a significant part of the obligations will be fulfilled in financial year 2020.

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 € 3,352 K (previous year: € 4,855 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter of the Group Management Report on page 29.

32. FINANCIAL DEBTS

As of 31 December 2019, 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 domestic subsidiaries, are covered by operating cash flow and short and long-term loans. Approved credit lines amount to € 850.7 million (previous year: € 802.4 million). This mainly comprises a syndicated credit line amounting to € 500.0 million (previous year: € 500.0 million), guarantee credit lines amounting to € 177.3 million (previous year: € 129.0 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 € 5.9 million, as in the previous year.

As in the previous year, short-term financing commitments were not utilized as of the reporting date. The average cost of borrowing amounts to 1.0 % as in the previous year.

Since 31 December 2019, the DMG MORI group has had access to a syndicated credit line with a total volume of € 500.0 million and due in February 2022. It comprises a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures. The syndicated credit line also requires the DMG MORI group to comply with a customary covenant, which provides a defined financial ratio. The covenant had been complied with on a quarterly basis and as of 31 December 2019. 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 2019.

For the financing of the syndicated credit line, the lending banks have completely waived the right to collateral. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG MORI Spare Parts GmbH, SAUER GmbH, GILDEMEISTER Partecipazioni S.r.l., FAMOT Pleszew Sp. z o.o., Graziano Tortona S.r.l. sowie GILDEMEISTER Italiana S.p.A. continue to be guarantors for the credit line.

As at the balance sheet date, open credit lines amounted to € 473.9 million (previous year: € 415.1 million). As in the previous year, these comprise free cash lines of € 205.9 million and additional open lines of credit (bank guarantees, factoring) of € 268.0 million (previous year: € 209.1 million).

33. TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term liabilities are shown as follows:

D.56 in € K	31 Dec 2019	31 Dec 2018
Other long-term financial liabilities	157	8,205
Other long-term liabilities	2,444	2,649
	2,601	**10,854**

Other long-term financial liabilities include the following items:

D.57 in € K	31 Dec 2019	31 Dec 2018
Fair value of derivative financial instruments	0	7
Other long-term financial liabilities	157	8,198
	157	**8,205**

In the previous year, other long-term financial liabilities included € 7,995 K in out-standing consideration payments for the purchase of shares in REALIZER GmbH.

In other long-term financial liabilities, the fair value of long-term liabilities corresponds to the values shown on the balance sheet.

D.58 in € K	31 Dec 2019	31 Dec 2018
Deferred income	2,233	2,400
Liabilities relating to social insurance	211	249
	2,444	**2,649**

The deferred income accounted for in other long-term liabilities include the guaranteed investment grants from the funds of the joint aid programme "Improvement of the Regional Economic Structure" and investment subsidies and grants pursuant to the German Investment Subsidy Act in a total amount of € 2,233 K (previous year: € 2,400 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 2019. 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 2019	31 Dec 2018
Trade creditors to third parties	207,368	195,393
Liabilities to at equity accounted companies	7,401	2,266
Liabilities to other related companies	234,038	236,613
Liabilities to other equity investments	800	0
Other short-term financial liabilities	28,064	31,124
	477,671	**465,396**

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 € 86,925 K (previous year: € 78,317 K). A liability amounting to € 95,742 K (previous year: € 99,326 K) results from the transfer of profit to DMG MORI GmbH.

All information and notes on contract liabilities 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 2019	31 Dec 2018
Debtors with credit balance	8,951	8,882
Factoring liabilities	7,737	5,137
Fair market values of derivative financial instruments	1,224	2,223
Other short-term financial liabilities	10,152	14,882
	28,064	**31,124**

The fair value of derivative financial instruments involves the fair value for forward exchange transactions amounting to € 1,224 K (previous year: € 2,223 K) in particular in USD, GBP and JPY. Other financial liabilities include liabilities from bills of exchange amounting to € 6,103 K (previous year: € 11,880 K).

In the previous year, liabilities arising from finance leases amounted to € 616 K and presented the discounted value of future payments from finance leases. The amount is shown in the other short-term financial liabilities.

Short-term liabilities arising from finance leases were recognized without consideration of future interest expenses.

In the previous year, all future payments arising from finance leases totaled € 830 K.

Under IAS 17, the minimum lease payments for the respective lease contracts were as follows:

D.61 in € K	31 Dec 2018
TOTAL FUTURE MINIMUM LEASE PAYMENTS UNDER IAS 17	
Due within one year	690
Due within one and five years	140
Due in more than five years	0
	830
INTEREST PORTION INCLUDED IN FUTURE MINIMUM LEASE PAYMENTS	
Due within one year	74
Due within one and five years	2
Due in more than five years	0
	76
NET PRESENT VALUE OF FUTURE MINIMUM LEASE PAYMENTS	
Due within one year	616
Due within one and five years	138
Due in more than five years	0
	754

In the previous year, the DMG MORI group acted as a lessor for finance lease contracts under IAS 17. The minimum lease payments for 2019 from subleases amounted to € 175 K. These contracts are mainly related to the leasing of machine tools.

Other short-term liabilities include the following items:

D.62 in € K	31 Dec 2019	31 Dec 2018
Tax liabilities	27,001	25,869
Deferred income	6,120	5,255
Liabilitites relating to social insurance	5,760	5,473
Payroll account liabilities	3,453	3,338
Other liabilities	3,517	1,761
	45,851	**41,696**

Tax liabilities refer to liabilities arising primarily due from value added tax amounting to € 10,766 K (previous year: € 10,112 K) as well as liabilities arising from wage and church tax in the amount of € 9,835 K (previous year: € 10,125 K).

35. LEASING

Leases acting as a lessee

The DMG MORI group leases specific tangible assets such as land and buildings, technical equipment and machinery, office equipment and cars.

As of 31 December 2019, the DMG MORI group recognizes right-of-use assets in an amount of € 62,186 K in property, plant and equipment. The corresponding lease liabilities of € 61,355 K are presented 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 € 3,527 K.

The application of IFRS 16 resulted in lower other operating expenses and a rise in depreciation in financial year 2019. There was also a rise in EBITDA and a slight improvement in EBIT.

Further information on lessee accounting can be found in the corresponding notes on individual items in the income statement and on the balance sheet.

Leases acting as a lessor

Finance leases

In financial year 2019, the DMG MORI group acted as a lessor for finance lease contracts, especially in buildings.

There was no capital gain from these leases in financial year 2019.

In 2019, the DMG MORI group recognized € 175 K in payments from subleases for finance leases and € 10 K in interest income on lease receivables.

The following table presents a maturity analysis of the lease receivables and shows the undiscounted lease payments to be received after the balance sheet date.

D.63 | FINANCE LEASES UNDER IFRS 16

in € K	31 Dec 2019
Less than one year	413
One to two years	227
Two to three years	227
Three to four years	227
Four to five years	227
More than five years	4,836
Total	**6,157**

Operating leases

In financial year 2019, the DMG MORI group acted as a lessor for operating lease contracts.

These contracts mainly relate to the leasing of machine tools. The DMG MORI group has classified these leases as operating leases, as they do not substantially transfer all the risks and rewards incidental to ownership.

In 2019, the DMG MORI group recognized € 2,739 K in lease income from operating leases including income from subleases. Lease income, which accrued in the course of the ordinary business activities of the DMG MORI group, was recognized in sales revenue. Other lease income was recognized in other operating income.

The following table provides a maturity analysis of the undiscounted lease payments to be received after the balance sheet date:

D.64 | OPERATING LEASES UNDER IFRS 16

in € K	31 Dec 2019
Less than one year	2,277
One to two years	1,407
Two to three years	917
Three to four years	533
Four to five years	306
More than five years	127
Total	**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.65 | CONTINGENCIES

in € K	31 Dec 2019	31 Dec 2018
Guarantees	1,563	50
Warranties	1,475	2,610
Other contingencies	4,250	3,382
	7,288	**6,042**

The guarantees primarily include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, guarantees for framework agreements and contract performance guarantees.

During financial year 2019, the DMG MORI group concluded agreements on the purchase of property, plant and equipment in 2020 worth € 10.7 million (previous year for 2019: € 33.7 million).

Under IAS 17, other financial obligations mainly comprised lease contracts and long-term tenancy agreements. In operating lease contracts, the beneficial owner of the lease items was the lessor, which means the risks and rewards were substantially borne by the lessor.

The total minimum lease payments from permanent subleases and leases were broken down by due dates as shown below. The contracts had terms from between two to thirty three years and some included extension or purchase options.

D.66 | TOTAL FACE VALUE OF FUTURE MINIMUM LEASE PAYMENTS UNDER IAS 17

in € K	31 Dec 2018
Due within one year	23,804
Due within one and five years	33,648
Due in more than five years	10,210
	67,662

Of which operating lease arrangements account for:

D.67 | TOTAL FACE VALUE OF FUTURE MINIMUM LEASE PAYMENTS UNDER IAS 17

in € K	31 Dec 2018
Due within one year	23,114
Due within one and five years	33,508
Due in more than five years	10,210
	66,832

Operating leases under IAS 17 existed for the financing of buildings for DECKEL MAHO Pfronten GmbH and FAMOT Pleszew Sp. z o.o., Pleszew (Poland). The operating lease contracts for the buildings included a purchase option upon expiry of the basic rental period.

Other operating lease contracts existed at various group companies, especially for vehicle fleets (€ 23.5 million), machinery, other facilities and factory and office equipment. Some of the agreements contained purchase options upon expiry of the basic rental period. The operating leases had a minimum term of between two and fifteen years. There were no permanent subleases to be included in the sum of future minimum lease payments. There were no contingent rental payments to be recognized in the income statement.

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.68]

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 and short-term financial liabilities.

Since 1 January 2018, DMG MORI has been applying IFRS 9 to hedge accounting. In general, all hedging relationships in hedge accounting under IAS 39 can be continued under IFRS 9.

The DMG MORI group uses the “spot-to-spot” method. The effects from forward components are 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 fulfil their obligations arising from forward exchange contracts, as at the reporting date, the DMG MORI group had a deficit risk amounting to € 2,551 K (previous year: € 1,964 K).

As of the balance sheet date, existing forward exchange contracts in cash flow hedges with a nominal volume of € 4,109 K have a residual term of up to one year (previous year: € 27,123 K). The cash flows from these forward exchange transactions 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. In the previous year, forward exchange transactions with a nominal volume of € 545 K had a remaining term of more than one year on the balance sheet date.

In financial year 2019, expenses arising from the fair value recognition of financial instruments attributable to cash flow hedges in an amount of € -49 K (previous year: € -377 K) were allocated to equity and not recognized in the income statement and an amount of € -46 K (previous year: € 585 K) was removed from equity and recognized in revenue (previous year: expenses). Forward exchange transactions were recognized in the income statement as exchange rate and currency profits or exchange rate and currency losses. During the financial year, no ineffectiveness rose frome forward exchange transactions (previous year: € 0 K). To

D.68

in € K	31 Dec 2019 Nominal value	31 Dec 2019 Asset	31 Dec 2019 Debt	31 Dec 2019 Fair market value Total	31 Dec 2018 Nominal value	31 Dec 2018 Fair market value
Forward exchange contracts as cash flow hedges	4,109	0	135	-135	27,668	-80
Forward exchange contracts held for trading purposes	227,082	2,551	1,089	1,462	215,134	-186
	231,191	**2,551**	**1,224**	**1,327**	**242,802**	**-266**

measure ineffectiveness, underlying transactions amounting to € 461 K (previous year: € 231 K) and related hedging transactions amounting to € 461 K were used (previous year: € 231 K).

D.69 in € K	2019	2018
As of 1 January 2019 (before tax)	**-27**	**-235**
Change in value of forward exchange contracts recognised in other comprehensive income	-49	-377
Amount reclassified from hedging reserve to profit or loss (recycling)	-46	585
As of 31 December 2019 (before tax)	**-122**	**-27**

The group concluded derivative transactions pursuant to global netting agreements (framework agreement) of the "International Swaps and Derivative Association" (ISDA) and other corresponding national framework agreements. In these netting agreements, the right to settle net is contingent upon future events, such as default or bankruptcy of the group or its rivals. The netting agreements thus do not fulfil the offsetting criteria of IAS 32.

The following table provides an overview of financial assets and financial liabilities, which are subject to netting agreements or similar agreements. [→ D.70 | D.71]

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 centralises these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. Risk management is based on guidelines that apply throughout the group and in which objectives, principles, responsibilities and competencies are defined. Further information on the risk management system is presented in detail in the Management Report on pages 72 et seq. in the risk and opportunity report.

Currency risks

In its global business activities, the DMG MORI group is exposed to 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 hedged item based on the currency, amount and timing of their respective cash flows. The hypothetical derivative method is used

D.70 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

D.71 in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2018	Potential offsetting assets subject to global netting agreements 31 Dec 2018	Net amount 31 Dec 2018
Financial assets			
Forward exchange contracts	1,964	1,711	253
Financial liabilities			
Forward exchange contracts	2,230	1,711	519

to assess whether the derivative designated in the hedging relationship is expected to be effective or has been effective with regard to changes in the hedged item's cash flows.

The main causes of ineffectiveness in these hedges are defaults on receivables, changes in the timing of hedged items or changes in hedged cash flows.

In the financial year, the following average hedging rates for our main currencies were used for derivatives in hedge accounting:

D.72 in €	Average hedging rates in 2019	Average hedging rates in 2018
USD	1.38	1.19
JPY	120.26	128.50
GBP	0.89	0.89

The DMG MORI group determines foreign currency sensitivity through aggregating all foreign currency items that are not represented in the functional currency of the respective company and sets these against hedging. 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 2019 and 2018: [→ D.73]

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 2019 or 31 December 2018. 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 € 124 K lower (higher) in total (previous year: € 1,053 K higher (lower)). The results and fair value of forward exchange transactions without a hedging relationship would have been € 3,305 K higher (lower) (previous year: € 4,135 K lower (higher)). [→ D.74]

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 2019, 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 € 1.9 million (previous year: € 2.4 million). As this mainly relates to interest on current account overdrafts, we do not expect any material

D.73 | CURRENCY	31 Dec 2019			31 Dec 2018		
in € K	USD	JPY	GBP	USD	JPY	GBP
Currency risk from balance sheet items	-739	-7,439	5,665	1,716	-6,172	4,021
Currency risk from pending transactions	1,255	-572	4,186	9,084	-6,938	12,406
Transaction-related currency items	516	-8,011	9,851	10,800	-13,110	16,427
Financially hedged item through derivatives	-145	7,692	-8,780	-10,819	10,892	-14,912
Open currency items	371	-319	1,071	-19	-2,218	1,515

D.74	Profit or loss		Net equity	
in € K	Increase	Decrease	Increase	Decrease
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**
31 December 2018				
USD (10 % change)	-3,571	3,571	291	-291
JPY (10 % change)	2,031	-2,031	-236	236
GBP (10 % change)	-117	117	926	-926
RUB (10 % change)	-2,478	2,478	72	-72
	-4,135	**4,135**	**1,053**	**-1,053**

effects on the portfolio at the reporting date, if the interest rate level continues to fall. Interest income would have fallen by € 0 K (previous year: € 0 K), 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.75	Nominal volume	
in € K	31 Dec 2019	31 Dec 2018
Fixed-rate instruments		
Financial assets	8,007	8,587
Financial liabilities	0	0
	8,007	**8,587**
Variable-rate instruments		
Financial assets	515,991	514,094
Financial liabilities	-120,000	-116,140
	395,991	**397,954**

Fixed interest rates have been mainly agreed for financial assets and liabilities bearing interest. Changes in the interest rate would only have an effect if these financial instruments were 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.76	Profit or loss	
in € K	Increase by 100 base points	Decrease by 5 base points
31 December 2019		
Variable-rate instruments	1,926	0
Profit sensitivity (net)	**1,926**	**0**
31 December 2018		
Variable-rate instruments	2,352	0
Profit sensitivity (net)	**2,352**	**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. On the basis of current liquidity planning, no liquidity risks are identifiable at present. A € 500.0 million syndicated credit facility with various banks and bilateral loan commitments of € 5.9 million, as in the previous year, are in place to provide liquidity insurance. The syndicated credit line is due in February 2022. Loan facilities have not been cancelled either in financial year 2019 or in the previous year.

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 2019.

As of December 2019, the DMG MORI group has access to cash and cash equivalents amounting to € 154.0 million (previous year: € 152.7 million) and available lines of credit in the amount of € 268.0 million (previous year: € 209.1 million) and additional available credit lines (bank guarantees and factoring) in the amount of € 205.9 million (previous year: € 205.9 million).

The following table shows contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with negative fair values: [→ D.77]

D.77		Cash flows 2020		Cash flows 2021 – 2024		Cash flows 2025 et seq.	
in € K	Carrying amount 31 Dec 2019	Interest	Repayment	Interest	Repayment	Interest	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**

This includes all instruments that were held as at 31 December 2019 and 31 December 2018 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 2019 and 31 December 2018 respectively. Financial liabilities that can be repaid at any time are always allocated to the earliest possible date. For the proportion of the financial assets from derivatives in the amount of € 0 K (previous year: € 238 K) as well as the proportion of liabilities from derivatives in the amount of € 135 K (previous year: € 318 K), which have been classified as cash flow hedges, it must be generally assumed that they will be recognized in the income statement in the next twelve months and thus will affect net income. [→ D.78]

Credit risks

A credit risk is the unexpected loss of payment funds or income. Such a credit risk occurs if the customer is not able to meet his obligations within the due date. The objective of the company is to mitigate or avoid these credit risks. Receivables management with global guidelines and regular analysis of the age structure of trade debtors ensures the continuous monitoring and mitigation of risks and, in this way, minimises losses from receivables. Due to the broad business structure within the DMG MORI group, there is no particular concentration of credit risks, either for customers or individual countries. The DMG MORI group is generally exposed to default risks which may cause impairments or in individual cases even bad debt.

The credit losses recognised for trade debtors are calculated based on experience with actual credit losses over the past three years. Credit risks within each group are segmented based on common default risk characteristics. For the companies, these are, for example, the credit risk assessment, e. g. based on overdue items and the geographical location. Historical actual credit losses have been adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the group's view of the economic conditions over the expected life of the receivables. The scaling factors are based on historical trends and forecasts of gross domestic product (GDP), country risks and the long-term interest rate / base rate trend.

For 2019 and 2018, 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 tables below: [→ D.79 | D.80]

With regard to impairment, trade debtors from the DMG MORI CO. group are viewed as a separate item. In order to calculate impairment, the group uses the rating of DMG MORI COMPANY LIMITED and the maturities of the receivables.

In the financial year, expenses for the complete write down of receivables totalled € 1,688 K (previous year: € 2,285 K). Further details on financial risk assessment can be found in the section "Opportunities and risk report" of the Group Management Report on page 72 et seq.

The expected credit losses, which may occur within twelve months of the reporting date resulting from possible loss events, are used to measure the impairments of other financial assets. Generally, other financial assets in the DMG MORI group have a low credit risk on the reporting date.

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

As of 31 December 2019, this impairment amounted € 690 K (previous year: € 581 K).

D.78

in € K	Carrying amount 31 Dec 2018	Cash flows 2019 Interest	Cash flows 2019 Repayment	Cash flows 2020 – 2023 Interest	Cash flows 2020 – 2023 Repayment	Cash flows 2024 et seq. Interest	Cash flows 2024 et seq. Repayment
Liabilities to banks	0	0	0	0	0	0	0
Liabilities arising from lease arrangements	754	74	616	2	138	0	0
Trade creditors	434,272	0	434,272	0	0	0	0
Other financial liabilities	36,345	0	28,285	0	8,047	0	13
Subtotal	**471,371**	**74**	**463,173**	**2**	**8,185**	**0**	**13**
Liabilities from derivatives	2,230	0	2,223	0	7	0	0
	473,601	**74**	**465,396**	**2**	**8,192**	**0**	**13**

D.79	31 Dec 2019			
in € K	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.80	31 Dec 2018			
in € K	Default rate in %	Gross carrying amount of trade debtors	Impairment	Impaired credit history
Not overdue	0.01 – 0.10	330,911	164	no
Overdue	0.01 – 1.37	27,641	243	no
Total		**358,552**	**407**	

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.81 | D.82].

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, 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 payables (see page 133 et seqq). Information on other financial assets and liabilities is shown in the tables on pages 124 and 133.

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 € 28.5 million and is composed primarily to an investment in TULIP Interfaces Inc., Somerville (USA), and some other not material 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. For an investment acquired in financial year 2019, no valuation model for determining fair value as of 31 December 2019 is yet available. Therefore, the acquisition cost of the investment is the best possible estimate of fair values as of 31 December 2019.

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 present value of expected payments, discounted at the risk-adjusted discount rate (WACC). The expected payments are calculated by taking into account possible scenarios for planned sales revenues (based on market prices for electricity) and the EBIT. The main unobservable inputs used in 2019 are the risk-adjusted discount rate of 5.32 % (previous year: 5.13 %) and the expected annual sales revenues (between € 972 K and € 1,167 K) based on market prices for electricity and productivity (output). The estimated fair value would rise (fall), if the annual sales revenues (based on market prices) rose (fell); if the risk-adjusted discount rate was lower (higher); if the degradation was lower (higher).

D.81

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
	Valuation and fair value in accordance with IFRS 9					
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
Receivables from down payment invoices	9,060				9,060	9,060
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
	682,853	**246,322**	**2,551**	**0**	**931,726**	**931,726**
Equity and Liabilities						
Contract liabilities				27,770	27,770	27,770
Contract liability from down payment invoices				9,060	9,060	9,060
Trade creditors	321,303				321,303	321,303
Other financial liabilities to other related companies	128,304				128,304	128,304
Contingent consideration			0		0	0
Factoring liabilities	7,737				7,737	7,737
Lease liabilities				61,355	61,355	61,355
Other financial liabilities	19,260				19,260	19,260
Derivative financial liabilities			1,089	135	1,224	1,224
	476,604	**0**	**1,089**	**98,320**	**576,013**	**576,013**

1) On the balance sheet, € 25,595 K is reported under investments and € 2,911 K under other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting, lease liabilities, contract liabilities and contract liabilities from advance invoices.
3) An explanation of the breakdown of other financial assets can be found on page 123 et 124.

No liquid markets exist for loans and receivables, which are measured at amortized costs. For short-term loans and receivables, it is assumed that the fair value corresponds to the carrying amount. All other loans and receivables are assessed at fair value through the deduction of accrued interest on future expected cash flows. Thus, the interest rates applied to loans are the same as those used for new loans with a similar risk structure, original currency and term.

Trade creditors and other current financial liabilities generally have a maturity of less than one year, so that the carrying amount corresponds approximately to the fair value.

For liabilities to banks and other long-term liabilities, the fair values are determined as present values of the liability payments based on market interest rates and risk surcharge.

Fair Value Hierarchy

As of 31 December 2019, the group held the financial assets and liabilities presented in the following table and measured at fair value. [→ D.83]

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).

D.82	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 2018
Assets						
Financial assets [1]		5,636			5,636	5,636
Cash and cash equivalents	152,681				152,681	152,681
Trade debtors	94,467	265,146			359,613	359,613
Receivables from down payment invoices	33,260				33,260	33,260
Other receivables from other related companies	370,635				370,635	370,635
Receivables from factoring	7,305				7,305	7,305
Other financial assets [3]	59,702				59,702	59,702
Derivative financial assets			1,726	238	1,964	1,964
	718,050	**270,782**	**1,726**	**238**	**990,796**	**990,796**
Equity and Liabilities						
Contract liability				23,422	23,422	23,422
Contract liability from down payment invoices				33,260	33,260	33,260
Trade creditors	287,386				287,386	287,386
Other financial liabilities to other related companies	146,886				146,886	146,886
Contingent consideration			3,882		3,882	3,882
Factoring liabilities	5,137				5,137	5,137
Liabilities from finance lease arrangements				754	754	754
Other financial liabilities	27,326				27,326	27,326
Derivative financial liabilities			1,912	318	2,230	2,230
	466,735	**0**	**5,794**	**57,754**	**530,283**	**530,283**

1) On the balance sheet, € 2,403 K is reported under investments and € 3,233 K under other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting, finance lease liabilities, contract liabilities and contract liabilities from advance invoices
3) An explanation of the breakdown of other financial assets can be found on page 123.

D.83	31 Dec 2019			31 Dec 2018		
in € K	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Measured at fair value						
Financial assets (recognized in equity) [1]			28,506			5,636
Trade debtors in FVOCI category [2]		217,534	282		263,979	1,436
Derivatives with hedge relationship (recognized in equity)					238	
Derivatives without hedge relationship (recognized in P&L)		2,551			1,726	
Financial liabilities						
Measured at fair value						
Contingent consideration			0			3,882
Derivatives with hedge relationship (recognised in equity)		135			318	
Derivatives without hedge relationship (recognised in P&L)		1,089			1,912	

1) An amount of € 25,595 K (previous year: € 2,403 K) is recognised on the balance sheet in investments and an amount of € 2,911 K (previous year: € 3,233 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.

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 € 2,911 K (previous year: € 3,233 K). In the financial year, a net change in the fair value amounting to € 322 K (previous year: € 33 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 141 for information on the measurement method).

The following table shows the additions of the investments in the reporting year in Level 3 of the fair value hierarchy:

D.84 | EQUITY INVESTMENTS LEVEL 3 in € million	2019
Opening balance	**5,63**
Additions	23,28
Changes in value	-0,32
Disposals	-0,08
Final balance	**28,51**

As of 31 December 2019, there was a contingent consideration with a fair value of € 0 K (previous year: € 3,882 K). An increase / decrease of 1 % in the risk-adjusted discount rate would not have resulted in any gain / loss. Fulfilment 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 unobservable inputs, while retaining the other inputs, would have the following effects on the fair values of the purchase option for shares in a company:

D.85 | 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

D.86 | PROFIT OR LOSS in € K	Increase	Decrease
31 December 2018		
WACC (1.00 % change)	-469	557
Degradation (0.50 % change)	-292	303
Market price for electricity (0.50 % change)	272	-252

The net results of the financial instruments are shown below by measurement categories under IFRS 9: [→ D.87 | D.88]

Interests from financial instruments are recognized in interest results.

Allowances on trade debtors are 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.

D.87 in € K	From interest	From subsequent measurement At fair value	From subsequent measurement Foreign currency translation	From subsequent measurement Allowance	2019
Assets in the category:					
At amortised 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 amortised 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.88

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	From subsequent measurement: Allowance	2018
Assets in the category:					
At amortised cost	4,263		25,448	-418	29,293
Debt instruments – at fair value through other comprehensive income (FVOCI)			-2,292	-2,622	-4,914
Equity instruments – at fair value through other comprehensive income (FVOCI)		33			33
At fair value through profit or loss (FVTPL)		1,115			1,115
Liabilities in the category:					
At amortised cost	-6,592		-19,858		-26,450
At fair value through profit or loss (FVTPL)		-183			-183
Total	**-2,329**	**965**	**3,298**	**-3,040**	**-1,106**

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.

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.

The cash flow from current operations was calculated using the indirect method through adjusting earnings before tax for changes in inventories, trade debtors and creditors, non-cash items and all other items showing cash flows in the investment or financing areas. Due to the first-time application of IFRS 16, payments of principal for leases are recognized in cash flow from financing activities. The total cash flow for lease obligations carried as liabilities in 2019 amounted to € 20,567 K thereof payments of principal for leases amounted to € 19,588 K and of interests to € 979 K. Cash outflows for short-term leases and leases above a low-value asset are not included here.

The changed entry in the cash flow statement led to an increase in free cash flow in financial year 2019. Cash flow from financing activities changed accordingly.

Cash flows from investment and financing activities were each calculated in terms of actual sums paid. Effects from foreign currency translation and changes in the consolidated group were adjusted accordingly.

The reconciliation between the change in liabilities from financing activities and in cash flow from financing activities is shown in the table below: [→ D.89]

D.89

in € K	Liabilities to banks	Liabilities from leasing arrangements	Liabilities to other related companies	Total
As at 1 January 2019	**0**	**66,289**	**236,613**	**302,902**
Changes in cash flow from financing activities				
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	110	427
Other changes		14,337	96,641	110,978
As at 31 December 2019	**0**	**61,355**	**234,038**	**295,393**

The other changes in liabilities to related parties are mainly due to the outstanding profit transfer payment to DMG MORI GmbH for financial year 2019 (€ 95,742 K) and the tax allocation for financial year 2018 of € 43,467 K paid to DMG MORI GmbH in 2019 and taxes of DMG MORI GmbH for financial year 2019 (€ 32,295 K), which have been charged but not yet paid due to the tax allocation agreement. The other change (€ 12,071 K) was due to the increase in liabilities to related parties from operating activities.

The profit and loss transfer to DMG MORI GmbH for financial year 2018 resulted in a cash outflow of € 99,326 K in 2019, recognized in cash flow from financing activities.

The profit transfer to DMG MORI GmbH for financial year 2019 amounting to € 95,742 K did not result in a cash outflow in 2019.

In January 2018, DMG MORI increased its interest in REALIZER GmbH to 75.1 %. The purchase price for the additional shares amounted to € 1,500 K and was paid in 2018 and recognized in cash flow from investing activities in the previous year.

In 2019, the interest in REALIZER GmbH was increased to 100 %. The purchase price for the additional interest amounted to € 5,450 K.

In the reporting 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. An amount of € 1,847 K was also transferred and recognized in cash flow from investing activities.

DMG MORI acquired 15.02 % of TULIP Interfaces, Inc. in the reporting year. The purchase price resulted in a cash outflow in 2019, which was recognized in cash flow from investing activities.

In addition, the purchase of shares in Pragati Automation Pvt. Ltd. (India), amounting to 30 % of the purchase price of € 20,489 K was also recognized as a payment in cash flow from investing activities.

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 investing activities in the reporting 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. Payments in an amount of € 250 K (previous year: € 450 K) were recognized in cash flow from investing activities.

The proceeds from changes in ownership interests in subsidiaries in the previous year relate to the sale of a 49 % interest in DMG MORI Machine Tools Trading Co., Ltd., Shanghai, (China), to DMG MORI COMPANY LIMITED, which took place for financial year 2019.

In addition, the purchase of shares in INTECH DMLS Pvt. Ltd, Bangalore (India), amounting to 30 % of the purchase price of € 8,004 K was also recognized as a payment in cash flow from investing activities in the previous year.

In November 2018, GILDEMEISTER Beteiligungen GmbH acquired a 5 % interest in STBO GmbH. This payment in the amount of € 300 K was recognised in cash flow from investing activities.

In the reporting year, DMG MORI sold its interest in promicron GmbH. This resulted in a payment receipt of € 40 K, which was recognized in cash flow from investing activities.

In the previous year, a cash inflow was recognized in cash flow from investing activities for the sale of the 19% interest in DMG MORI Manufacturing USA, Inc. to DMG MORI COMPANY LIMITED (purchase price of € 21,400 K).

The € 250,000 K increase in the loan from DMG MORI AKTIENGESELLSCHAFT to DMG MORI GmbH to € 370,000 K was paid in full in 2018 and recognized in cash flow from investing activities.

Joint ventures are accounted for in the 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 categorised into the business segments of Machine Tools, Industrial Services and Corporate Services. Essential in the differentiation between the business segments is the information that the so-called "chief 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 96 et seq.

The "Machine Tools" segment includes the group's new machine business and consists of Turning, Milling, Advanced Technologies (Ultrasonic / Lasertec / Additive Manufacturing) and Digital Solutions (previously Software Solutions). The growing importance and expansion of our digital competencies are reflected in this business unit's change of name.

The "Machine Tools" segment includes the lathes and turning centres of

› GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
› GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy,
› GRAZIANO Tortona S.r.l., Tortona, Italy,
› FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
› DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
› ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the milling machines and machining centres of

› DECKEL MAHO Pfronten GmbH, Pfronten,
› DECKEL MAHO Seebach GmbH, Seebach,
› FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
› DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
› ULYANOVSK MACHINE TOOLS OOO, Ulyanovsk, Russia,

the Ultrasonic- and Lasertec-Machines of Advanced Technologies

› SAUER GmbH, Idar-Oberstein / Kempten,
› REALIZER GmbH, Borchen

and the products of

› DMG MORI SOFTWARE SOLUTIONS GmbH, Pfronten,
› ISTOS GmbH, Bielefeld,
› WERKBLiQ GmbH, Bielefeld,
› DMG MORI Digital GmbH, Bielefeld.

All machines produced are classified as cutting machine tools, and all business segments are highly concurrent with each other. GILDEMEISTER Beteiligungen GmbH as the parent company of all production plants, and along with GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra, Bergamo (Italy), is also part of this segment. Additionally, the group's uniform IT is concentrated here.

The "Industrial Services" segment comprises both the Services and Energy Solutions segments

The Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business operations of DMG MORI Vertriebs und Service GmbH, Bielefeld, and its subsidiaries, as well as DMG MORI Management GmbH, Bielefeld, the operating management company of the group's Sales and Service sites. DMG MORI AKTIENGESELLSCHAFT manages the domestic market Germany, the EMEA region (Europe, Middle East, Africa) as well as the markets China and India. DMG MORI COMPANY LIMITED is responsible for its home market in Japan, the USA and the other regions in Asia and the Americas.

In the Services division we combine our marketing activities and LifeCycle services for both our machines and DMG MORI COMPANY LIMITED. DMG MORI LifeCycle Services help our customers to maximize the productivity of their machine tools over their entire life cycle – from commissioning through to part exchange as used machines. The wide range of service agreements, maintenance and training services offered, guarantees our customers maximum cost-effectiveness for their machine tools. This includes placement and consulting activities. Another area is the key accounting for major international customers, which is concentrated cross-region and cross-product.

The Energy Solutions division includes the business activities of GILDEMEISTER energy solutions GmbH and the company responsible for sales and service in Italy. Effective from 1 July 2019 business activities belonging to Energy Solutions were sold to a strategic investor. All existing orders at Energy Solutions on this date were mainly processed in the reporting year, generating sales revenues.

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, prorata revenue for brokerage and consulting activities from the sale of machine tools are reclassified from the "Machine Tool" segment to the "Industrial Services" segment. Sales between the segments are made at standard market transfer prices.

Pursuant IFRS 3 "Business Combinations", existing goodwill was allocated to the segments as follows: goodwill is attributed to the "Machine Tools" segment amounting to € 57,073 K (previous year: € 57,073 K), to the "Industrial Services" segment in an amount of € 81,009 K (previous year: € 82,326 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 € 2,299 K (previous year: € 1,222 K). In the previous year, impairments were recognized in the amount of € 843 K. EBT for the "Industrial Services" segment included in the financial year income from the reversal of provisions amounting to € 6,033 K (previous year: € 1,840 K). Depreciation includes impairments of € 4,215 K (previous year: € 4,811 K), mainly relating to buildings. DMG MORI has identified an impairment of € 836 K for an electricity storage plant, as the plant should no longer be used. The depreciation was recognized in the "Corporate Services" segment. The "Corporate Services" segment recognises € 633 K (previous year: € 633 K) in expenses from the scheduled amortisation of transaction costs for the syndicated credit line of DMG MORI AKTIENGESELLSCHAFT.

In financial year 2019 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 intragroup receivables and liabilities, income and expenses, as well as the elimination of intercompany profits between segments.

The information on geographical areas is based on the registered office of the group companies and is broken down into regions comprising Germany, the rest of Europe, North America, Asia and the rest of the world. The data is determined on the basis of geographical sub-groups.

Long-term assets are mainly attributable to fixed assets; they do not include financial instruments or deferred tax claims. As of 31 December 2019, the region of "Rest of Europe" contains long-term assets in Italy in an amount of € 121,260 K (previous year: € 116,354 K) in Russia in the amount of € 82,422 K (previous year: € 75,528 K) as well as in Poland in the amount of € 98,428 K (previous year: € 56,812 K). In Europe, third-party revenue amounted to € 232,573 K (previous year: € 257,682 K) in Italy, € 221,588 K in Russia (previous year: € 129,988 K) and € 75,552 K in Poland (previous year: € 66,815 K).

OTHER EXPLANATORY NOTES

43. AUDITOR'S FEES AND SERVICES

The auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, was commissioned to audit the Annual and the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT and the companies included in the Consolidated Financial Statements.

The fees and charges for the services provided by the annual auditor, KPMG AG Wirtschaftsprüfungsgesellschaft, recognized as expenses in financial year 2019, relate to € 1,724 K (previous year: € 1,750 K) for statutory auditing services and € 497 K (previous year: € 273 K) for other audit-related services. These also include tax advisory services amounting to € 141 K (previous year: € 175 K) and other services amounting to € 169 K (previous year: € 253 K).

Only services that are consistent with the engagement as auditor of the Annual and the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT were provided.

The auditing services mainly related to audits of the Annual and Consolidated Financial Statements of DMG MORI

AKTIENGESELLSCHAFT and various annual and IFRS Reporting Package audits of its subsidiaries for inclusion in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT, including statutory extensions and audit focus areas agreed with the Supervisory Board.

The audit also included audit reviews of quarterly and halfyear reports and project-related accounting ICS and IT audits. Other assurance services relate to the audit of the Compliance Management System and statutory or contractual audits, such as e. g. confirmation of compliance with covenants or the EMIR audit in accordance with Section 20 WpHG (Securities Trading Act). Tax advisory services included support services relating to transfer pricing system issues and VAT advice on individual tax matters. Other services relate to training on current accounting developments, advisory services regarding initial application of new accounting standards and quality assurance support services. Project-related quality assurance support services mainly relate to the Compliance System.

44. EVENTS OCCURRING AFTER THE REPORTING DATE

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

45. RELATED PARTY DISCLOSURES

Related parties as defined by IAS 24 "Related Party Disclosures" are, in principle, members of the Executive and Supervisory Boards, close members of their families and subsidiaries that are not fully consolidated. Excluding 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 and Magnescale Co. Ltd. are considered associates. The financial year of Magnescale Co. Ltd. and its subsidiaries is, as is the case for the other significant consolidated companies of DMG MORI COMPANY LIMITED, in line with the reporting period of DMG MORI group (31. December).

Other related parties 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, with the exception of Magnescale Co. Ltd and its subsidiaries. Unless otherwise indicated, the information on other related parties refers to this group of companies and also includes DMG MORI COMPANY LIMITED.

DMG MORI HEITEC GmbH is considered a joint venture.

DMG MORI AKTIENGESELLSCHAFT has granted DMG MORI GmbH a loan in the amount of € 370,000 K which has been paid in full. Interest is charged at a market rate of 1.00 %.

A domination and profit transfer agreement exists between DMG MORI GmbH, Bielefeld, a wholly owned subsidiary of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT and became effective on 24 August 2016. Furthermore, with effect from 1 January 2017, a tax allocation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The profit transfer to DMG MORI GmbH for financial year 2019 amounted to € 95,742 K (previous year: € 99,326 K). The tax debited by DMG MORI GmbH as a result of the tax allocation agreement amounted to € 32,295 K (previous year € 43,467 K).

In June 2019, DMG MORI transferred a 49 % interest in DMG MORI Machine Tools Trading Co. Ltd, Shanghai (China), to DMG MORI COMPANY LIMITED. DMG MORI AKTIENGESELLSCHAFT and DMG MORI Company Ltd. had agreed some years ago that in future, sales in the People's Republic of China would be solely handled by a subsidiary of DMG MORI AKTIENGESELLSCHAFT, DMG MORI Machine Tools Trading Co. The sales company of DMG MORI Company Ltd. in China was dissolved in 2018 and € 4.1 million was paid to DMG MORI in 2018 as the purchase price for a 49 % interest in DMG MORI Machine Tools Trading Co. The cash received was reported as liabilities to other related parties in the consolidated financial statements as of 31 December, 2018. After official permit the equity of DMG MORI Machine Tools Trading Co. Ltd. was increased in 2019 and the shares were transferred. Thus, in the consolidated financial statements for 2019, the 49 % interest is presented in the amount of the company's proportionate net assets. The difference to the liability to related parties of € 3.2 million, resulting from the change in net assets during the period between the agreement and final transfer of the shares, is recognized in retained earnings.

In the previous year, a cash inflow for the sale of the 19 % interest in DMG MORI Manufacturing USA, Inc., to DMG MORI COMPANY LIMITED (purchase price of € 21,400 K) was recognized in cash flow from investing activities.

In the reporting year, impairments or provisions for doubtful receivables in connection with outstanding balances for other related parties amounted to € 540 K (previous year: € 615 K). In financial year 2019, no expenses were recognized for bad debts or doubtful accounts from other related parties and persons (previous year: € 8 K) and for associated companies were recognized. No expenses were recognized for bad debts or doubtful accounts from joint ventures.

As in the previous year, no licences were acquired from other related companies during the reporting year.

The following transactions were carried out with related companies:

D.90 | GOODS AND SERVICES RENDERED TO in € K	2019	2018
Associates	110,733	116,402
Joint ventures	1	0
DMG MORI COMPANY LIMITED	286,783	315,313
Other related companies (excluding DMG MORI COMPANY LIMITED)	36,429	25,925

D.91 | GOODS AND SERVICES RECEIVED OF in € K	2019	2018
Associates	12,337	10,319
Joint ventures	2,072	0
DMG MORI COMPANY LIMITED	322,798	310,184
Other related companies (excluding DMG MORI COMPANY LIMITED)	84,938	86,886

The goods and services rendered and received with other related parties are primarily attributable to the purchase and sale of machine tools and other services. The disclosure of receivables and liabilities from related companies is shown under the corresponding notes on the balance sheet items. The balances are normally settled within a three-month period. No guarantees and securities were granted to or received by related companies.

Detailed disclosures on the remuneration structure for members of the Executive and Supervisory Boards can be found in the remuneration report on pages 29 seqq. of the Management Report. The management in key positions comprises the members of the Executive and Supervisory Boards.

Remuneration is explained in the section on employee expenses (page 117); 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 26 WPHG

The statutory notifications pursuant to Section 26 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 was made in November 2019 and has been made permanently accessible on our website at:
→ **en.dmgmori-ag.com/corporate-communications/corporate-governance/**

48. SHAREHOLDER STRUCTURE

According to its voting right notification from 6 April 2016, DMG MORI COMPANY LIMITED, Nara (Japan), held a direct voting share of 76.03 % in the share capital of DMG MORI AKTIENGESELLSCHAFT. In addition, Paul Singer held 9.53 % of share capital through affiliated companies as per the last notification of voting rights dated 26 November 2019.

DMG MORI Group Companies

D.92 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,866	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/5/6]			83,427	100.0
SAUER GmbH, Stipshausen / Idar-Oberstein [3/4/7/8]			12,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			2,629	100.0
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			29	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/5/6]			24,000	100.0
GILDEMEISTER Partecipazioni S.r.l., Brembate di Sopra (Bergamo), Italy [5]			92,220	100.0
GILDEMEISTER Italiana S.p.A., Brembate di Sopra (Bergamo), Italy [9]			37,266	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			38,754	100.0
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			2,525	100.0
CARLINO FTV 3.2 S.R.L., Bozen, Italy [9]			10,171	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/5/6]			43,000	100.0
DMG MORI Software Solutions GmbH, Pfronten [3/4/5/6]			1,100	100.0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0
ISTOS GmbH, Bielefeld [3/5/6]			1,000	85.0
Ulyanovsk Machine Tools ooo, Ulyanovsk, Russia [5]	RUB K	8,054,015	115,129	100.0
Realizer GmbH, Borchen [5/6/24]			-261	100.0
WERKBLiQ GmbH, Bielefeld [3/5/6]			-1,180	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			372	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			190	100.0
DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3]			398,646	100.0
DMG MORI Management GmbH, Bielefeld [3/4/10/11]			24	100.0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0
DMG MORI München GmbH, Munich [3/4/12/13]			5,000	100.0
DMG MORI Hilden GmbH, Hilden [3/4/12/13]			4,200	100.0
DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13]			2,800	100.0
DMG MORI Berlin Hamburg GmbH, Bielefeld [3/4/12/13]			5,500	100.0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13]			2,700	100.0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13]			7,000	100.0
DMG MORI Services GmbH, Bielefeld [3/10/11]			29,635	100.0
DMG MORI Global Service GmbH, Bielefeld [3/4/14/15]			5,200	100.0
DMG MORI Academy GmbH, Bielefeld [3/4/14/15]			4,000	100.0
DMG MORI Used Machines GmbH, Geretsried [3/4/14/15]			17,517	100.0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10]			567,265	100.0
antiquitas Verwaltungsgesellschaft mbH, Klaus, Austria [16]			5,590	100.0
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [16]	CHF K	551,574	508,176	100.0
DMG MORI Europe AG, Winterthur, Switzerland [17]			116,715	100.0
DMG MORI Schweiz AG, Winterthur, Switzerland [18]	CHF K	36,718	33,829	100.0
DMG MORI Balkan GmbH, Klaus, Austria [17]			2,150	100.0
DMG MORI Austria GmbH, Klaus, Austria [19]			19,241	100.0

D.92 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]	in € K	Participation quota in %
DMG MORI Netherlands B.V., Veenendaal, Netherlands [17]			8,075	100.0
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [17]			4,696	100.0
DMG MORI Czech s.r.o., Brno, Czech Republic [17]	CZK K	343,299	13,511	100.0
DMG MORI DENMARK ApS, Copenhagen, Denmark [17]	DKK K	23,991	3,211	100.0
DMG MORI FRANCE SAS, Paris, France [17]			19,674	100.0
DMG MORI Hungary Kft., Budapest, Hungary [17]			8,896	100.0
DMG MORI IBERICA S.L., Ripollet, Spain [17]			13,968	100.0
DMG MORI Italia S.r.l., Milan, Italy [17]			48,502	100.0
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [17]			3,007	100.0
DMG MORI Israel Ltd., Tel Aviv, Israel [17]	ILS K	0	0	100.0
DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [17]	PLN K	66,026	15,511	100.0
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [17]			1,032	100.0
DMG MORI Sweden AB, Göteborg, Sweden [17]	SEK K	114,249	10,936	100.0
DMG MORI NORWAY AS, Langhus, Norway [17]	NOK K	12,987	1,317	100.0
DMG MORI Finland Oy Ab, Tampere, Finland [17]			3,129	100.0
DMG MORI UK Limited, Luton, Great Britain [17]	GBP K	26,403	31,033	100.0
DMG MORI ROMANIA S.R.L., Bucharest, Romania [17]	RON K	27,789	5,810	100.0
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [17]	BGN K	1,211	619	100.0
DMG MORI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [17]	TRY K	20,888	3,125	100.0
DMG MORI Rus ooo, Moscow, Russia [17]	RUB K	3,917,606	56,001	100.0
DMG Egypt for Trading in Machines Manufactured LLC, Kairo, Egypt [17]	EGP K	200	11	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [17]	EGP K	200	11	100.0
DMG MORI Africa for Trading in Machines & Services (S.A.E.), Cairo, Egypt [20]	EGP K	15,450	857	100.0
DMG MORI Asia Pte. Ltd., Singapore [17]			27,524	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [17]	CNY K	31,784	4,064	100.0
DMG MORI India Private Limited, Bangalore, India [17]	INR K	485,790	6,058	51.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [17]	CNY K	83,160	10,634	100.0
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [17]	PLN K	599,847	140,915	100.0
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	107,300	13,720	51.0

D.92 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]	Equity [1] in € K	Participation quota in %
GILDEMEISTER energy solutions GmbH, Würzburg [3/4/10/11]			9,100	100.0
GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [21]	TRY K	-284	-42	100.0
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [21]			4,165	51.0
GILDEMEISTER LSG Solar Australia Pty Ltd., Brisbane, Australia [22]	AUD K	4,120	2,576	100.0
GILDEMEISTER LSG Solar RUS OOO, Moscow, Russia [22]	RUB K	153,531	2,195	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [21]			2,426	100.0
Joints ventures				
DMG MORI HEITEC GmbH, Erlangen [5]			1,738	50.0
Associates				
Magnescale Co. Ltd., Kanagawa, Japan	JPY K	8,806,000	72,216	44.1
Magnescale Europe GmbH, Wernau [23]			2,966	44.1
Magnescale Americas, Inc., Davis, USA [23]	USD K	1,192	1,061	44.1
DMG MORI Finance GmbH, Wernau			25,139	42.6
DMG MORI Digital GmbH, Bielefeld [5]			64	40.0
Vershina Operation, LLC., Narimanov, Russia [22]	RUB K	16,191	231	33.3
INTECH DMLS Pvt. Ltd., Bangalore, India [5]	INR K	375,688	4,685	30.0
Pragati Automation Pvt. Ltd., Bangalore, India [5]	INR K	929,528	11,592	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) T he domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents.
4) The domestic subsidiary has complied with the conditions required by Section 264 paragraph 3 HGB (German Commercial Code) regarding the application of the exemption regulations and therefore waives the preparation of a management report.
5) equity investment of GILDEMEISTER Beteiligungen GmbH
6) with profit and loss transfer and control agreement with GILDEMEISTER Beteiligungen GmbH
7) equity investment of DECKEL MAHO Pfronten GmbH
8) with profit and loss transfer and control agreement with DECKEL MAHO Pfronten GmbH
9) equity investment of GILDEMEISTER Partecipazioni S.r.l.
10) equity investment of DMG MORI Vertriebs und Service GmbH
11) with profit and loss transfer and control agreement with DMG MORI Vertriebs und Service GmbH
12) equity investment of DMG MORI Deutschland GmbH
13) with profit and loss transfer and control agreement with DMG MORI Deutschland GmbH
14) equity investment of DMG MORI Services GmbH
15) with profit and loss transfer and control agreement with DMG MORI Services GmbH
16) equity investment of DMG MORI Netherlands Holding B.V.
17) equity investment of DMG MORI Sales and Service Holding AG
18) equity investment of DMG MORI Europe AG
19) equity investment of DMG MORI Balkan GmbH
20) subsidiary of DMG Egypt for Trading in Machines Manufactured LLC (51 %), DMG MORI Sales and Service Holding AG (47.7 %) and Mori Seiki Egypt for Trading in Machines & Equipments LLC (1.3 %)
21) equity investment of GILDEMEISTER energy solutions GmbH
22) equity investment of GILDEMEISTER LSG Beteiligungs GmbH
23) subsidiary of Magnescale Co. Ltd.
24) 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
Nara, born 1961
Chairman,
President of DMG MORI
COMPANY LIMITED, Nara

Mario Krainhöfner
(Employee representative)
Pfronten, born 1964
1st Deputy Chairman
Head of Idea Management at
DECKEL MAHO Pfronten GmbH

Ulrich Hocker
Düsseldorf, born 1950
Deputy Chairman,
Attorney and President of Deutsche
Schutzvereinigung für Wertpapierbesitz e.V.,
› FERI AG, Bad Homburg, Deputy Chairman of the Supervisory Board
• Phoenix Mecano AG, Stein am Rhein, Switzerland, Member of the Board of Directors, Independent Lead Director

Stefan Stetter
(Employee representative)
Durach, born 1968
Deputy Chairman
Head of Controlling of
DECKEL MAHO Pfronten GmbH
Senior Executives' representative

Irene Bader
Feldafing, born 1979
Director Global Marketing of
DMG MORI Global Marketing GmbH, Munich,
Managing Director of
DMG MORI Sport Marketing SAS,
Roissy-en-France,
Executive Officer of
DMG MORI COMPANY LIMITED, Nara

Prof. Dr.-Ing. Berend Denkena
Wedemark, born 1959
Managing Director of the Institute of
Production Engineering and Machine
Tools (IFW) at Leibniz University Hanover

Tanja Fondel
(Employee representative)
Frankfurt / Main, born 1976
Union Secretary, IG Metall
Management Board, Frankfurt / Main
› GRAMMER AG, Amberg, Member of Supervisory Board (until 15.09.2019)

Dietmar Jansen
(Employee representative)
Memmingen, born 1965
1st Director (Managing Director)
and Treasurer of the IG Metall office Allgäu
• AGCO GmbH, Marktoberdorf, Deputy Chairman of the Supervisory Board
› ENGIE Deutschland AG, Berlin, Member of the Supervisory Board

Prof. Dr. Annette G. Köhler, M.A.
Düsseldorf, born 1967
Professor & Chair of the Accounting,
Auditing & Controlling Department at the
University of Duisburg-Essen
› UniCredit Bank AG, Munich, Member of the Supervisory Board
› Villeroy & Boch AG, Mettlach, Member of Supervisory Board (until 29.02.2020)
• DKSH Holding AG, Zurich, Member of the Board of Directors

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

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

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

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

Executive Board

Dipl.-Kfm. Christian Thönes
Bielefeld
Chairman

Dipl.-Kfm. Björn Biermann
Bielefeld

Michael Horn, M.B.A.
Bielefeld

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

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, 9 March 2020
DMG MORI AKTIENGESELLSCHAFT
The Executive Board

Dipl.-Kfm. Christian Thönes　　Dipl.-Kfm. Björn Biermann　　Michael Horn, M.B.A.

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

Independent Auditor's Report

To DMG MORI AKTIENGESELLSCHAFT, Bielefeld

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2019, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the group management report specified in the "Other Information" section of our auditor's report.

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

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and

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

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

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

› **Revenue recognition cut-off**

For information on the accounting principles applied, please see the disclosures in Section 3 "Accounting and valuation principles" and Section 6 "Revenue" in the notes to the consolidated financial statements.

The Financial Statement Risk

DMG MORI AKTIENGESELLSCHAFT recognized revenue of EUR 2,701.5 million in the consolidated income statement. Revenue is a significant financial and performance indicator. Revenue is generated from the sale of goods and the provision of services.

In the DMG MORI AG Group, revenue is recognized when it fulfils a performance obligation through the transfer of a promised asset to a customer. An asset is considered transferred at the time when the customer obtains control of that asset. In line with the transfer of control, revenue is to be recognized either at a point in time or over time in the amount to which DMG MORI AG expects to be entitled.

DMG MORI AG has determined based on the following indicators that the performance obligation is fulfilled at the time the goods are transferred to the customer, and thus that revenue is recognized at a point in time:

› DMG MORI AG has a current entitlement to receive payment for the asset

› The customer has legal title to the asset

› DMG MORI AG has transferred physical possession of the asset

› The significant risks and rewards of ownership of the asset have been transferred to the customer

› The customer has accepted the asset

The Group's key markets are in Germany and Europe.

For global supplies of goods, agreements are made by the group entities with customers, with some of these agreements containing complex contractual provisions.

Owing to the use of varied contractual provisions in the different markets and the judgments involved in determining and assessing the indicators to evaluate the time at which control is transferred, there is the risk for the financial statements that revenue is incorrectly recognized as of the reporting date.

Our Audit Approach

In order to assess whether revenue is recognized on an accrual basis, we assessed the design, setup and effectiveness of internal controls relating to order acceptance, outgoing goods and invoicing, in particular the determination and verification of the correct or actual transfer of control.

Owing to the application of IFRS 15, a focus for our audit was defined as the evaluation of management's interpretation and weighting of indicators to assess the time at which control is transferred. To this end, we assessed the requirements of the group-wide accounting policy. Based on a representative selected sample of contracts and a risk-based selection of contracts, we assessed the proper implementation of the accounting policy.

Furthermore, by means of control-based and substantive procedures, we assessed revenue recognition cut-off through methods including reconciling invoices with the related orders, external delivery or performance records and incoming payments. We also inspected revenue entries for a fixed period before the closing date that are based on complex international trade clauses and thus constitute a greater risk as concerns revenue recognition cut-off. The agreed-upon procedures focused on revenue entered in the period from January 1 to December 31, 2019, as well as for a specific period after the reporting date, selected based on a statistical technique either randomly or according to risk criteria.

Revenue recognition cut-off was also assessed by obtaining third-party confirmations. This assessment focused on trade receivables as of December 31, 2019, selected based on a statistical technique either randomly or according to risk criteria, and thus also the associated revenue for financial year 2019.

Our Observations

DMG MORI Group's procedure for revenue recognition cut-off is appropriate.

› Impairment testing of goodwill

Please refer to Section 3 of the notes to the consolidated financial statements for information on the accounting and valuation principles applied and the assumptions used. Disclosures on the amount of goodwill can be found under Section 19 of the notes and information on the economic development of the Machine Tools and Industrial Services operating segments can be found on page 60 et seqq. of the group management report.

The Financial Statement Risk

Goodwill amounted to EUR 138.1 million in total as of December 31, 2019, representing 11% of Group equity and thus having a quite significant influence on the Company's financial position.

Impairment of goodwill is tested annually at the level of the Machine Tools and Industrial Services business segments. For this purpose, the carrying amount of goodwill for the respective business segment is compared with its recoverable amount. If the carrying amount exceeds the recoverable amount of the respective goodwill, there is a need for impairment. The recoverable amount is the higher of fair value less costs to sell and value in use of the business segment. The reporting date for the impairment test is December 31, 2019.

Impairment testing of goodwill is complex and based on a range of assumptions that require judgment. These include the expected business and earnings development of the business segments for the next four years, the assumed long-term growth rates and the discount rate used.

According to preliminary information from the German Machine Tool Builders' Association (VDW) and the British economic research institute Oxford Economics of February 2020, the global market for machine tools consumption declined in 2019 for the first time in three years by -2.8% to EUR 72.1 billion. The global machine tools market is expected to decline further in 2020 by -0.6%.

Based on the impairment tests conducted, DMG MORI AG did not identify any need to recognize impairment losses. The Company's sensitivity analysis showed that a reasonably possible change in the discount rate, earnings performance or the long-term growth rates would not cause impairment in any business segment, as the carrying amount of the respective goodwill is below the respective recoverable amount even in the respective scenarios analyzed.

There is the risk for the consolidated financial statements that impairment existing as at the reporting date was not identified. There is also the risk that the related disclosures in the notes on IAS 36 are not appropriate.

Our Audit Approach

With the involvement of our valuation experts, we assessed the appropriateness of the key assumptions and calculation methods of the Company, among other things. For this purpose, we discussed the expected business and earnings development and the assumed long-term growth rates with those responsible for planning. We also reconciled this information with other internally available forecasts and the budget prepared by the Executive Board and approved by the Supervisory Board. Furthermore, we evaluated the consistency of assumptions with external market assessments.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual results and by analyzing deviations. We compared the assumptions and parameters underlying the discount rate, in particular the risk-free rate, the market risk premium and the beta coefficient, with our own assumptions and publicly available data.

To ensure the computational accuracy of the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements.

In order to take forecast uncertainty into account, we examined the impact of potential changes in the discount rate, earnings performance and the long-term growth rate on the recoverable amount by calculating alternative scenarios and comparing these with the values determined by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes regarding impairment of goodwill are appropriate.

Our Observations

The calculation method used for impairment testing of goodwill is appropriate and in line with the accounting policies to be applied.

The Company's assumptions and parameters used for measurement are appropriate.

The related disclosures in the notes are appropriate.

› Recoverability of raw materials and supplies

We refer to section 3 in the notes to the consolidated financial statements for information on the accounting policies applied as well as to note 24 for information on the write-down of inventories.

The Financial Statement Risk

The consolidated balance sheet of DMG MORI AG as of December 31, 2019, includes raw materials and supplies at a cost of EUR 324.2 million and impairment losses of EUR 48.3 million, resulting in a residual carrying amount of EUR 275.9 million.

Raw materials and supplies, which are initially recorded at cost, are written down in value if they are damaged, obsolete in whole or in part or if the expected net realizable values no longer cover cost. Raw materials and supplies held for use in the production of inventories are not written down below cost if the finished goods in which they will be incorporated are expected to be sold at or above cost.

The determination of the net realizable values of raw materials and supplies – taking account of the cost of production and net realizable values of the finished goods in which the raw materials and supplies are used in production – as the upper limit requires judgment and future-oriented estimates in respect of the amounts, which can be expected to be realized upon the sale of finished goods. The age of raw materials and supplies and their technical useful life as well as their planned used in the production of finished goods and the current economic development of the machine tool industry play a significant role in this regard. There is the risk that the raw materials and supplies are overstated due to a possible unidentified need to recognize an impairment.

Our Audit Approach

Based on our understanding of the process, we assessed the establishment, design and structure of the internal controls regarding the determination of the expected net realizable values for raw materials and supplies, taking account of the expected cost of production of finished goods in which raw materials and supplies are used, as well as in consideration of discounts for range of coverage and non-marketability for raw materials and supplies.

We assessed the measures of management to determine write-downs on raw materials and supplies (such as analysis of range of coverage and marketability) and, taking account of their planned use for the production of finished goods as of the reporting date, evaluated whether the write-downs for raw materials and supplies recognized as of December 31, 2019, are appropriate.

We verified the computational accuracy of the calculations to determine impairment losses for items of raw materials and supplies selected according to risk.

Our Observations

The assumptions underlying the determination of the net realizable value for raw materials and supplies as well as the judgments exercised by the Executive Board are appropriate.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information includes the following parts of the group management report, which were not audited for content:

- the non-financial group management report, which is referenced in the group management report,
- the Group's corporate governance statement included on page 26 et seqq. of the group management report, and
- information extraneous to the group management report and marked as unaudited.

The other information also includes the remaining parts of the annual report.

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

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

Management is 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 Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

› Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

› Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

› Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

› Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

› Perform audit procedures on the prospective information presented by management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on May 10, 2019. We were engaged by the Supervisory Board on November 27, 2019. Taking into account the transitional provision of Article 41 (1) of the EU Audit Regulation, we have been the group auditor of DMG MORI AKTIENGESELLSCHAFT without interruption for more than 25 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor Responsible for the Engagement

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

Bielefeld, March 9, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

Multiple Year Overview

D.93 | DMG MORI GROUP		IFRS							
		2013	2014	2015	2016	2017	2018	2019	Changes against previous year in %
Sales revenues	**€ K**	**2,054,219**	**2,229,013**	**2,304,721**	**2,265,709**	**2,348,451**	**2,655,128**	**2,701,489**	2
Domestic	€ K	676,483	779,218	762,079	737,069	712,094	821,499	769,203	-6
International	€ K	1,377,736	1,449,795	1,542,642	1,528,640	1,636,357	1,833,629	1,932,286	5
% International	%	67	65	67	67	70	69	72	
Total work done	**€ K**	**2,060,978**	**2,262,302**	**2,351,957**	**2,262,352**	**2,367,881**	**2,667,935**	**2,706,063**	**1**
Cost of materials	€ K	1,086,677	1,190,026	1,211,417	1,157,498	1,263,576	1,480,102	1,524,043	3
Personnel costs	€ K	465,232	506,145	545,457	571,971	550,655	595,897	592,365	-1
Depreciation	€ K	46,345	49,883	57,181	65,720	72,833	63,729	78,104	23
Financial result	€ K	-13,449	-7,892	30,763	-10,507	-5,248	-5,735	-5,120	11
Earnings before taxes	**€ K**	**135,014**	**175,313**	**217,261**	**94,120**	**176,382**	**214,786**	**219,166**	**2**
Annual profit / loss	**€ K**	**93,205**	**121,065**	**159,585**	**47,484**	**118,363**	**149,530**	**154,442**	**3**
Adjusted results									
EBITDA	**€ K**	**193,944**	**232,512**	**243,039**	**169,666**	**252,978**	**280,862**	**299,842**	**7**
EBIT	**€ K**	**147,599**	**182,629**	**185,858**	**103,946**	**180,145**	**217,133**	**221,738**	**2**
EBT	**€ K**	**135,014**	**175,313**	**217,261**	**94,120**	**176,382**	**214,786**	**219,166**	**2**
Profit share of shareholders in DMG MORI AG	**€ K**	**85,077**	**110,575**	**149,396**	**44,820**	**117,442**	**148,257**	**151,874**	**2**
Fixed assets	**€ K**	**718,447**	**810,927**	**742,773**	**749,526**	**677,948**	**686,506**	**815,922**	**19**
Intangible assets	€ K	192,817	213,981	209,911	195,276	190,681	190,372	199,546	
Tangible assets	€ K	317,341	395,232	463,733	486,370	440,005	434,880	506,579	
Financial assets	€ K	208,289	201,714	69,129	67,880	47,262	61,254	109,797	
Current assets incl. deferred tax and deferred income	**€ K**	**1,291,598**	**1,418,882**	**1,541,102**	**1,589,652**	**1,563,350**	**1,753,993**	**1,653,644**	**-6**
Inventories	€ K	483,840	495,297	522,259	505,041	547,662	625,381	611,810	
Receivables incl. deferred tax assets + prepaid expenses	€ K	436,609	490,589	466,716	687,886	652,283	975,931	887,829	
Cash and cash equivalents	€ K	371,149	432,996	552,127	396,725	363,405	152,681	154,005	
Equity	**€ K**	**1,164,441**	**1,266,151**	**1,357,474**	**1,187,663**	**1,164,618**	**1,197,688**	**1,281,449**	**7**
Subscribed capital	€ K	200,234	204,927	204,927	204,927	204,927	204,927	204,927	
Capital provisions	€ K	480,383	498,485	498,485	498,485	498,485	498,485	498,485	
Retained earnings and other reserves	€ K	389,442	427,982	507,487	444,346	458,095	489,823	563,702	
Non-controlling equity interests	€ K	94,382	134,757	146,575	39,905	3,111	4,453	14,335	
Outside capital	**€ K**	**845,604**	**963,658**	**926,401**	**1,151,515**	**1,076,680**	**1,242,811**	**1,188,117**	**-4**
Provisions	€ K	258,984	276,644	293,830	305,122	286,199	305,253	325,805	
Liabilities + deferred income	€ K	586,620	687,014	632,571	846,393	790,481	937,558	862,312	
Balance Sheet total	**€ K**	**2,010,045**	**2,229,809**	**2,283,875**	**2,339,178**	**2,241,298**	**2,440,499**	**2,469,566**	**1**
Employees (annual average)		6,410	6,815	7,034	7,102	6,637	6,933	6,986	
Employees (31 Dec)		6,497	6,918	7,142	6,964	6,742	7,107	6,898	
Trainees		225	248	320	318	359	396	347	
Total employees		**6,722**	**7,166**	**7,462**	**7,282**	**7,101**	**7,503**	**7,245**	

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		IFRS							
		2013	2014	2015	2016	2017	2018	2019	Changes against previous year in %
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	7.2	8.2	8.1	4.6	7.7	8.2	8.2	0
Profit on sales (EBT) = EBT / Sales revenues	%	6.6	7.9	9.4	4.2	7.5	8.1	8.1	0
Profit on sales (Annual result) = Annual result / Sales revenues	%	4.5	5.4	6.9	2.1	5.0	5.6	5.7	2
Equity return = Annual result / Equity (as of 1 Jan)	%	12.0	10.4	12.6	3.5	9.8	12.8	12.9	1
Return on total assets = EBT + interest on borrowed capital / average total assets	%	8.1	8.8	10.1	4.6	8.1	9.6	9.4	-2
ROI – Return on Investment = EBT / average total capital	%	7.4	8.3	9.6	4.1	7.7	9.2	8.9	-3
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	320.5	327.1	327.7	319.0	353.8	383.0	386.7	1
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	23.0	26.8	26.4	14.6	27.1	31.3	31.7	1
ROCE – Return on capital employed = EBIT / Capital Employed	%	13.8	15.7	16.1	9.0	15.9	16.1	15.3	-5
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	35.7	36.4	32.5	32.0	30.2	28.1	33.0	17
Working intensity of current assets = current assets / total assets	%	61.3	60.8	64.6	65.0	66.9	68.9	63.7	-8
Equity ratio = equity / total capital	%	57.9	56.8	59.4	50.8	52.0	49.1	51.9	6
Borrowed capital ratio = borrowed capital / total assets	%	42.1	43.2	40.6	49.2	48.0	50.9	48.1	-6
Assets and liabilities structure = fixed assets / current assets	%	58.4	59.8	50.3	49.3	45.2	40.8	51.8	27
Capital structure = equity / outside capital	%	137.7	131.4	146.5	103.1	108.2	96.4	107.9	12

D.93 | DMG MORI GROUP		IFRS							
		2013	2014	2015	2016	2017	2018	2019	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)	%	60.2	62.5	83.4	45.9	56.0	28.3	19.9	-30
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	121.2	124.4	144.1	117.5	146.9	189.8	123.0	-35
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	175.7	175.9	202.9	157.6	186.6	242.3	174.2	-28
Net financial liabilities = bank liabilities + bond / borrower's note – liquid funds	€ million	-356.4	-380.8	-500.3	-342.1	-316.9	-152.7	-154.0	1
Gearing = net financial liabilities / equity	%	–	–	–	–	–	–	–	
Working Capital = current assets – short-term borrowed capital	€ million	466.6	525.5	681.1	574.3	540.3	326.5	291.4	-11
Net Working Capital 1) = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	196.8	189.5	261.6	270.0	317.1	343.2	386.0	12
Capital Employed = equity + provisions + net financial liabilities	€ million	1,067.0	1,161.9	1,151.0	1,150.7	1,133.9	1,350.2	1,453.2	8
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		4.8	5.5	5.5	5.1	5.4	5.2	4.6	-12
Turnover rate of inventories = sales revenues / inventories		4.2	4.5	4.4	4.5	4.3	4.2	4.4	5
Turnover rate of receivables = sales revenues (incl. 19 % VAT on domestic revenues) / average trade debtors		10.1	10.3	9.8	10.0	8.8	8.3	8.4	1
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)	%	1.0	1.0	1.0	1.0	1.0	1.1	1.1	0
DSO (Days sales outstanding) = average trade debtors / (sales revenues (incl. 19 % VAT on domestic revenues)) × 365	%	36.1	35.6	37.4	36.7	41.3	44.1	43.3	-2
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	52.7	52.6	51.5	51.2	53.4	55.5	56.3	1
Intensity of staff = Personnel costs / Total work done	%	22.6	22.4	23.2	25.3	23.3	22.3	21.9	-2

1) since 1 January 2012 including notes payable

D.93 | DMG MORI GROUP		IFRS							
		2013	2014	2015	2016	2017	2018	2019	Changes against previous year in %
Cash flow & Investments									
Cash flow from operating activity	€ million	171.1	170.6	142.7	124.0	171.7	230.4	234.1	2
Cash flow from investment activity	€ million	-160.1	-145.3	18.9	-198.3	-9.7	-315.1	-114.2	64
Cash flow from financing activity	€ million	189.5	39.0	-44.3	-52.5	-190.7	-123.5	-118.9	4
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	67.3	86.1	32.0	42.5	142.4	154.2	168.8	9
Investments	€ million	213.5	159.0	130.6	88.1	41.8	90.7	155.1	71
Share & valuation									
Market capitalisation	€ million	1,824.6	1,852.2	3,001.4	3,401.8	3,627.2	3,397.1	3,337.9	-2
Company value = Market capitalisation + bank liabilities + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	1,585.0	1,597.5	2,624.0	3,187.4	3,414.9	3,370.1	3,301.2	-2
Earnings per share = result after minority interests / number of shares	€	1.33	1.41	1.90	0.57	1.49	1.88	1.93	3
Price-to-earnings ratio (P/E) = market capitalisation / EBT		13.5	10.6	13.8	36.1	20.6	15.8	15.2	-4
Company value-EBITDA-ratio = company value / EBITDA		8.2	6.9	10.8	18.8	13.5	12.0	11.0	-8
Company value-EBIT-ratio = company value / EBIT		10.7	8.7	14.1	30.7	19.0	15.5	14.9	-4
Company value sales ratio = company value / sales revenues		0.8	0.7	1.1	1.4	1.5	1.3	1.2	-4

List of graphs and tables

BUSINESS REPORT DMG MORI AKTIENGESELLSCHAFT

CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

Forward-Looking Statements

This report contains forward-looking statements, which are based on current estimates by the management regarding future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors, which could lead to the actual future circumstances including the assets, liabilities, financial position and profit or loss of DMG MORI AKTIENGESELLSCHAFT differing materially from or being more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI AKTIENGESELLSCHAFT are subject to a series of risks and uncertainties, which may result in forward-looking statements estimates or forecasts becoming inaccurate.

DMG MORI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in the most important business areas as well as the consequences of a recession) as these have a direct effect on processes, suppliers and customers. Due to their differences, not all business areas are affected to the same extent by changes in the economic environment; significant differences exist with respect to the timing and extent of the effects of any such changes. This effect is further intensified by the fact that, as a global entity, DMG MORI AKTIENGESELLSCHAFT operates in various markets with very different economic rates of growth. Uncertainties arise inter alia from the risk that customers may delay or cancel orders or they may become insolvent or that prices become further depressed by a persistently unfavorable market environment than that which we are expecting at the current time; developments on the financial markets, including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as financial assets in general; growing volatility on the capital markets and a deterioration in the conditions for the credit business as well as a deterioration in the future economic success of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other essential portfolio measures; the introduction of competing products or technology by other companies or the entry onto the market of new competitors; a change in the dynamics of competition (primarily on developing markets); a lack of acceptance of new products and services in customer target groups of DMG MORI; changes in corporate strategy; interruptions in the supply change, including the inability of a third party, for example due to natural catastrophes, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other measures of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI AKTIENGESELLSCHAFT and various other factors.

Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any change in events or developments occurring after the end of the reporting period. Forward-looking statements must not be understood as a guarantee or as assurances of future developments or events contained therein.

There are two companies using the name "DMG MORI": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporate Act (Aktiengesetz – AktG).
If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

Financial Calendar

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

Subject to alteration

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