DMG MORI
AKTIENGESELLSCHAFT


# *dynamic* excellence

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2020**
**OF DMG MORI AKTIENGESELLSCHAFT**

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

## MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020 OF DMG MORI AKTIENGESELLSCHAFT



## NOTES FOR THE FINANCIAL YEAR 2020 OF DMG MORI AKTIENGESELLSCHAFT



↗ business report information not reviewed for content

# MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2020 OF DMG MORI AKTIENGESELLSCHAFT

## Basis of the Company

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

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

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

DMG MORI AKTIENGESELLSCHAFT as the parent company. A detailed presentation of the DMG MORI group is provided in our 2020 Annual Report and in the consolidated financial statements and group management report contained therein, which were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The group annual report is published on the internet under → en.dmgmori-ag.com/investor-relations.

### Strategy and Management System

DMG MORI AKTIENGESELLSCHAFT, which has its headquarters in Bielefeld, manages the group centrally and across all functions as a management holding company. It comprises all cross-divisional key functions of the group.

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

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

DMG MORI responds to the changed market demands and technological change actively and with innovations to further expand its current market position as a global leader in integrated and sustainable technology solutions for the manufacturing industry. Our goal: to offer perfectly aligned, end-to-end technology solutions for our customers as a stable and sustainable partner. With our integrated portfolio of future-oriented machine tools, automation and digitization solutions, as well as our DMG MORI Qualified Products (DMQP), we want to be number 1 for our customers worldwide: from development and production to global sales and service. To this end, we are consistently developing further from a machine builder to an integrated solution provider in the manufacturing environment. Our mission: "Empower our customers in manufacturing and digitization".

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

The following table provides an overview of key financial and performance indicators of DMG MORI AKTIENGESELLSCHAFT. [→ A.01]

DMG MORI AKTIENGESELLSCHAFT successfully concluded financial year 2020. Sales revenues were slightly below planed budget due to adjustments made to offset cost allocations to subsidiaries. EBIT was higher than the forecast in financial year 2020, mainly due to income from the sale of shares as well

| A.01 \| KEY FINANCIAL PERFORMANCE INDICATORS OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMMERCIAL CODE – HGB) | actual 2019 | plan 2020 | actual 2020 |
|---|---|---|---|
| Sales revenues | € 16.1 million | around € 13.0 million | € 12.2 million |
| EBIT | € -27.4 million | around € -38.0 million | € -14.2 million |
| Investments in fixed assets / Intangible assets | € 1.9 million | around € 2.0 million | € 0.6 million |
| Number of employees (annual average) | 86 | nearly unchanged | 87 |

as from unplanned foreign exchange gains and cost savings. Capital expenditures for intangible assets and in particular property, plant and equipment were lower than forecast due to cost savings. The average number of employees rose marginally year-on-year.

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

↗ business report information not reviewed for content

**Corporate Governance**

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

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

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

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

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

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

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

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

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

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

**Responsibility Management of Opportunities and Risks**

We believe that good corporate governance involves extensive and systematic management of risks and opportunities as part of corporate management. The risk and opportunity management system of DMG MORI AKTIENGESELLSCHAFT is an integral part of the group's current risk and opportunity management systems.

Within the opportunity management system of the DMG MORI group, we mainly focus on key individual opportunities, macroeconomic and industry-specific opportunities, as well as corporate strategic and performance opportunities.

Our group-wide risk management system comprises an early warning system, an internal control system (ICS), in accordance with German and Japanese legal requirements, and corporate insurance management.

Our group-wide early warning system allows us to identify and manage risks to future development using a forward-looking approach. The risks identified, assessed and managed are situations whose inherent potential risk is defined by prevailing environmental conditions and which are correctly identified, assessed and managed.

Our early warning system consists of five key components:

› A company-specific risk management manual,
› a corporate risk management officer at DMG MORI AKTIENGESELLSCHAFT level,
› local risk management officers at each group company,
› sector-specific risk assessments including the evaluation and prioritization of individual risks, and
› and the risk reporting system at group and subsidiary level with corresponding ad hoc reporting on material risks.

The early warning system within the DMG MORI group is structured in such a way that material risks are systematically identified, assessed, aggregated, monitored and reported throughout the group.

The risks of individual business units are identified on a regular basis using defined risk areas. All potential risks identified are analyzed and evaluated using quantitative measures. This also includes taking into account risk reduction measures. Risks threatening the existence of the group are reported immediately and not in the regular reporting cycle.

In order to present the overall risk situation of the group, individual local and corporate risks, as well as group effects, are identified and aggregated. The aggregate expected value from the risks identified and assessed for the group is compared with the group's current equity and used to calculate the group's risk-bearing capacity. This is a key risk indicator.

The Executive and Supervisory Boards are informed at regular intervals about the group's current overall risk situation and that of individual business units. They hold extensive discussions on the reasons for the current risk situation and the appropriate measures taken.

The early warning system set up by the Executive Board in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) is reviewed by the auditors, continuously developed within the group and adjusted on a regular basis in line with changing conditions.

The DMG MORI group's current internal control system (ICS) is used to mitigate or eliminate manageable risks in business processes in day-to-day operations. Based on an annually updated analysis and documentation of essential business processes, manageable risks are identified and eliminated or reduced to an acceptable level by developing the group's organizational and operating structure and implementing adequate control activities. This is supported by the group' s current internal guidelines and instructions as part of the ICS. The effectiveness of the ICS is assessed on the basis of annual management testing. The results are reported to the Executive and Supervisory Boards. The ICS of DMG MORI AKTIENGESELLSCHAFT is structured to comply with both the requirements of German stock corporation law and those of the "Japanese Financial Instruments and Exchange Act" (J-SOX/Naibutousei).

Another aspect of risk management is the DMG MORI group's corporate insurance management, which strategically defines and hedges economically viable insurable risks across the group in close collaboration with DMG MORI COMPANY LIMITED.

### Cooperation between the Executive Board and Supervisory Board

The Executive Board and Supervisory Board work closely in the best interest of the company. The Executive Board coordinates the strategic direction of the company with the Supervisory Board and informs the Supervisory Board regularly, timely and comprehensively about all questions pertaining to the strategy, business development, risk position, risk management and compliance that are of relevance for the company. Any deviations in the course of business from the established plans and goals adopted by the group are investigated and explained. The Executive Board forwards the half-year reports and quarterly releases to the Finance and Audit Committee and discusses these reports and releases with the Finance and Audit Committee before their publication. The Articles of Association and the Rules of Procedure require the Supervisory Board's approval for a wide range of business transactions proposed by the Executive Board. The remuneration of the members of the Supervisory Board and also of the Executive Board are described in detail in the remuneration report.

### Objectives in the Composition of the Supervisory Board

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

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

- › Consideration of employees from significant areas of DMG MORI on the employee side;
- › Consideration of knowledge of DMG MORI and of markets of particular importance to DMG MORI, as well as of technical contexts and in the management of technologies;
- › Consideration of special knowledge and experience in the application of accounting principles, internal control procedures and compliance processes;
- › At least two male and two female Supervisory Board members should be among the shareholder representatives as well as the employees' representatives;
- › A least 50 % of all Supervisory Board members should be independent;
- › Avoiding conflicts of interest;
- › An upper age limit of 70 years at the time of election to the Supervisory Board should be observed; limit of five office terms;
- › Nominations for future composition of the Supervisory Board should also orient themselves, in particular, to the interests of the company, while observing the aforementioned objectives.

The re-election of the Supervisory Board in May 2018 meant that the Supervisory Board again complied with its voluntary commitment of setting a gender quota in financial year 2020. It also adhered to its voluntary commitment to ensure the independence of at least 50 % of the Supervisory Board members.

### Diversity

The diversity culture lived at DMG MORI allows our employees for example to become involved in the Group's international projects. This cultural exchange promotes personnel diversity and increases performance. At DMG MORI, all employees and job applicants are held in high esteem irrespective of their nationality or ethnic origin, gender, age, religion, sexual orientation or physical impairments. The Executive Board has manifested this equal opportunity policy in the form of the DMG MORI Code of Conduct.

### Statutory Gender Quota Requirements

Taking into account the Act on Equal Participation of Men and Women in Executive Positions in Private Business and the Public Sector, the Supervisory Board on 30 November 2017 adopted a resolution that provides for a quota of 20 % of the Executive Board of DMG MORI AKTIENGESELLSCHAFT to be filled with female members by no later than 30 June 2022.

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

### Prevention of Conflicts of Interest

The Executive Board and the Supervisory Board are obliged to act in the best interest of the company. The members of the Executive Board and of the Supervisory Board are prohibited from pursuing personal interests in their decisions and in connection with their office, from pursuing business opportunities the company is entitled to for their own interests, and from granting undue advantages to other persons. Conflicts of interest that may arise from these and other situations must be disclosed to the Supervisory Board without delay. The Supervisory Board must assess these conflicts and grant its approval were adequate. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and on how they are dealt with.

### Shareholders and Annual General Meeting

Our shareholders exercise their rights at the occasion of the Annual General Meeting. The Annual General Meeting adopts resolutions, inter alia, on the granting of discharge to the Supervisory Board and Executive Board, as well as on the election of the auditor of the annual financial statements and proposed amendments of the Articles of Association. Shareholders may exercise their voting right in person. Shareholders who are unable to personally attend a physical Annual General Meeting are offered the option of appointing an authorized representative of their choosing to exercise their voting rights on their behalf, or to assign them to a proxy who must exercise them in accordance with their instructions. For virtual Annual General Meetings – as for the first time during the corona pandemic – we offer our shareholders other ways of exercising their rights within the legal possibilities. It is also possible to obtain information about the Annual General Meeting timely from the Internet. All documents and information are made available to our shareholders on our website well ahead of the meeting date.

### Transparency

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

### Compliance

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

### Accounting and Annual Audit

For the year under review, DMG MORI and financial auditing firm PwC PricewaterhouseCoopers, Bielefeld, agreed that the Chairman of the Supervisory Board and the Chairman of the Finance and Audit Committee shall be informed promptly about any reasons for exclusion or bias that arise during the audit and cannot be remedied. In addition, the auditor shall also immediately report any findings and events that arise during the audit of the financial statements and consolidated financial statements that have a significant bearing on the work of the Supervisory Board. Moreover, the auditor informs the Supervisory Board, or points out in the audit report, any circumstances that are inconsistent with the declaration of conformity issued by the Executive Board and Supervisory Board under the Corporate Governance Code.

### Share Ownership of the Executive Board and Supervisory Board Members

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

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

### Supervisory Board and Committees

Pursuant to the articles of association, the Supervisory Board comprises twelve members. In accordance with the German Codetermination Act (Mitbestimmungsgesetz), there are six employee representatives, one of whom represents the executive staff, in addition to the six shareholders' representatives on the Supervisory Board. All Supevisory Board members (shareholders' representatives and employees' representatives) were elected until the end of the Annual General Meeting that will pass a resolution on the approval of the actions of the Supervisory Board for financial year 2022.

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

The Supervisory Board held four meetings in financial year 2020. The Supervisory Board also reported on the scope of its work in the report of the Supervisory Board in the group annual report.

Three Supervisory Board committees of DMG MORI AKTIENGESELLSCHAFT held meetings in financial year 2020. The Finance and Audit Committee, the Personnel, Nomination and Remuneration Committee, and the Related Party Transactions Committee held meetings. The Supervisory Board established the Related Party Transactions Committee at its meeting on 9 March 2020. The purpose of this committee is to review specific business transactions with related parties under the aspect of good corporate governance in accordance with the Act Implementing the Shareholders' Rights Directive ("ARUG II"). The committee held two meetings in the reporting year. The Supervisory Board reports on the scope of its work in the committees in its Report of the Supervisory Board in the Group Annual Report.

## Remuneration Report

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

### Remuneration of the Supervisory Board

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

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

The remuneration for committee work totaled € 235,033 (previous year: € 162,000) and took into consideration the work in the Finance and Audit Committee, in the Personnel, Nomination and Remuneration Committee and in the Related Party Transactions Committee that exists since 10 March 2020. The individual committee members were entitled to € 18,000 each. The committee chairpersons received an additional fixed remuneration of € 18,000.

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

### A.02 | REMUNERATION OF THE SUPERVISORY BOARD AND COMMITTEE MEMBERSHIPS

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

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

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

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

## Executive Board Remuneration

### Objective

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

### Essential elements of the remuneration system

The system's fundamental structure abides by the following **guiding principles:**

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

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

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

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

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

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

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

### Procedure for the determination of the remuneration of the Executive Board

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

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

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

### Components of the remuneration system for 2020

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

### a) Fixed remuneration components:

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

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

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

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

### b) Variable remuneration components:

The variable, performance-based remuneration consists of a short-term and a long-term component – the STI (short-term incentive) and the LTI (long-term incentive). The actual amount of the variable remuneration depends on the attainment of financial and non-financial performance parameters. These parameters are derived from operational as well as strategic targets. At DMG MORI AKTIENGESELLSCHAFT, the focus is on securing and increasing the company's commercial success and goodwill in all relevant manifestations. This is intended to sustainably strengthen the earnings and market position of DMG MORI AKTIENGESELLSCHAFT. Another objective is to incentivize a profitable and efficient sustainable management of business affairs. In addition to traditional earnings indicators, this also considers targets that are essential for the sustainable development of the company, e.g. the improvement of service and an optimized market position. The performance criteria are determined on the basis of performance indicators that are suitable and established in the company.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Maximum remuneration limits

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

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

### Malus and clawback provisions

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

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

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

### Early resignation of Executive Board members

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

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

### Secondary appointments of Executive Board members

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

### Loans to Executive Board members

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

### Remuneration of the Executive Board for financial year 2020

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

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

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

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

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

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

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

Former members of the Executive Board and their surviving dependents were paid € 1,434 K in pension benefits (previous year: € 1,287 K). The amount of pension obligations for former Executive Board members and their surviving dependents was € 26,081 K (previous year: € 25,790 K).

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

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

**A.03 | REMUNERATION AND INFLOW FOR THE FINANCIAL YEAR (INCL. WAIVER)**
in € K

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

## A.03 | REMUNERATION AND INFLOW FOR THE FINANCIAL YEAR (INCL. WAIVER)

in € K

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

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

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

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

## A.04 | ALLOCATED GRANTS

in € K

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

1) Payments for pension provisions as defined contribution

**A.04 | ALLOCATED GRANTS**
in € K

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

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

1) Payments for pension provisions as defined contribution

## Research and Development

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

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

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

- consistent initiatives regarding sustainability (GREENMACHINE, GREENMODE, GREENTECH),
- First Quality for maximum customer satisfaction,
- Service Excellence amongst others with "*my* DMG MORI" customer portal and integrated service and maintenance through the upgrade to WERKBLiQ,
- Technology Excellence through industry-specific development of future-oriented and integrated production solutions (Aerospace, Automotive, Die & Mold, Medical and Semiconductor).

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

Our research and development activities are decentralized and coordinated by a central product development body. This structure enables the development of the highest level of product competence, while at the same time opening up synergy effects through cross-plant cooperation. We are creating further synergies through our annual worldwide development conference: At the "Global Development Summit" in October, over 500 international experts from "Global One Company" developed new product ideas for the first time digitally.

# Economic Report

## Overall economic development

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

## Development of the Machine Tool Industry

### International development

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

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

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

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

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

**German Machine Tool Industry**

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

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

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

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

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

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

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

## Results of Operations, Net Worth and Financial Position

The result of DMG MORI AKTIENGESELLSCHAFT was essentially determined by the income from financial assets amounting to € 51.3 million (previous year: € 156.3 million). These resulted from profit transfers of DMG MORI Vertriebs und Service GmbH in the amount of € 3.7 million (previous year: € 53.7 million) and GILDEMEISTER Beteiligungen GmbH in the amount of € 47.6 million (previous year: € 102.6 million).

Overall, DMG MORI AKTIENGESELLSCHAFT finished the year with EBIT before profit transfer of € -14.2 million (previous year: € -27.4 million) and EBT before profit transfer of € 39.6 million (previous year: € 131.5 million). EAT amounted to € 27.1 million (previous year: € 95.7 million), which will be transferred to DMG MORI GmbH due to the domination and profit transfer agreement. The tax expense of € 12.6 million (previous year: € 35.7 million) comprises the taxes incurred by DMG MORI GmbH, Bielefeld, amounting to € 13.1 million (previous year: € 32.3 million) as a result of the tax compensation agreement.

In the reporting year, sales revenues (group cost allocations and rents) amounted to € 12.2 million (previous year: € 16.1 million). Other operating income rose by € 14.7 million to € 43.2 million (previous year: € 28.5 million). It includes an accounting profit on the sale of shares in Magnescale Co. Ltd, amounting to € 8.4 million and and exchange rate gains of € 28.4 million (previous year: € 22.2 million) from the measurement of receivables and liabilities denominated in a foreign currency and the measurement of forward exchange transactions. The exchange rate gains are offset by corresponding losses. The net foreign exchange gain in the financial year was € 3.9 million (previous year: foreign exchange gain of € 5.4 million). These effects result from hedges entered into by DMG MORI AKTIENGESELLSCHAFT.

The cost of purchased services mainly related to the maintenance of land and buildings at the Bielefeld site. At € 2.3 million, this was a marginal increase € 0.2 million higher than the previous year (€ 2.1 million).

Personnel expenses fell by € 3.6 million to € 19.8 million (previous year: € 23.4 million). This reduction is mainly due to the reduction in variable executive remuneration and the voluntary waiver of some components in the basic remuneration package.

The operating expenses increased by € 2.1 million from € 42.9 million to € 45.0 million. This increase is mainly due to higher exchange rate losses of € 7.7 million to € 24.5 million (previous year: € 16.8 million). The exchange rate losses are the result due to the valuation of receivables and liabilities in foreign currency and valuation losses from forward exchange contracts, which were compensated by offsetting effects in other operating income. On balance, the result in the reporting year was a profit in the amount of € 3.9 million (previous year: profit in the amount of € 5.4 million). Adjusted for the effect of foreign exchange losses, DMG MORI AKTIENGESELLSCHAFT reduced other operating expenses by € 5.6 million. This was mainly due to cost savings of € 2.3 million for other third-party services, € 1.0 million for travel expenses, € 0.7 million for consulting services and a further € 1.6 million in savings for other operating expenses.

Income from investments due to the profit and loss transfer agreements with the subsidiaries decreased from € 156.3 million in the previous year to € 51.3 million in the reporting year.

At € 2.6 million, the financial result was on par with the previous year.

The reported tax expense of € 12.6 million (previous year: € 35.7 million) is primarily attributable to expenses resulting from tax allocations in the amount of € 13.1 million (previous year: € 32.3 million), revenues resulting from deferred tax allocations of € 1.1 million (previous year: revenue in the amount of € 1.9 million) and taxes for previous years.

The balance sheet total as of 31 December 2020 fell by 7.9 % to € 1,740.3 million (previous year: € 1,889.9 million).

Fixed assets were down from € 792.9 million to € 754.8 million in financial year 2020. This includes the sale of shares in Magnescale Co., Ltd. with a residual carrying amount of € 36.1 million to DMG MORI COMPANY LIMITED at a selling price of € 44.5 million. An unbiased external report was used to determine the purchase price.

The € 112.1 million decrease in current assets to € 967.7 million is mainly related to the reduction in amounts owed by affiliated companies, which fell by € 92.1 million to € 906.9 million. Bank balances were down by € 19.8 million to € 52.5 million.

On the liabilities side, equity remained unchanged at € 921.2 million. The equity ratio rose to 52.9 % (previous year: 48.7 %). The share capital has remained unchanged at € 204,926,784.40 and is divided into 78,817,994 no-par shares.

Provisions decreased by € 5.4 million to € 25.2 million (previous year: € 30.6 million) compared to the previous year. The € 5.5 million decrease is mainly due to other provisions. This includes a share of € 5.1 million for management bonuses. Provisions for pensions decreased by € 0.2 million to € 6.5 million (previous year: € 6.7 million).

Liabilities fell to € 793.9 million (previous year: € 938.1 million). These mainly relate to amounts owed to affiliated companies, which fell by € 143.4 million to € 791.0 million. This reduction is mainly due to financial settlements, which fell by € 139.5 million from € 917.6 million to € 778.1 million. This includes the profit transfer to DMG MORI GmbH of € 27.1 million (previous year: € 95.7 million). With effect from 1 January 2017, a tax allocation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The liabilities incurred from this agreement in the amount of € 13.1 million (previous year: € 32.3 million) are also included in this item. The item also includes trade creditors to affiliated companies amounting to € 12.9 million (previous year: € 16.7 million). As in the previous year, there were no amounts owed to banks.

DMG MORI AKTIENGESELLSCHAFT covers the capital requirements from operating cash flow, cash and cash equivalents, and short- and long-term loans. Committed credit lines totaled € 761.8 million in financial year 2020 (previous year: € 850.7 million). These comprise a € 200 million cash tranche, a € 300 million guarantee tranche, other guarantee lines amounting to € 87.3 million, and € 167.5 million in factoring agreements. A significant component of the credit facility is a syndicated credit line totaling € 500 million with an original maturity date of February 2022. In April 2020, this outstanding syndicated credit line was extended early with more favorable terms to February 2025. The syndicated credit line still consists of a revolving cash tranche of € 200 million and a guarantee tranche of € 300 million. The syndicated loan bears interest at the current money market rate (1 to 6-month Euribor) plus an interest mark-up. This interest mark-up may change depending on group key figures. The cash tranche has not been used as of 31 December 2020.

Factoring is still a key component in our financing mix. Besides the financing effect, this also enables us to optimize our receivables management processes. DMG MORI needs guarantee lines for its operating business, in order to issue guarantees for advance payments and warranties.

This financing mix allows us to draw on enough credit lines to provide the liquidity we need for our business. Our syndicated loan agreement requires us to comply with a customary covenant. The group complied with this covenant on a quarterly basis and as of 31 December 2020.

The DMG MORI group is financed centrally. Local financing is only used in individual cases if group financing is not favorable due to statutory terms and conditions. Cash pooling is used to ensure that the cash surpluses of subsidiaries can be allocated within the group in a cost-effective way. Risks from derivatives are presented in the notes.

## Employees

On 31 December 2020, DMG MORI AKTIENGESELLSCHAFT had 84 employees (previous year: 87 employees). As of 31 December 2020, DMG MORI AKTIENGESELLSCHAFT was organised in three executive units, which are as follows:

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

## Overeall Statement of the Executive Board on Financial Year 2020

DMG MORI AKTIENGESELLSCHAFT successfully concluded financial year 2020. Sales revenue was slightly below the budgeted figure due to adjustments to the allocation charged to subsidiaries. EBIT improved significantly to € -14.2 million (previous year: € -27.4 million) compared to the previous year. The earnings of group subsidiaries experienced a decline in financial year 2020, resulting in a lower profit transfer to DMG MORI AKTIENGESELLSCHAFT. The sale of shares in an affiliated company resulted in a one-time effect of € 8.4 million in EBIT. DMG MORI AKTIENGESELLSCHAFT closes the financial year with earnings after tax of € 27.1 million (previous year: € 95.7 million), which will be transferred to DMG MORI GmbH.

# Opportunities and Risk Management Report

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

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

## Opportunity Management System (OMS)

Opportunities are systematically identified and analyzed within the DMG MORI group's risk and opportunity management system. Besides annual and medium-term planning, we also continually create rolling forecasts (RFC). We define any positive deviations from the latest RFC within a twelve-month assessment period as operating opportunities. Our global Customer Relationship Management (CRM) system also allows us to document and analyze our sales and service activities in Machine Tools and Industrial Services. Our OMS is based on a large number of early operating indicators, such as market potential, order intake, and trade fair evaluations. This allows us to selectively manage our sales and service activities and systematically exploit opportunities. We also continuously monitor our markets and thus identify macroeconomic and industry-specific opportunities at an early stage.

Other opportunities are also identified by our operational management. The opportunities identified are discussed with the Executive Board, resulting in the development of strategies.

As a holding company, DMG MORI AKTIENGESELLSCHAFT partakes in the opportunities of its subsidiaries. These are described in detail in the group management report. If group subsidiaries manage to exploit their opportunities, this has a positive effect on income from financial assets and thus on the earnings of DMG MORI AKTIENGESELLSCHAFT.

## Risk Management System (RMS)

Our international business operations as a leading global manufacturer of machine tools and provider of end-to-end technology, automation and digitization solutions expose us to potential risks. Active risk management is therefore vital for DMG MORI. It ensures risks are identified, assessed and actively managed at an early stage and therefore covers all hierarchical levels within the group.

Our risk management system comprises, inter alia, an early warning system, internal control system (ICS) and corporate insurance management.

*Early warning system*

Our early warning system is based on the COSO concept and allows us to ascertain and control risks that affect the future development of our company. We define operational risk as a negative deviation from our planned earnings target (EBIT) over the next twelve months compared with the current RFC. We also allow for tax and interest rate risks. Our early warning system consists of five components:

1. the company-specific Risk Management Manual, where the system is defined,

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

3. local risk management officers at each group company who identify, analyze and communicate current risks on a decentralized basis,

4. sector-specific risk identification based on classified risk areas and a review of corresponding risk mitigation or elimination strategies, including a quantitative assessment that takes into account the risk-bearing capacity of the group and its subsidiaries,

5. risk reporting at group and subsidiary level with ad hoc reporting on risks threatening the existence of the company.

At DMG MORI, risks are determined as the sum of the maximum number of potential risks reported, assessed with their probability of occurrence (gross risks), in order to deduct the effect of risk mitigation or elimination measures (net risks). Based on the current net risks, a report is submitted to the risk management department.

The following risk categories are used for our risk assessment:

| A.05 \| PROBABILITY OF OCCURRENCE | |
|---|---|
| No risk | 0 % |
| Very low | 5 % |
| Unlikely | 25 % |
| Probable | 50 % |

Risks with a probability of occurrence of more than 50 % are either immediately recognized in the group's rolling forecast together with the net risk values or as risk provisions. Risks posing a threat to the company as a going concern are also immediately reported outside the group's reporting schedule.

Besides potential financial impact, the group's risk-bearing capacity – defined as the ratio of the expected aggregate of all risks identified, adjusted for current group effects, to the group's total equity – is also a key performance indicator.

| A.06 \| POTENTIAL FINANCIAL IMPACT | |
|---|---|
| Low | € 1 – 10 million |
| Moderate | € 10 to 25 million |
| High | € 25 million |

The potential financial impact was categorized on the basis of the prevailing risk management strategy, taking into account sales, EBIT, equity, and risk-bearing capacity.

The Supervisory and Executive Boards are informed at regular intervals about the current aggregate risk position of the group and DMG MORI AKTIENGESELLSCHAFT.

The early warning system set up by the Executive Board in accordance with Section 91 (2) of the German Stock Corporation Act (AktG) is audited by the group's external auditors.

*Internal control system (ICS)*

The ICS is designed to reduce or eliminate controllable risks in day-to-day business processes. Its purpose is to ensure the consistent implementation of the Executive Board's strategic and operating targets, to achieve business efficiency goals, and to meet statutory, standards-related, and value-based compliance requirements.

The ICS of DMG MORI is another integral part of the risk management system used throughout the group. It complies with both the statutory requirements of the German Stock Corporation Act (AktG) and the corresponding statutory requirements of the "Japanese Financial Instruments and Exchange Act" in the form of J-SOX / Naibutousei compliant documentation.

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

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

The appropriateness and effectiveness of the internal control system is evaluated based on annual management testing in the group subsidiaries and central departments of DMG MORI AKTIENGESELLSCHAFT. This is carried out by the internal audit department on the basis of random samples. The findings are reported to the Executive and Supervisory Boards The adequacy and effectiveness of the ICS is also monitored and evaluated on a random basis as part of scheduled and unscheduled audit reviews. The findings are also reported to the Executive and Supervisory Boards.

*Insurance management*
As a further component of the risk management system, DMG MORI has a corporate insurance management system, which, in close coordination with DMG MORI COMPANY LIMITED, strategically defines and implements economically viable and insurable risks throughout the group.

*Overview of the main risk areas*
As a holding company, DMG MORI AKTIENGESELLSCHAFT is also affected by the risks of its subsidiaries. These are described in detail in the group management report. The risks of group subsidiaries may have a negative impact on income from financial assets or result in expenses from write-downs of financial assets and thus affect the earnings of DMG MORI AKTIENGESELLSCHAFT.

As a holding company, the activities of DMG MORI AKTIENGESELLSCHAFT also result in the following risks which occur within the company:

| **A.07** Type of risk | Probability of occurrence | Potential financial impact |
|---|---|---|
| Corporate strategy risks | Very low | Moderate |
| Procurement and purchasing risks | Probable | Moderate |
| Personnel risks | Unlikely | Low |
| Financial risks | Unlikely | Low |
| Legal risks | Unlikely | Low |
| Tax risks | Unlikely | Low |
| Other risks | Unlikely | Low |

*Description of the individual risk areas:*
**Corporate strategy risks** are mainly incurred from the misjudgment of future technological and industry-specific developments. We counter these risks through close market and competition monitoring, regular strategy meetings with customers and suppliers, an extensive global trade fair presence, and a corporate strategy focused on innovation. The group-wide introduction of a new ERP system may lead to unforeseeable events that adversely affect the group's operating business. The current domination and profit and loss transfer agreement incurs risks to the extent that the company's business development may be affected by directives issued by DMG MORI GmbH. These do not always have to be in the sole interest of DMG MORI AKTIENGESELLSCHAFT but may be issued in the group's interest.

**Procurement and purchasing risks** may be incurred in the area of key commodities due to price increases in materials for machine tools. In addition, the high workload experienced by suppliers bears the risk of potential cost increases. Additional risks arise from potential supply bottlenecks and quality problems, particularly against the background of a further corona wave and the possible closure of supplier factories. We counteract these risks by standardizing parts and components, as well as international sourcing with at least two supplies for the essential materials, and a strengthened insourcing of key components.

**Personnel risks** exist due to our constant need for highly qualified managers and employees. If these employees are not adequately recruited and retained, the company's development may be adversely affected in the long term. We limit these risks through our 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. In this case, we cannot rule out negative effects from the coronavirus crisis. We counter this risk, in particular, through preventive occupational health care, the option of mobile work, as well as through active and holistic coronavirus management.

**Financial risks** result from our international business activities in the form of currency risks, which we assess and hedge via our currency management strategy. Full details of our currency management strategy and financial instruments can be found in the Notes under section 14 "Derivative financial instruments".

The main financing components of DMG MORI AKTIENGESELLSCHAFT are a syndicated loan, which includes a cash and a guarantee tranche and is firmly committed until February 2025, and accounts receivable securitization programs. The financing agreements include the agreement to comply with a customary covenant. DMG MORI AKTIENGESELLSCHAFT has sufficient liquidity. There is the risk that the coronavirus pandemic results in our customers being exposed to increased bad debt and insolvency risks. This may result in the recognition of value impairments, or in certain cases even credit losses.

**Legal risks** may occur, in particular, as a result of legal disputes with suppliers, authorities and former employees.

**Tax risks** may arise from tax audits resulting in additional claims due to differences in tax issue assessments. We believe that the tax and social security returns we have submitted are complete and correct.

**Other risks** regarding the financial position of DMG MORI AKTIENGESELLSCHAFT are mainly due to the recognition and measurement of financial assets. Financial assets are recognized at the lower of cost or fair value. The recoverability of the financial assets is calculated annually using the capitalized earnings method, which is based on the budget calculations of associated companies. Based on the figures calculated, no write-downs were required as of the reporting date. If the projected results are not achieved, a write-down to the lower fair value may be required. The current budget does not indicate any need for impairment in 2020.

### Overall risk assessment

We classify the risks as manageable and do not consider the continued existence of DMG MORI AKTIENGESELLSCHAFT to be at risk. Compared to the previous year, total risks have fallen marginally.

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

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

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

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

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

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

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

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

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

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

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

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

The relevant financing agreements of DMG MORI AKTIENGESELLSCHAFT, concluded in early 2016 and extended early at the beginning of 2020, are subject to the condition of a change of control (meaning the acquisition either of (i) 30 % or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT, if the participation interests of DMG MORI COMPANY LIMITED in DMG MORI AKTIENGESELLSCHAFT is or falls below 50 %, or (ii) 50 % or more of the voting rights in DMG MORI AKTIENGESELLSCHAFT (except by DMG MORI COMPANY LIMITED) or (iii) 50 % or more of the voting rights in DMG MORI COMPANY LIMITED). Thus, a change of control is precluded, provided DMG MORI COMPANY LIMITED holds more than 50 % of the voting rights in DMG MORI AKTIENGESELLSCHAFT.

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

› As at 31 December 2020, the share capital of the company amounted to € 204,926,784.40 divided into 78,817,994 no-par value bearer shares. Each share entitles to one vote and is decisive for the share in profits. The company may not exercise voting rights from treasury shares and does not participate in profits on a pro-rata basis.

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

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

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

# Forecast

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

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

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

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

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

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

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

The following table provides an overview of the budgeted values 2021 of key financial and performance indicators of the DMG MORI AKTIENGESELLSCHAF. [→ A.08]

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

Sales revenue is expected to be around € 11 million in financial year 2021, which is slightly below the previous year's level. The planned capital expenditures of around € 0.5 million for financial year 2021 mainly relate to modernization measures at the Bielefeld site. EBIT is expected to be around € -30 million in financial year 2021. The change compared with EBIT in financial year 2020 is mainly due to a special effect in financial year 2020 relating to the sale of shares in Magnescale CO., Ltd. and the resulting € 8.4 million in unrealized profit, as well as to unplanned foreign exchange gains of € 3.9 million.

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

| | actual 2019 | actual 2020 | Plan 2021 |
|---|---|---|---|
| Sales revenues | € 16.1 million | € 12.2 million | around € 11 million |
| EBIT | € -27.4 million | € -14.2 million | around € -30 million |
| Investments in fixed assets / Intangible assets | € 1.9 million | € 0.6 million | around € 0.5 million |
| Number of employees (annual average) | 86 | 87 | slight decrease |

## Overall Statement of the Executive Board on Future Business Development

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

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

Against this background, DMG MORI AKTIENGESELLSCHAFT is expecting income from investments to be below the previous year's figure. Overall, we are expecting around € -30 million in EBIT before the transfer of profits. In 2021, we are not anticipating any significant changes in net worth and financial position.

# NOTES FOR THE FINANCIAL YEAR 2020 OF DMG MORI AKTIENGESELLSCHAFT

## Notes

### A – General Declaration

The annual financial statements of DMG MORI for the year ending 31 December 2020 were prepared in compliance with the regulations stipulated in the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The registered office of DMG MORI AKTIENGESELLSCHAFT is in Bielefeld and the company is registered at the Bielefeld District Court, department B, under the registration number HRB 7144. The income statement is drawn up according to the total cost method of accounting. DMG MORI COMPANY LIMITED, Nara, is the ultimate parent company within the DMG MORI group. During the financial year, DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH concluded a domination and profit and loss transfer agreement. With effect from 1 January 2017, a tax compensation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. Explanations to the conclusion of the tax compensation agreement with DMG MORI GmbH can be found in the Notes.

### B – Accounting and Valuation Principles

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

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

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

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

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

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

Equity items are shown at their nominal value.

The measurement of pension commitments was carried out by the projected unit credit method (PUC method) based on an accounting interest rate of 2.31 % (previous year: 2.71 %) over an average 10-year period. For this purpose, the Heubeck-reference tables 2018 G were taken as a basis. Externally funded pension benefits are measured at the fair value of the plan assets. Provisions for obligations arising from partial retirement agreements include expenses for wage and salary payments to employees during the pre-retirement passive phase and for top-up payments. Furthermore, the provisions include top-up payments, which the employer cannot avoid due to a collective pay agreement or a works agreement. These provisions are accumulated proportionally from the start of the active phase of the partial retirement and measured at present value, based on an actuarial interest rate of 0.54 % (previous year: 0.71 %). Partial retirement claims are safeguarded against possible insolvency within the framework of a two-way trust relationship. To safeguard these claims, liquid funds are transferred to a contractual trust arrangement and set off against provisions for partial retirement. The remaining provisions were calculated so that they allow for all identifiable risks and contingent obligations. The measurements were made on the basis of prudent business judgement. In each case the expected probable settlement amount was taken into account. Provisions for payments on the occasion of employee jubilees are discounted at an interest rate of 1.60 % p. a. (previous year: 1.97 %).

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

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

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

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

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

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

The tax or tax relief from the tax allocation agreement is recognised in the income statement as "Expenses or income from tax allocations" under "Taxes before income and earnings". The obligation to transfer or refund tax allocations is recognised on the balance sheet in Amounts owed to or amounts owed by affiliated companies. Previously, current tax expenses were recognised in the income statement under "Taxes from income and earnings" and obligations were recognised on the balance sheet as tax provisions.

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

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

# C – Notes on the Individual Balance Sheet Items

## Assets

### 1. INTANGIBLE ASSETS AND FIXED ASSETS

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

## 2. FINANCIAL ASSETS

The changes in financial assets of DMG MORI AKTIENGESELLSCHAFT are set out in the balance sheet supplement to the notes. The companies included in the "Shares in affiliated companies" item, and the corresponding information on registered office, equity, capital shares and results as of 31 December 2020 are set out in a separate summary at the end of the notes.

In financial year 2020, the shares of Magnescale Co., Ltd. with a residual carrying amount of € 36.1 million were sold to DMG MORI COMPANY LIMITED at a selling price of € 44.5 million. An unbiased valuation report was used to determine the purchase price.

No value adjustments were made for financial assets in the financial year, as the impairment tests conducted did not identify any impairment requirement. The fair values for these tests were calculated using the discounted cash flow method.

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

› GILDEMEISTER Beteiligungen GmbH, Bielefeld

› DMG MORI Vertriebs und Service GmbH, Bielefeld

## 3. RECEIVABLE AND OTHER ASSETS

Receivables owed by affiliated companies of € 906,866 K (previous year: € 998,932 K) primarily arose from receivables from profit and loss transfer agreements and financial clearing in the amount of € 899,308 K (previous year: € 987,879 K) and trade account receivables of € 7,558 K (previous year: € 11,053 K). Receivables owed by affiliated companies includes the loan agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH amounting to € 340,000 K (previous year: € 370,000 K) plus interests of € 567 K (previous year: € 617 K). The loan bears interest at the market rate. Other assets amounted to € 8,294 K (previous year: € 8,529 K). In addition, they include receivables from derivatives of € 1,226 K (previous year: € 3,071 K) and tax refund claims from value-added tax of € 5,631 K (previous year: € 4,359 K) amongst others.

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

## 4. CASH ASSETS, BANKS BALANCES

The disclosure refers to credit balances with banks and the cash in hand value and fell to € 52,547 K (previous year: € 72,325 K).

## 5. PREPAID EXPENSES

The prepaid expenses under assets relates to payments amounting to € 1,092 K (previous year: € 936 K) before the reporting date which are expenses for the following years.

## 6. DEFERRED TAX ASSETS ALLOCATION FROM THE PARENT COMPANY

As a result of the tax allocation agreement, the company made use of the option to recognise deferred taxes as well as applying Section 274 HGB (German Commercial Code) at the level of DMG MORI AKTIENGESELLSCHAFT. The deferred tax asset allocation from the parent company results from temporary differences between the commercial and tax balance sheets. The temporary differences in value are mainly attributable to pension provisions. In financial year 2020, temporary differences in value arise from unrealized foreign currency effects, which will result in future tax charges. These are offset by future tax relief, in particular from provisions, fixed assets and inventories, resulting in a total deferred tax asset surplus.

An average tax rate of 29.8 % (previous year: 29.8 %) was used to calculate deferred tax assets. There are no tax loss carry forwards for DMG MORI AKTIENGESELLSCHAFT.

## 7. EXCESS OF PLAN ASSETS OVER PENSION LIABILITY

DMG MORI AKTIENGESELLSCHAFT has taken out appropriate reinsurance policies for certain pension obligations. As these are plan assets, the fair value of the assets was netted against the pension obligation. The costs of acquisition of the offset assets are € 16,132 K (previous year: € 16,248 K) which also affects the fair value. The settlement amount of the provision is € 14,983 K (previous year: € 14,506 K) of which € 322 K (previous year: € 401 K) pursuant to Section 67 (1) Introductory Act to the Commercial Code (EGHGB – Einführungsgesetz zum Handelsgesetzbuch) have not yet been recognised as a provision as of 31 December 2020. In conformity with the offsetting of assets and debts, income of € 468 K and expenses of € 581 K are shown balanced in interest expenses.

## Equity and Liabilities

### 8. EQUITY

#### Subscribed capital

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

This is divided into 78,817,994 no-par value bearer shares with a nominal value of € 2.60 per share.

The following statements are primarily taken from the Articles of Association of DMG MORI AKTIENGESELLSCHAFT (as of Mai 2020).

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

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

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

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

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

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

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

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

#### Capital Reserves

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

#### Retained earnings

#### Statutory reserves

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

#### Other retained earnings

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

#### Control and profit transfer agreement

DMG MORI AKTIENGESELLSCHAFT closes the year with € 27.1 million (previous year: € 95.7 million) in earnings after taxes. The earnings after taxes will be transfered to DMG MORI GmbH due to the control and profit transfer agreement.

A transfer ban of € 15,599 K (previous year: € 14,514 K) exists for € 15,599 K (previous year: € 14,514 K) in deferred tax allocation assets for the parent company as applied in accordance with Section 268 (8) HGB (Commercial Code), unless adequate, readily available reserves exist to cover the transfer ban amount. As the current, readily available other retained earnings amount of € 199,377 K (previous year: € 199,377 K) exceeds the amount of deferred tax allocation assets, a transfer ban pursuant to Section 301 AktG (Companies Act) in conjunction with Section 268 (8) HGB does not exist in this case.

The disposable amount of retained earnings means there is also no dividend limitation of € 1,894 K from the adjustment in the measurement period for the pension provisions market rate from 7 to 10 years in accordance with Section 253 (6) HGB (German Commercial Code).

## 9. PENSION PROVISIONS

The measurement of pension obligations was carried out by the projected unit credit method (PUC method). The provisions amount has been determined by taking account of trend assumptions with respect to future development of entitlements or pensions as well as of fluctuation probabilities.An actuarial interest rate of 2.31 % p.a. (previous year: 2.71 % p.a.) and a pension increase of 1.70 % p.a. (previous year: 2.0 % p.a.) have been assumed. In principle the contractually agreed pension age was used as the age for ending the financing. Within the framework of implementing the German Accounting Law Modernisation Act (BilMoG) as of 1 January 2010, DMG MORI AKTIENGESELLSCHAFT exercised the option under Sec. 67 (1) (1) of the Introductory Act on the German Commercial Code (EGHGB). Sec. 67 (1) (1) EGHGB contains the option to accumulate at least a fifteenth of the allocations to provisions determined on the basis of the revised measurement of current pensions and vested pensions rights at the latest by 31 December 2024 in each financial year. The total allocation determined as of 1 January 2010 was € 3,178 K. Of this, as in the previous year, one-fifteenth (€ 212 K) (previous year: € 212 K) was taken into the expenses. An amount of € 847 K remains from this obligation for non-established provisions for subsequent years. As of the reporting date, provisions were € 6,540 K (previous year: € 6,712 K).

Through the modification of the German Commercial Code by the Law on the Implementation of the Residential Property Loans Directive and on the Modification of Commercial Law Regulations of 11 March 2016, the average period used for the valuation of pension obligations was adjusted from 7 years to 10 years. This resulted in a difference of € 1,894 K (previous year: € 1,990 K).

## 10. PROVISIONS FOR TAXES

Tax provisions of € 3,150 K (previous year: € 2,883 K) include liabilities for trade tax of € 1,650 K (previous year: € 1,511 K) and for corporation tax of € 1,500 K (previous year: € 1,372 K) for financial year 2020 and – due to tax audits – for previous year.

## 11. OTHER PROVISIONS

Other provisions include anticipated bonus payments of € 4,968 K (previous year: € 10,116 K) and expenses for other personnel expenses in an amount of € 5,067 K (previous year: € 4,474 K).

Additionally, a provision for anticipated losses due to a negative surplus of derivatives was formed in the amount of € 75 K (previous year: € 7 K).

The provisions accrued in 2020 for outstanding invoices amounts to € 1,490 K (previous year: € 2,239 K). Additionally, other provisions include amounts for contingent liabilities of € 1,360 K (previous year: € 1,675 K), annual financial statement costs of € 655 K (previous year: € 1,002 K), provisions for Supervisory Board members' remuneration of € 893 K (previous year: € 899 K) and other provisions of € 1,010 K (previous year: € 603 K).

## 12. LIABILITIES

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

**B.02**

| in € K | Statement of financial position as of 31 Dec 2020 | Of which residual term up to 1 year | Of which residual term 1 to 5 years | Of which residual term more than 5 years | Statement of financial position as of 31 Dec 2019 |
|---|---|---|---|---|---|
| 1. Trade payables | 775 | 775 | – | – | 1,442 |
| Residual terms 31 Dec 2019 | | 1,442 | – | – | |
| 2. Liabilities to affiliated companies | 791,034 | 791,034 | – | – | 934,384 |
| Residual terms 31 Dec 2019 | | 934,384 | – | – | |
| 3. Other liabilities [1] | 2,077 | 2,077 | – | – | 2,237 |
| Residual terms 31 Dec 2019 | | 2,237 | – | – | |
| Residual terms 31 Dec 2020 | 793,886 | 793,886 | – | – | 938,063 |

1) Of which from taxes: € 348 K (previous year: € 441 K)

DMG MORI AKTIENGESELLSCHAFT has a syndicated credit line amounting to € 500.0 million in total. It consists of a cash tranche in the amount of € 200.0 million and a guarantee tranche of € 300.0 million. In April 2020, this outstanding syndicated credit line was extended early with more favorable terms to February 2025. Our syndicated loan agreement requires us to comply with a customary covenant. We complied with this covenant on a quarterly basis and as of 31 December 2020.

The financing agreements for the syndicated loan require DMG MORI AKTIENGESELLSCHAFT to comply with customary covenants. All covenants had been complied quarterly and with as of 31 December 2020.

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

The liabilities to affiliated companies in the amount of € 791,034 K (previous year: € 934,384 K) primarily resulted from liabilities from financial clearing € 778,088 K (previous year: € 917,631 K). This includes € 40,131 K (previous year: € 128,487 K) in liabilities to DMG MORI GmbH, of which € 27,063 K (previous year: € 95,742 K) relates to the transfer of profits and € 13,068 K (previous year: € 32,295 K) in taxes charged as a result of fiscal unity. Payment to DMG MORI GmbH will be made in financial year 2021. This also includes € 12,919 K (previous year: € 16,754 K) in trade payables to affiliated companies.

## 13. CONTINGENCIES AND OTHER FINANCIAL OBLIGATIONS

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

**B.03 | CONTINGENTIES**
in € K

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Guarantees | 413,237 | 574,994 |
| Warranties | 60,283 | 70,811 |
| Other off-balance sheet obligations | 387 | 2,608 |
| | **473,907** | **648,413** |

**B.04 | OBLIGATIONS FROM TENANCY AND LEASE AGREEMENTS DUE**
in € K

| | 31 Dec 2020 | 31 Dec 2019 |
|---|---|---|
| Within 1 year | 330 | 451 |
| Within 1 to 5 years | 320 | 266 |
| | **650** | **717** |

The guarantees of DMG MORI AKTIENGESELLSCHAFT include maximum amount guarantees for affiliated companies of € 25,937 K (previous year: € 30,115 K) and payment sureties of € 83,500 K (previous year: € 83,937 K). The corresponding bank liabilities are value dated as of 31 December 2020 at € 223 K (previous year: € 223 K). DMG MORI AKTIENGESELLSCHAFT was jointly and severally liable for liabilities of € 160,000 K (previous year: € 160,000 K) as of the balance sheet date.

An amount of € 13,271 K (previous year: € 15,584 K) was given as prepayment guarantees to customers of several group companies. DMG MORI AKTIENGESELLSCHAFT also has a guarantee line, which can be used to guarantee advance payment and warranties of domestic and foreign subsidiaries with secondary liability of DMG MORI AKTIENGESELLSCHAFT. As of 31 December 2020, the amount availed of was € 123,190 K (previous year: € 162,369 K).

Performance bonds fell by € 94,475 K to € 112,781 K. The decrease is mainly due to the project business of GILDEMEISTER Energy solutions GmbH.

Moreover, DMG MORI AKTIENGESELLSCHAFT has issued comfort letters for subsidiaries totalling € 25,787 K. The liabilities in this respect were valued at € 0 K as at 31 December 2020 (previous year: € 0 K).

The probability of any imminent claim by the beneficiaries based on previous experience is considered to be very slight in our estimation.

DMG MORI AKTIENGESELLSCHAFT and Haimer GmbH entered into a cooperation agreement on 7 December 2016. Its objective is the development of future joint projects. The cooperation agreement gives rise to an obligation to accept delivery for both companies, the financial liabilities of DMG MORI AKTIENGESELLSCHAFT in the amount of € 387 K (previous year: € 2,608 K) are met by the equivalent value of the products of Haimer GmbH.

## 14. DERIVATIVE FINANCIAL INSTRUMENTS

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

The notional amount corresponds to the total of all absolute sale and purchase amounts of derivative financial transactions. The fair market values disclosed correspond with the price at which

**B.05 | DERIVATIVE FINANCIAL INSTRUMENTS OF THE DMG MORI AKTIENGESELLSCHAFT**
in € K

| | Nominal volume | | Fair market value | |
|---|---|---|---|---|
| | 31 Dec 2020 | 31 Dec 2019 | 31 Dec 2020 | 31 Dec 2019 |
| Forward foreign exchange contracts | 209,824 | 265,516 | -272 | 1,900 |

third parties would assume the rights or obligations arising from the financial instruments. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions. The fair market values of the derivative financial instruments used are determined on the basis of quoted market prices or through accrual methods based on customary models.

The fair market values of the forward foreign exchange contracts are balanced at € -272 K (previous year: € 1,900 K) and comprise positive market values of € 1,228 K (previous year: € 3,250 K) and negative market values of € 1,500 K (previous year: € 1,350 K).

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

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

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

In cases where the requirements were met, the forward exchange contracts were summarized to evaluation units per currency. In doing so, the direct posting method was applied, so that € 1,226 K were recorded in other assets from derivatives and € 1,441 K in other liabilities. Additionally, a provision for anticipated losses due to a negative surplus of derivatives was formed in the amount of € 75 K (previous year: € 7 K).

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

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

**B.06 | TYPES OF HEDGES OF THE DMG MORI AKTIENGESELLSCHAFT**

| No. | Underlying transation | Nominal amount of underlying transaction | Hedged risks |
|---|---|---|---|
| 1 | Internal forward exchange progrmas (not offset): Cash flow hedges from order intake and subsidiaries' debts to suplliers | € 26,490 K | € -141 K |
| 2 | Internal group foreign currency floans (not offset) | € 147,467 K | € -215 K |

On the one hand, valuation units from external forward exchange transactions and the intragroup external forward exchange transactions with a nominal volume of € 26,490 K are formed in order to secure order intakes and payments to suppliers. The secured risk as of 31 December 2020 amounted to € -141 K (previous year: € -398 K). On the other hand, valuation units from external forward exchange transactions and intragroup foreign currency loans with a nominal volume of € 147,467 K are formed the secured currency risk as of 31 December 2020 amounted to € -215 K (previous year: € 1,727 K).

### 15. TRANSACTIONS WITH RELATED COMPANIES AND PERSONS

In financial year 2020, DMG MORI AKTIENGESELLSCHAFT only concluded transactions at customary market conditions with related companies and persons.

## D – Notes to individual Items in the Income Statement

### 16. SALES REVENUES

Sales revenues of € 12,242 K (previous year: € 16,601 K) essentially involve sales arising from the groupwide holding and services functions. Of this, Germany had € 10,939 K (previous year: € 14,708 K), the rest of Europe € 1,112 K (previous year: € 1,270 K), and the rest of world € 191 K (previous year: € 128 K).

### 17. OTHER OPERATING INCOME

Other operating income of € 43,228 K (previous year: € 28,520 K) mainly includes exchange rate gains from the measurement of receivables and liabilities in foreign currencies as well as from the valuation of forward exchange transactions totaling € 28,450 K (previous year: € 22,194 K).

This was offset by exchange rate and foreign currency losses totaling € 24,480 K (previous year: € 16,785 K), which are reported in other operating expenses.The net gain in financial year 2020 amounted to € 3,970 K (previous year: gain of € 5,408 K). This item also includes an unrealized gain on the sale of shares in Magnescale Co. Ltd. amounting to € 8,367 K.

Moreover, it includes income from cost reimbursements amounting to € 1,212 K (previous year: € 1,661 K). Income relating to other periods amounts to € 3,933 K (previous year: € 3,955 K). This includes € 3,164 K from the reversal of provisions (previous year: € 3,140 K).

## 18. PERSONNEL EXPENSES

Personnel expenses amounted to € 19,774 K (previous year: € 23,361 K). Of this amount, € 5,152 K related to total Executive Board remuneration (previous year: € 10,219 K) and was thus € 5,067 K (49.6 %) lower than the previous year. Individual performance remuneration stopped being a component of the new Executive Board remuneration system in financial year 2020 and thus amounted to € 0 K (previous year: € 1,875 K). The STI takes account of the target achievement of the Executive Board. The fair value of LTI on the granting date was € 990 K (previous year: € 2,391 K). Benefits in kind accounted for € 86 K (previous year: € 107 K). For financial year 2020, the employee pension plan expense totaled € 800 K (previous year: € 838 K).

Former members of the Executive Board and their surviving dependents received € 1,434 K (previous year: € 1,287 K) in pensions. The amount of pension obligations (entitlement cash value of future pension commitments or defined benefit obligation) for former executive board members and their surviving dependants were € 26,081 K (previous year: € 25,790 K).

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

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

**B.07 | EMPLOYEE DEVELOPMENT**

| | 2020 | 2019 |
|---|---|---|
| Salary earners (annual average) | 87 | 86 |

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

The depreciation of fixed assets and plant increased by € 876 K up to € 2,604 K (previous year: € 3,360 K).

## 20. OTHER OPERATING EXPENSES

Other operating expenses rose by € 2,144 K and amounted to € 45,030 K (previous year: € 42,886 K). Exchange rate and foreign currency losses rose by € 7,695 K from € 16,785 K to € 24,480 K. This was offset by exchange rate and foreign currency gains totaling € 28,450 K (previous year: € 22,194 K), which are reported in other operating income. The net gain in financial year 2020 amounted to € 3,970 K (previous year: gain of € 5,408 K). Adjusted for the effect of foreign exchange losses, other operating expenses were reduced by € 5,551 K as a result of cost reduction measures implemented by the company. This was mainly due to a reduction of expenses compared to the previous year of other third-party services € 4,256 K (previous year: € 7,052 K), € 3,824 K in annual report, legal and consulting expenses (previous year: € 4,824 K) € 596 K in travel and entertainment expenses (previous year: € 1,698 K), € 2,781 K in insurance premiums (previous year: € 2,909 K) and € 795 K in rent and leasing expenses (previous year: € 885 K).

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

### Auditor's fees and services

The annual auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bielefeld, was appointed to audit the annual accounts and consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT.

The fees and expenses for services provided by the PricewaterhouseCoopers GmbH auditing firm that were recognized as expenses in financial year 2020 include € 480 K for auditing services and € 40 K for other assurance services.Only services that are consistent with the engagement as auditor of the annual accounts of DMG MORI AKTIENGESELLSCHAFT were provided.

The auditors also reviewed the IFRS group reporting packages of DMG MORI AKTIENGESELLSCHAFT for the half-year report as of 30 June 2020 and the quarterly report as of 30 September 2020.

The fees for other attestation e services comprise voluntary attestation services relating to sustainability reporting, including the audit of the sustainability report.

### Remuneration of the Supervisory Board

In the financial year 2020, € 893 K (previous year: € 899 K) were allocated to provisions for Supervisory Board members' remuneration. Further details of the remuneration of the Supervisory Board are given in the Management Report.

## 21. INCOME FROM PROFIT AND LOSS TRANSFER AGREEMENTS

DMG MORI AKTIENGESELLSCHAFT achieved income from profit and loss transfer agreements of € 51,275 K (previous year: € 156,329 K) from GILDEMEISTER Beteiligungen GmbH and from DMG Vertriebs und Service GmbH DECKEL MAHO GILDEMEISTER.

### 22. OTHER INTEREST AND SIMILAR INCOME

The interest income of € 11,646 K (previous year: € 12,613 K) includes interest and guarantee commissions invoiced to related companies in the amount of € 11,640 K (previous year: € 12,609 K).

### 23. INTEREST AND SIMILAR EXPENSES

The interest expense of € 9,045 K (previous year: € 10,069 K) includes interest of € 4,571 K (previous year: € 5,943 K), which has been charged by affiliated companies as well as an interest expense from addition of accrued interest from provisions of € 117 K (previous year: € 163 K). Other interest expense mainly relates to € 1,256 K (previous year: € 2,393 K) in expenses from guarantee commissions and € 606 K (previous year: € 637 K) in interest owed to DMG MORI GmbH.

### 24. TAX ON INCOME AND EARNINGS

Taxes on income and earnings include tax income relating to other periods in the amount of € 1,708 K (previous year: expenses of € 1,467 K) and a current tax expense of € 15,363 K (previous year: € 36,139 K). Current tax expense includes € 13,068 K in taxes debited by DMG MORI GmbH, Bielefeld, due to fiscal unity and a tax amount of € 1,914 K to be paid on the compensation payment of DMG MORI GmbH in accordance with Section 16 (2) of the German Corporation Tax Act (KStG). In addition, an amount of € 1,085 K deferred tax revenue is included (previous year: € 1,869 K deferred tax revenue).

### 25. EXPENSES FROM PROFIT TRANSFER AGREEMENTS

The domination and profit and loss transfer agreement between DMG MORI AKTIENGESELLSCHAFT and DMG MORI GmbH resulted in the recognition of expenses of € 27,063 K (previous year: € 95,742 K).

## E – Other Disclosures

### 26. STATUTORY NOTIFICATION PURSUANT TO SECTION 40 WPHG

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

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

The latest declaration of conformity in accordance with Section 161 of the German Stock Corporate Act (AktG) was issued in November 2020 – just as the declarations of conformity of the previous years – and has been made permanently accessible on our website at →en.dmgmori-ag.com/corporate-communications/corporate-governance/

### 28. SUPPLEMENTARY REPORT

No significant events occurred after the reporting date. No other events occurred between the reporting date and the date the financial statements were authorized for issue by the Executive Board on 8 March 2021.The coronavirus pandemic will continue to have an impact on the business performance of the DMG MORI group in financial year 2021.

The forecast report describes the estimates and assumptions that are known to DMG MORI for the financial year. Moreover, we are currently unaware of, or are unable to quantify, any other significant effects. However, we cannot rule out the possibility of further effects during the course of the year.

### 29. GROUP AFFILIATION

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

# F – Corporate Directory

## SUPERVISORY BOARD

**Dr. Eng. Masahiko Mori**
Member of the Supervisory Board
since 6 September 2009
Nara, born 1961
Chairman
President of DMG MORI
COMPANY LIMITED, Nara

**Mario Krainhöfner**
(Employee representative)
Member of the Supervisory Board
since 16 April 2011
Pfronten, born 1964
1st Deputy Chairman
Head of Idea Management at
DECKEL MAHO Pfronten GmbH

**Ulrich Hocker**
Member of the Supervisory Board
since 11 May 2010
Düsseldorf, born 1950
Deputy Chairman
Attorney and President of Deutsche
Schutzvereinigung für Wertpapierbesitz e. V.,
› FERI AG, Bad Homburg, Deputy Chairman of the Supervisory Board
• Phoenix Mecano AG, Stein am Rhein, Switzerland, Member of the Board of Directors, Independent Lead Director

**Stefan Stetter**
(Employee representative)
Member of the Supervisory Board
since 4 May 2018
Durach, born 1968
Deputy Chairman
Head of Controlling of
DECKEL MAHO Pfronten GmbH
Senior Executives' representative

**Irene Bader**
Member of the Supervisory Board
since 24 May 2016
Feldafing, born 1979
Director Global Marketing of
DMG MORI Global Marketing GmbH, Munich
Managing Director of
DMG MORI Sport Marketing SAS, Roissy-en-France,
Executive Officer of
DMG MORI COMPANY LIMITED, Nara

**Prof. Dr.-Ing. Berend Denkena**
Member of the Supervisory Board
since 17 May 2013
Wedemark, born 1959,
Managing Director of the Institute of
Production Engineering and Machine
Tools (IFW) at Leibniz University Hanover

**Tanja Fondel**
(Employee representative)
Member of the Supervisory Board
since 19 January 2018
Frankfurt / Main, born 1976
Union Secretary, IG Metall
Management Board, Frankfurt / Main

**Dietmar Jansen**
(Employee representative)
Member of the Supervisory Board
since 17 May 2013
Memmingen, born 1965
1st Director (Managing Director) and
Treasurer of the IG Metall office Allgäu
• AGCO GmbH, Marktoberdorf, Deputy Chairman of the Supervisory Board
› ENGIE Deutschland AG, Berlin, Member of the Supervisory Board

**Prof. Dr. Annette G. Köhler, M.A.**
Member of the Supervisory Board
since 6 May 2017
Düsseldorf, born 1967
University Professor & Chair of the Accounting, Auditing & Controlling Department at
the University of Duisburg-Essen
› UniCredit Bank AG, Munich, Member of the Supervisory Board
› Villeroy & Boch AG, Mettlach, Member of the Supervisory Board (until 29.02.2020)
• DKSH Holding AG, Zurich, Member of the Board of Directors
› GEA Group AKTIENGESELLSCHAFT, Düsseldorf, Member of the Supervisory Board (since 1 October 2020)

**James Victor Nudo**
Member of the Supervisory Board
since 4 May 2018
Illinois (USA), born 1954
President of DMG MORI USA INC., Chicago
Executive Officer of
DMG MORI COMPANY LIMITED, Tokio

**Larissa Schikowski**
(Employee representative)
Member of the Supervisory Board
since 4 May 2018
Pfronten, born 1969
Member of the Works Council of
DMG MORI Global Service GmbH,
Corporate Health Manager
Sales & Service

**Michaela Schroll**
(Employee representative)
Member of the Supervisory Board
since 4 May 2018
Bielefeld, born 1976
Member of the Works Council of
GILDEMEISTER Drehmaschinen GmbH
Electrician in the Installation Department
GILDEMEISTER Drehmaschinen GmbH

## EXECUTIVE BOARD

**Dipl.-Kfm. Christian Thönes**
Bielefeld
Chairman

**Dipl.-Kfm. Björn Biermann**
Bielefeld

**Michael Horn, M.B.A.**
Bielefeld

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

## List of Shareholdings of the Cooperations

| PRODUCTION PLANTS, SALES AND SERVICE COMPANIES | | Equity[1] | | | |
|---|---|---|---|---|---|
| **Subsidiaries** | National currency | | € K | Participation quota in % | Earnings of financial year 2020[1] € K |
| GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4] | | | 257,822 | 100.0 | -16,122 |
| DECKEL MAHO Pfronten GmbH, Pfronten [3/4/5/6] | | | 83,427 | 100.0 | 0 |
| DMG MORI Ultrasonic Lasertec GmbH, Stipshausen/Idar-Oberstein [3/4/7/8] | | | 12,455 | 100.0 | 0 |
| Alpenhotel Krone GmbH & Co., KG, Pfronten [3/7] | | | 2,537 | 100.0 | -91 |
| Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7] | | | 30 | 100.0 | 1 |
| GILDEMEISTER DREHMASCHINEN GmbH, Bielefeld [3/4/5/6] | | | 24,000 | 100.0 | 0 |
| GILDEMEISTER Italiana S.r.l., Brembate die Sopra (Bergamo), Italy [5] | | | 87,177 | 100.0 | -5,043 |
| GRAZIANO Tortona S.r.l., Tortona, Italy [9] | | | 38,836 | 100.0 | 82 |
| DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9] | | | 2,805 | 100.0 | 281 |
| CARLINO FTV 3.2 S.R.L., Bozen, Italy [9] | | | 10,027 | 100.0 | -144 |
| DECKEL MAHO Seebach GmbH, Seebach [3/4/5/6] | | | 43,000 | 100.0 | 0 |
| DMG MORI Software Solutions GmbH, Pfronten [3/4/5/6] | | | 1,100 | 100.0 | 0 |
| DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6] | | | 25,000 | 100.0 | 0 |
| ISTOS GmbH, Bielefeld [3/5/6] | | | 1,000 | 85.0 | 0 |
| Ulyanovsk Machine Tools OOO, Ulyanovsk, Russia [5] | T RUB | 7,555,836 | 83,491 | 100.0 | 3,402 |
| DMG MORI Additive GmbH, Bielefeld [5/6/22] | | | 8,639 | 100.0 | 0 |
| WERKBLiQ GmbH, Bielefeld [3/5/6] | | | 1,379 | 100.0 | 0 |
| DMG MORI Digital GmbH, Bielefeld [3/5] | | | 212 | 100.0 | -26 |
| MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3] | | | 490 | 100.0 | 117 |
| MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3] | | | 205 | 100.0 | 15 |
| DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3] | | | 398,646 | 100.0 | 0 |
| DMG MORI Management GmbH, Bielefeld [3/4/10/11] | | | 24 | 100.0 | 0 |
| DMG MORI Deutschland GmbH, Leonberg [3/4/10/11] | | | 63,968 | 100.0 | 0 |
| DMG MORI München GmbH, Munich [3/4/12/13] | | | 5,000 | 100.0 | 0 |
| DMG MORI Hilden GmbH, Hilden [3/4/12/13] | | | 4,200 | 100.0 | 0 |
| DMG MORI Bielefeld GmbH, Bielefeld [3/4/12/13] | | | 2,800 | 100.0 | 0 |
| DMG MORI Berlin Hamburg GmbH, Bielefeld [3/4/12/13] | | | 5,500 | 100.0 | 0 |
| DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13] | | | 2,700 | 100.0 | 0 |
| DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13] | | | 7,000 | 100.0 | 0 |
| DMG MORI Global Service GmbH, Bielefeld [3/4/10/11] | | | 5,200 | 100.0 | 0 |
| DMG MORI Academy GmbH, Bielefeld [3/4/10/11] | | | 4,000 | 100.0 | 0 |
| DMG MORI Used Machines GmbH, Geretsried [3/4/10/11] | | | 17,517 | 100.0 | 0 |
| DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10] | | | 537,983 | 100.0 | -29,283 |

## PRODUCTION PLANTS, SALES AND SERVICE COMPANIES

| | National currency | Equity[1] | € K | Participation quota in % | Earnings of financial year 2020[1] € K |
|---|---|---|---|---|---|
| DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [14] | CHF K | 503,512 | 465,547 | 100.0 | -5,378 |
| DMG MORI Europe AG, Winterthur, Switzerland [15] | | | 114,829 | 100.0 | -1,886 |
| DMG MORI Schweiz AG, Winterthur, Switzerland [16] | CHF K | 38,489 | 35,587 | 100.0 | 1,652 |
| DMG MORI Balkan GmbH, Klaus, Austria [15] | | | 2,964 | 100.0 | 188 |
| DMG MORI Austria GmbH, Klaus, Austria [17] | | | 22,592 | 100.0 | 3,351 |
| DMG MORI Netherlands B.V., Veenendaal, Netherlands [15] | | | 8,607 | 100.0 | 531 |
| DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [15] | | | 5,067 | 100.0 | 371 |
| DMG MORI Czech s.r.o., Brno, Czech republic [15] | CZK K | 362,018 | 13,785 | 100.0 | 708 |
| DMG MORI DENMARK ApS, Copenhagen, Denmark [15] | DKK K | 24,812 | 3,333 | 100.0 | 110 |
| DMG MORI FRANCE SAS, Paris, France [15] | | | 20,667 | 100.0 | 992 |
| DMG MORI Hungary Kft., Budapest, Hungary [15] | | | 9,769 | 100.0 | 873 |
| DMG MORI IBERICA S.L., Ripollet, Spain [15] | | | 14,179 | 100.0 | 211 |
| DMG MORI Italia S.r.l., Milan, Italy [15] | | | 49,312 | 100.0 | 810 |
| DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [15] | AED K | | 3,502 | 100.0 | 495 |
| DMG MORI Saudi Arabia Maintenance Company, Riad, Saudi Arabia [21] | | | 0 | 100.0 | 0 |
| DMG MORI Israel Ltd., Tel Aviv, Israel [15] | ILS K | 0 | 0 | 100.0 | 0 |
| DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [15] | PLN K | 72,397 | 15,880 | 100.0 | 1,431 |
| DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [15] | | | 1,171 | 100.0 | 139 |
| DMG MORI Sweden AB, Gothenburg, Sweden [15] | SEK K | 121,592 | 12,101 | 100.0 | 700 |
| DMG MORI NORWAY AS, Langhus, Norway [15] | NOK K | 14,312 | 1,366 | 100.0 | 124 |
| DMG MORI Finland Oy AB, Tampere, Finland [15] | | | 3,281 | 100.0 | 152 |
| DMG MORI UK Limited, Luton, Great Britain [15] | GBP K | 27,866 | 31,132 | 100.0 | 1,651 |
| DMG MORI ROMANIA S.R.L., Bukarest, Romania [15] | RON K | 14,587 | 2,997 | 100.0 | 1,298 |
| DMG MORI BULGARIA EOOD, Sofia, Bulgaria [15] | BGN K | 1,270 | 649 | 100.0 | 30 |
| DMG MORI Istanbul Makine Ticaret ve Servis Limited Sirketi, Istanbul, Turkey [15] | TRY K | 37,695 | 4,145 | 100.0 | 2,602 |
| DMG MORI Rus OOO, Moscow, Russia [15] | RUB K | 3,943,215 | 43,572 | 100.0 | 308 |
| DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [15] | EGP K | 200 | 10 | 100.0 | 0 |
| MORI SEIKI Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [15] | EGP K | 200 | 10 | 100.0 | 0 |
| DMG MORI Africa for Trading in Machines & Services (S.A.E.), Cairo, Egypt [18] | EGP K | 13,047 | 678 | 100.0 | -133 |

| PRODUCTION PLANTS, SALES AND SERVICE COMPANIES | | Equity[1] | | | |
|---|---|---|---|---|---|
| | National currency | | € K | Participation quota in % | Earnings of financial year 2020[1] € K |
| DMG MORI Asia Pte. Ltd., Singapore [15] | | | 29,002 | 100.0 | 1,478 |
| DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [15] | CNY K | 29,004 | 3,625 | 100.0 | -352 |
| DMG MORI India Pvt. Ltd., Bangalore, India [15] | INR K | 549,064 | 6,142 | 51.0 | 710 |
| DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co. Ltd., Shanghai, China [15] | CNY K | 83,599 | 10,448 | 100.0 | 56 |
| FAMOT Pleszew Sp. z o.o., Pleszew, Poland [15] | PLN K | 672,237 | 147,454 | 100.0 | 16,257 |
| DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10] | CNY K | 136,731 | 17,088 | 51.0 | 3,726 |
| GILDEMEISTER energy solutions GmbH, Würzburg [3/10/11] | | | 9,100 | 100.0 | 0 |
| GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [19] | TRY K | -1,401 | -154 | 100.0 | -139 |
| GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [19] | | | 3,582 | 51.0 | -583 |
| GILDEMESTER LSG Solar Australia Pty Ltd., Brisbane, Australia [20] | AUD K | 690 | 435 | 100.0 | -2,075 |
| GILDEMEISTER LSG SOLAR RUS, Moscow, Russia [20] | RUB K | 103,141 | 1,140 | 100.0 | -607 |
| GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [19] | | | 1,211 | 100.0 | -1,215 |
| **Joint ventures** | | | | | |
| DMG MORI HEITEC GmbH, Erlangen [5] | | | 851 | 50.0 | -214 |
| **Associate** | | | | | |
| DMG MORI Finance GmbH, Wernau | | | 26,392 | 42.6 | 718 |
| DMG MORI HEITEC Digital Kft., Budapest, Hungary [5] | INR K | 232,638 | 641 | 49.9 | 172 |
| INTECH DMLS Pvt. Ltd., Bangalore, India [5] | INR K | 375,688 | 4,685 | 30.0 | -1,765 |
| Pragati Automation Pvt. Ltd., Bangalore, India [5] | | 2,404,368 | 26,894 | 30.0 | 746 |
| SparePartsNow GmbH, Aachen [5] | | | | 36.3 | 0 |
| Vershina Operation, LLC, Narimanov, Russia [20] | RUB K | 29,023 | 321 | 33.3 | 1,423 |

1) The figures correspond with the financial statements prepared in accordance with local regulations; they do not show the respective companies' contribution to the Consolidated Financial Statements. Foreign currencies with respect to equity were translated on reporting date.
2) with domination and profit and loss transfer agreement with DMG MORI AKTIENGESELLSCHAFT
3) The domestic subsidiary has complied with the conditions required by Section 264(3) of the German Commercial Code (HGB) regarding the application of the exemption regulations and therefore waives the disclosure of its annual financial statements and relating documents
4) The domestic subsidiary has complied with the conditions required by Section 264(3) of the German Commercial Code (HGB) regarding the application of the exemption regulations and therefore waives the preparation of a management report.
5) equity investment of GILDEMEISTER Beteiligungen GmbH
6) with domination and profit and loss transfer agreement with GILDEMEISTER Beteiligungen GmbH
7) equity investment of DECKEL MAHO Pfronten GmbH
8) with domination and profit and loss transfer agreement with DECKEL MAHO Pfronten GmbH
9) equity investment of GILDEMEISTER Partecipazioni S.r.l.
10) equity investment of DMG MORI Vertriebs und Service GmbH
11) with domination and profit and loss transfer agreement with DMG MORI Vertriebs und Service GmbH
12) equity investment of DMG MORI Deutschland GmbH
13) with domination and profit and loss transfer agreement with DMG MORI Deutschland GmbH
14) equity investment of DMG MORI Netherlands Holding B.V.
15) equity investment of DMG MORI Sales and Service Holding AG
16) equity investment of DMG MORI Europe AG
17) equity investment of DMG MORI Balkan GmbH
18) equity investment of DMG Egypt for Trading in Machines Manufactured LLC (51 %), DMG MORI Sales & Services Holding (47.7 %) and of Mori Seiki Egypt for Trading in Machines & Equipments LLC (1.3 %)
19) equity investment of GILDEMEISTER energy solutions GmbH
20) equity investment of GILDEMEISTER LSG Beteiligungs GmbH
21) equity investment of DMG MORI MIDDLE EAST FZE
22) The domestic subsidiary has satisfied the conditions required under Section 264 para.3 HGB for making use of the exemption rule and has elected to apply this exemption.

# Income Statement
## for the period 1 January to 31 December 2020

| | | Notes | 2020 € | 2019 € |
|---|---|---|---|---|
| 1. | Sales revenues | 16 | 12,241,775 | 16,105,639 |
| 2. | Other operating income | 17 | 43,228,191 | 28,519,971 |
| | | | **55,469,966** | **44,625,610** |
| 3. | Cost of materials | | | |
| | Cost of purchased services | | -2,303,737 | -2,144,519 |
| | | | **-2,303,737** | **-2,144,519** |
| 4. | Personnel expenses | 18 | | |
| | a) Wages and salaries | | -16,407,476 | -20,163,645 |
| | b) Social contributions, pensions and other benefits thereof pension plan expenses: € -1,977 K (previous year: € -1,995 K) | | -3,367,001 | -3,197,428 |
| | | | **-19,774,477** | **-23,361,073** |
| 5. | Depreciation and amortization of intangible assets and property, plant and equipment and property, plant and equipment | 19 | -2,604,498 | -3,628,645 |
| 6. | Other operating expenses thereof expenses according to Sec. 67 (1, 2) EGHGB: € -211.8 K (previous year: € -211.8 K) | 20 | -45,029,895 | -42,886,365 |
| 7. | Income from profit transfer agreements | 21 | 51,275,113 | 156,328,925 |
| 8. | Other interest receivable and similar income | 22 | 11,645,757 | 12,612,621 |
| 9. | Interest payable and similar expenses | 23 | -9,044,754 | -10,068,762 |
| 10. | Tax on income thereof tax allocation agreement: € -13,068 K (previous year: € -32,295 K) thereof deferred tax allocation revenues: € 1,085 K (previous year revenues: € 1,869 K) | 24 | -12,570,218 | -35,735,807 |
| **11.** | **Earning after tax** | | **27,063,257** | **95,741,985** |
| 12. | Expenses from profit transfer agreements | 25 | -27,063,257 | -95,741,985 |
| **13.** | **Net income / Net profit for the year** | | **0** | **0** |

# Balance Sheet
## as at 31 December 2020

| ASSETS | Notes | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|---|
| **A. Fixed Assets** | | | |
| I. Intangible assets | 1 | | |
| Industrial and similar rights and values and licences to such rights and values acquired against payment | | 52,199 | 73,820 |
| II. Tangible assets | 1 | | |
| 1. Land and buildings | | 21,807,499 | 22,772,900 |
| 2. Other equipment, factory and office equipment | | 8,152,412 | 9,123,619 |
| 3. Payments on account and construction in progress | | 270,477 | 336,466 |
| | | **30,230,388** | **32,232,985** |
| III. Financial assets | 2 | | |
| 1. Share in affiliated companies | | 717,811,748 | 753,934,482 |
| 2. Investments | | 6,657,493 | 6,657,493 |
| | | **724,469,241** | **760,591,975** |
| | | **754,751,828** | **792,898,780** |
| **B. Current Assets** | | | |
| I. Receivables and other assets | 3 | | |
| 1. Receivables from affiliated companies | | 906,866,421 | 998,931,855 |
| 2. Other assets | | 8,293,529 | 8,529,346 |
| | | **915,159,950** | **1,007,461,201** |
| II. Cash assets and bank balances | 4 | 52,546,701 | 72,325,243 |
| | | **967,706,651** | **1,079,786,444** |
| **C. Prepaid expenses** | 5 | **1,092,481** | **935,901** |
| **D. Deferred Tax Asset Allocation from the parent company (previous year: deferred tax assets)** | 6 | **15,598,536** | **14,513,923** |
| **E. Excess of Plan Assets over Pension Liability** | 7 | **1,148,320** | **1,741,568** |
| | | **1,740,297,816** | **1,889,876,616** |

| EQUITY AND LIABILITY | Notes | 31 Dec 2020 € | 31 Dec 2019 € |
|---|---|---|---|
| **A. Equity** | | | |
| I. Subscribed capital | 8 | 204,926,785 | 204,926,785 |
| II. Capital reserves | | 516,197,471 | 516,197,471 |
| III. Revenue reserves | | | |
| 1. Statutory reserves | | 680,530 | 680,530 |
| 2. Other revenue reserves | | 199,376,726 | 199,376,726 |
| | | **921,181,512** | **921,181,512** |
| **B. Provisions** | | | |
| 1. Pension provisions | 9 | 6,540,317 | 6,711,749 |
| 2. Tax provisions | 10 | 3,150,000 | 2,883,000 |
| 3. Other provisions | 11 | 15,516,935 | 21,014,127 |
| | | **25,207,252** | **30,608,876** |
| **C. Liabilities** | 12 | | |
| 1. Trade payables | | 775,375 | 1,442,402 |
| 2. Amounts owed to affiliated companies | | 791,033,503 | 934,384,331 |
| 3. Other liabilities | | 2,076,896 | 2,236,454 |
| | | **793,885,774** | **938,063,187** |
| **D. Prepaid Income** | | **23,278** | **23,041** |
| | | **1,740,297,816** | **1,889,876,616** |

Notes for the Financial Year 2020

**Fixed Asset Movement Schedule**

# Fixed Asset Movement Schedule
## as at 31 December 2020

### ACQUISITION AND PRODUCTION COSTS

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

### DEPRECIATION AND IMPAIRMENT OF VALUE

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

| as at 1 Jan 2020 | Additions | Disposals | Book Transfer | as at 31 Dec 2020 |
|---|---|---|---|---|
| | | | | |
| 18,105,619 | 9,285 | 0 | 0 | 18,114,904 |
| **18,105,619** | **9,285** | **0** | **0** | **18,114,904** |
| | | | | |
| 54,159,496 | 205,548 | 0 | 285,000 | 54,650,044 |
| 31,075,668 | 144,530 | 266,521 | 7,537 | 30,961,214 |
| 336,466 | 258,548 | 32,000 | -292,537 | 270,477 |
| **85,571,630** | **608,626** | **298,521** | **0** | **85,881,735** |
| | | | | |
| 753,934,482 | 0 | 36,122,734 | 0 | 717,811,748 |
| 6,657,493 | 0 | 0 | 0 | 6,657,493 |
| **760,591,975** | **0** | **36,122,734** | **0** | **724,469,241** |
| **864,269,224** | **617,911** | **36,421,255** | **0** | **828,465,880** |

| | | | | | Carrying amount | |
|---|---|---|---|---|---|---|
| as at 1 Jan 2020 | Additions | Disposals | Book Transfer | as at 31 Dec 2020 | as at 31 Dec 2020 | as at 31 Dec 2019 |
| | | | | | | |
| 18,031,799 | 30,906 | 0 | 0 | 18,062,705 | 52,199 | 73,820 |
| **18,031,799** | **30,906** | **0** | **0** | **18,062,705** | **52,199** | **73,820** |
| | | | | | | |
| 31,386,596 | 1,455,948 | 0 | 0 | 32,842,544 | 21,807,499 | 22,772,900 |
| 21,952,049 | 1,117,644 | 260,891 | 0 | 2,808,802 | 8,152,412 | 9,123,619 |
| 0 | 0 | 0 | 0 | 0 | 270,477 | 336,466 |
| **53,338,645** | **2,573,592** | **260,891** | **0** | **55,651,346** | **30,230,388** | **32,232,985** |
| | | | | | | |
| 0 | 0 | 0 | 0 | 0 | 717,811,748 | 753,934,482 |
| 0 | 0 | 0 | 0 | 0 | 6,657,493 | 6,657,493 |
| | | | | | **724,469,241** | **760,591,975** |
| **71,370,444** | **2,604,498** | **260,891** | **0** | **73,714,051** | **754,751,828** | **792,898,780** |

# Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting and reporting principles, the consolidated financial statements give a true and fair view of the results of operations, financial position and net worth of the group, and the group business report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Bielefeld, 8 March 2021
DMG MORI AKTIENGESELLSCHAFT
The Executive Board

Dipl.-Kfm. Christian Thönes | Dipl.-Kfm. Björn Biermann | Michael Horn, M.B.A.

*Note: This is a translation of the German original. Solely the original text in German language is authoritative.*

# Independent Auditor’s Report

**To DMG MORI AKTIENGESELLSCHAFT, Bielefeld**

## Report on the Audit of the Annual Financial Statements and of the Management Report

### Audit Opinions

We have audited the annual financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, – which comprise the balance sheet as at December 31, 2020 and the income statement for the financial year from January 1 through December 31, 2020 and the notes to the financial statements including the presentation of the recognition and measurement policies. In addition, we have audited the management report of DMG MORI AKTIENGESELLSCHAFT for the financial year from January 1 through December 31, 2020. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § [Article] 289f HGB [Handelsgesetzbuch: German Commercial Code].

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

› the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2020 and of its financial performance for the financial year from January 1 through December 31, 2020 in compliance with German Legally Required Accounting Principles, and

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

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

### Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Annual Financial Statements and of the Management Report” section of our auditor’s report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

### Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 through December 31, 2020. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

**1. Recoverability of shares in affiliated companies**

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matter:

**1. Recoverability of shares in affiliated companies**

1. In the annual financial statements of the Company shares in affiliated companies amounting to EUR 717.8 million (41.2 % of total assets) are reported under the “Financial assets” balance sheet item.

Shares in affiliated companies are measured in accordance with German commercial law at the lower of cost and fair value. The fair values are calculated using discounted cash flow models as the present values of the expected future cash flows according to the planning projections prepared by the executive directors. These projections also factor in expectations as to the future development of the market and assumptions as to the development of macroeconomic variables, as well as the expected impacts of the ongoing coronavirus crisis on the affiliated companies' business. The discount rate used is the individually determined cost of capital for the relevant financial asset. On the basis of the values determined and supplementary documentation, no write-downs were required in the financial year.

The outcome of this valuation exercise is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore subject to considerable uncertainty, including against the backdrop of the impacts of the coronavirus crisis. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's net assets and results of operations, this matter was of particular significance in the context of our audit.

2. As part of our audit, we evaluated the methodology employed for the purposes of the valuation, among other things. In particular, we assessed whether the fair values had been appropriately determined using discounted cash flow models in compliance with the relevant measurement standards. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors' detailed explanations regarding the key value drivers underlying the expected cash flows. In addition, we also assessed the executive directors' estimate as to the impact of the coronavirus pandemic on the business of the affiliated companies and evaluated how this was taken into consideration in calculating the expected cash flows. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing on the parameters used to determine the discount rate applied, and assessed the calculation model.

Taking into consideration the information available, we believe that the measurement parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of accurately measuring shares in affiliated companies.

3. The Company's disclosures relating to shares in affiliated companies are contained in section C.2 "Financial assets" to the financial statements.

### Other Information

The executive directors are responsible for the other information. The other information comprises the statement on corporate government pursuant to § 289f HGB.

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

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

› otherwise appears to be materially misstated.

### Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report.

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for monitoring the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

› Identify and assess the risks of material misstatement in the annual financial statements and in the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

› Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.

› Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

› Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

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

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

› Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

*Assurance Report in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of the Annual Financial Statements and the Management Report Prepared for Publication Purposes*

### Audit Opinion

We have performed an assurance engagement in accordance with § 317 Abs. 3b HGB to obtain reasonable assurance about whether the reproduction of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the attached electronic file "DMG MORI_AG_JA+LB_ESEF-2020-12-31.zip" and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the annual financial statements and the management report contained in the above-mentioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned electronic file beyond this reasonable assurance conclusion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from January 1 to December 31, 2020 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above.

### Basis for the Reasonable Assurance Conclusion

We conducted our assurance engagement on the reproduction of the annual financial statements and the management report contained in the above mentioned attached electronic file in accordance with § 317 Abs. 3b HGB and the Exposure Draft of IDW Assurance Standard: Assurance in Accordance with § 317 Abs. 3b HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410) and the International Standard on Assurance Engagements 3000 (Revised). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QS 1).

### Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited annual financial statements and audited management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

### Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance engagement. We also

› Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

› Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

› Evaluate the technical validity of the ESEF documents, i. e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

› Evaluate whether the ESEF documents enables a XHTML reproduction with content equivalent to the audited annual financial statements and to the audited management report.

### Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor at the annual general meeting on May 15, 2020. We were engaged by the supervisory board on November 7, 2020. We have been the auditor of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, without interruptions since financial year 2020.

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 Carsten Schürmann.

Bielefeld, March 8, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Carsten Schürmann | Christian Landau |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| (German Public Auditor) | (German Public Auditor) |

# Financial Calendar

| | |
|---|---|
| **9 March 2021** | Annual Press Conference<br>Publication of the Annual Report 2020<br>Analysts' Conference |
| **27 April 2021** | Release for the 1st Quarter 2021 (1 January to 31 March) |
| **7 May 2021** | 119th Annual General Meeting |
| **23 July 2021** | Report for the 1st Half-Year 2021 (1 January to 30 June) |
| **26 October 2021** | Release for the 3rd Quarter 2021 (1 January to 30 September) |
| **6 May 2022** | 120th Annual General Meeting |

Subject to alteration

## FORWARD-LOOKING STATEMENTS

This press release contains forward-looking statements, which are based on current estimates of the management regarding future developments. Such statements are based on the management's current expectations and specific assumptions. They are subject to risks, uncertainties and other factors, as well as to the effects of the corona pandemic, that could cause the actual circumstances including the results of operations, financial position and net worth of DMG MORI AKTIENGESELLSCHAFT to differ materially from or be more negative than those expressly or implicitly assumed or described in these statements. The business activities of DMG MORI AKTIENGESELLSCHAFT are subject to a range of risks and uncertainties, which may likewise render a forward-looking statement, estimate or forecast inaccurate.

DMG MORI AKTIENGESELLSCHAFT is strongly affected, in particular, by changes in general economic and business conditions (including margin developments in the most important business areas as well as the consequences of a recession) as these have a direct effect on processes, suppliers and customers. Due to their differences, not all business areas are affected to the same extent by changes in the economic environment; significant differences exist with respect to the timing and extent of the effects of any such changes. This effect is further intensified by the fact that, as a global entity, DMG MORI AKTIENGESELLSCHAFT operates in various markets with very different economic rates of growth. Uncertainties arise inter alia from the risk that customers may delay or cancel orders or they may become insolvent or that prices become further depressed by a persistently unfavorable market environment than that which we are expecting at the current time; developments on the financial markets, including fluctuations in interest rates and exchange rates, in the price of raw materials, in borrowing and equity margins as well as financial assets in general; growing volatility on the capital markets and a deterioration in the conditions for the credit business as well as a deterioration in the future economic success of the core business areas in which we operate; challenges in integrating major acquisitions and in implementing joint ventures and achieving the expected synergy effects and other essential portfolio measures; the introduction of competing products or technology by other companies or the entry onto the market of new competitors; a change in the dynamics of competition (primarily on developing markets); a lack of acceptance of new products and services in customer target groups of DMG MORI; changes in corporate strategy; interruptions in the supply change, including the inability of a third party, for example due to natural catastrophes, to supply pre-fabricated parts, components or services on schedule; the outcome of public investigations and associated legal disputes as well as other measures of public bodies; the potential effects of these investigations and proceedings on the business of DMG MORI AKTIENGESELLSCHAFT and various other factors.

Should one of these factors of uncertainty or other unforeseeable event occur, or should the assumptions on which these statements are based prove incorrect, the actual results may differ materially from the results stated, expected, anticipated, intended, planned, aimed at, estimated or projected in these statements. DMG MORI AKTIENGESELLSCHAFT neither intends to nor does DMG MORI AKTIENGESELLSCHAFT assume any separate obligation to update any forward-looking statements to reflect any change in events or developments occurring after the end of the reporting period. Forward-looking statements must not be understood as a guarantee or as assurances of future developments or events contained therein.

There are two companies using the name "DMG MORI": DMG MORI AKTIENGESELLSCHAFT with registered office in Bielefeld, Germany, and DMG MORI COMPANY LIMITED with registered office in Nara, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporate Act (Aktiengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

For better readability, gender-specific formulations are not used in this Annual Report. The chosen form refers equally to all persons of the female, male and diverse genders.


DMG MORI AKTIENGESELLSCHAFT

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