

DMG Mori Denmark ApS


Snaremossevej 188 A, Erritsø, 7000 Fredericia

Company reg. no. 34 07 61 54

Annual report

1 January - 31 December 2018

The annual report have been submitted and approved by the general meeting on the 24 May 2019.



Karl Martin Svårdh
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report	2
Management's review	
Company data	5
Financial highlights	6
Management's review	7
Annual accounts 1 January - 31 December 2018	
Accounting policies used	9
Profit and loss account	13
Balance sheet	14
Statement of changes in equity	16
Notes	17

Management's report

The board of directors and the managing director have today presented the annual report of DMG Mori Denmark ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Fredericia, 24 May 2019

Managing Director



Karl Martin Svårdh

Board of directors



Steffen Rolf Burghoff



Ugo Ghilardi

Independent auditor's report

To the shareholders of DMG Mori Denmark ApS

Opinion

We have audited the annual accounts of DMG Mori Denmark ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet, statement of changes in equity and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. 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 continue as a going concern.
- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Kolding, 24 May 2019

KPMG

Statsautoriseret Revisionspartnerselskab
Company reg. no. 25 57 81 98



Nikolaj Møller Hansen
State Authorised Public Accountant
mne33220

Company data

The company	DMG Mori Denmark ApS Snaremosvej 188 A Erritsø 7000 Fredericia
	Company reg. no. 34 07 61 54 Established: 23 November 2011 Domicile: Fredericia Financial year: 1 January - 31 December 7th financial year
Board of directors	Steffen Rolf Burghoff Ugo Ghilardi
Managing Director	Karl Martin Svårdh
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Jupitervej 4, st. 6000 Kolding

Financial highlights

DKK in thousands.

Profit and loss account:

	2018	2017	2016	2015	2014
Gross profit	18.547	20.423	24.807	25.770	20.733
Results from operating activities	1.933	1.270	2.333	5.510	2.337
Net financials	-584	-539	-1.551	-2.576	-1.263
Results for the year	1.026	549	558	2.085	787

Balance sheet:

Balance sheet sum	50.886	53.845	90.812	77.294	70.058
Investments in tangible fixed assets represent	96	0	240	223	0
Equity	22.121	21.095	20.546	19.988	6.713

Key figures in %:

Solvency ratio	43,5	39,2	22,6	25,9	9,6
Return on equity	4,7	2,6	2,8	15,6	12,5

The calculation of key figures and ratios does in all material respects follow the Danish Association of Finance Analysts' recommendations and does only in a few respects deviate from the recommendations.

The key figures appearing from the survey have been calculated as follows:

Equity share
$$\frac{\text{Equity, closing balance} \times 100}{\text{Assets in total, closing balance}}$$

Return on equity
$$\frac{\text{Results for the year} \times 100}{\text{Average equity}}$$

Management's review

The principal activities of the company

Like previous years, the principal activities are sale of electronically-operated turning lathes as well as spare parts and related services.

The products are sold primarily in Denmark and the Nordic countries.

Development in activities and financial matters

The gross profit for the year is TDKK 18.547 against TDKK 20.423 last year. The results from ordinary activities after tax are TDKK 1.026 against TDKK 549 last year. The management consider the results satisfactory.

Financing:

The Company's operations are financed by loans from the parent company.

The parent company will not demand early repayment of the balance due until DMG Mori Denmark ApS has sufficient financial resources to repay the balance without detriment to its ability to continue operations.

New products:

The Company did not introduce any new products in 2018.

Investments:

The Company did not make any significant investments in 2018.

Capital resources:

The capital resources are mainly presented by equity of TDKK 22.121 and debt capital TDKK 28.553.

Special risks

Financial risks:

The Company bears currency and credit risks.

Currency risks:

The Company's transactions primarily take place in DKK and EUR where the foreign exchange risks are assessed as low.

Credit risks:

The Company, in general, bear the risk of bad debt, which may result in value adjustment or in individual cases may even result in default.

The expected development

The Company expects stable development in 2019 and slightly higher results in revenue and profit compared to 2018. The Company's earnings do, however, depend on the general development in global market trends.

Management's review

Events subsequent to the financial year

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

Accounting policies used

The annual report for DMG Mori Denmark ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class C enterprises (medium sized enterprises).

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The cash flows of the entity are included in the cash flow statement of the consolidated financial statements of DMG Mori AG.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

The profit and loss account

Gross profit

The gross profit comprises the net revenue, changes in inventories of finished goods and work in progress, other operating income, and external costs.

Income from the sale of goods, comprising the sale of machinery, spare parts and services is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, bad debts, payments under operating leases etc.

Accounting policies used

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, and amortisation of financial assets and liabilities, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Goodwill

Goodwill is amortised over its estimated useful life, which is determined on the basis of the management's experience with the individual business areas. Goodwill is amortised on a straight-line basis over the amortisation period, which is estimated at 20 years. The amortisation period is determined on the basis of an expected payback period, being the longer for strategical acquirees with a strong market position and an expected long-term earnings profile.

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	<i>Useful life</i>	<i>Residual value</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>3-5 years</i>	<i>0 %</i>

Accounting policies used

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

At the first recognition in the balance sheet, leasing contracts concerning tangible fixed assets by which the company holds all essential risks and advantages attached to the proprietary right (financial leasing) are measured either at fair value or at the present value of the future leasing services, whichever value is lower. When calculating the present value, the internal interest rate of the leasing contract or alternatively the borrowing rate of the enterprise is used as discount rate. Afterwards, financially leased assets are treated in the same way as other similar tangible assets.

The capitalised residual leasing liability is recognised in the balance sheet as a liability, and the interest part of the leasing contract is recognised in the profit and loss account over the term of the contract.

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Impairment of fixed assets

The book values of both intangible and tangible fixed assets are reviewed for impairment in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Accounting policies used

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 January - 31 December

DKK in thousands.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Gross profit	18.547	20.423
1 Staff costs	-15.248	-17.739
2 Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	<u>-1.366</u>	<u>-1.414</u>
Results before net financials	1.933	1.270
3 Other financial costs	<u>-584</u>	<u>-539</u>
Results before tax	1.349	731
4 Tax on ordinary results	<u>-323</u>	<u>-182</u>
5 Results for the year	<u>1.026</u>	<u>549</u>

Balance sheet 31 December

DKK in thousands.

Assets			
Note		2018	2017
Fixed assets			
6	Goodwill	16.371	17.609
	Intangible fixed assets in total	16.371	17.609
7	Other plants, operating assets, and fixtures and furniture	99	131
	Tangible fixed assets in total	99	131
	Fixed assets in total	16.470	17.740
Current assets			
	Manufactured goods and trade goods	6.270	11.193
	Inventories in total	6.270	11.193
	Trade debtors	14.894	14.940
	Amounts owed by group enterprises	11.055	7.641
	Other debtors	500	1.949
	Debtors in total	26.449	24.530
	Available funds	1.697	382
	Current assets in total	34.416	36.105
	Assets in total	50.886	53.845

Balance sheet 31 December

DKK in thousands.

Equity and liabilities			
<u>Note</u>		<u>2018</u>	<u>2017</u>
Equity			
	Contributed capital	818	818
	Results brought forward	21.303	20.277
	Equity in total	22.121	21.095
Provisions			
8	Provisions for deferred tax	449	126
	Provisions in total	449	126
Liabilities			
	Prepayments received from customers	8.426	8.267
	Trade creditors	3.246	1.364
	Debt to group enterprises	12.898	20.787
	Other debts	3.746	2.206
	Short-term liabilities in total	28.316	32.624
	Liabilities in total	28.316	32.624
	Equity and liabilities in total	50.886	53.845

9 Contingencies

10 Related parties

Statement of changes in equity

DKK in thousands.

	Contributed capital	Results brought forward	In total
Equity 1 January 2018	818	20.277	21.095
Profit or loss for the year brought forward	0	1.026	1.026
	818	21.303	22.121

Notes

DKK in thousands.

	2018	2017
1. Staff costs		
Salaries and wages	13.875	15.828
Pension costs	1.001	1.192
Other costs for social security	140	178
Other staff costs	232	541
	15.248	17.739
Average number of employees	21	24
In accordance with section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.		
2. Depreciation, amortisation and writedown relating to tangible and intangible fixed assets		
Amortisation of goodwill	1.238	1.238
Depreciation on plants, operating assets, fixtures and furniture	128	176
	1.366	1.414
3. Other financial costs		
Financial costs, group enterprises	492	360
Other financial costs	92	179
	584	539
4. Tax on ordinary results		
Adjustment for the year of deferred tax	323	182
	323	182
5. Proposed distribution of the results		
Allocated to results brought forward	1.026	549
Distribution in total	1.026	549

Notes

DKK in thousands.

	31/12 2018	31/12 2017
6. Goodwill		
Cost 1 January 2018	24.755	24.755
Cost 31 December 2018	24.755	24.755
Amortisation and writedown 1 January 2018	-7.146	-5.908
Amortisation for the year	-1.238	-1.238
Amortisation and writedown 31 December 2018	-8.384	-7.146
Book value 31 December 2018	16.371	17.609

Depreciated over 20 years.

Goodwill relates to activities in former branches of DMG and Mori Seiki, which were transferred to the Company in connection with the establishment of the Company in 2011/12. The goodwill is depreciated over 20 years, as this is assessed to be the time it will take to establish a similar business with the same rights.

7. Other plants, operating assets, and fixtures and furniture

Cost 1 January 2018	2.247	2.247
Additions during the year	96	0
Cost 31 December 2018	2.343	2.247
Amortisation and writedown 1 January 2018	-2.116	-1.940
Depreciation for the year	-128	-176
Amortisation and writedown 31 December 2018	-2.244	-2.116
Book value 31 December 2018	99	131

Depreciated over 3-5 years.

Notes

DKK in thousands.

	<u>31/12 2018</u>	<u>31/12 2017</u>
8. Provisions for deferred tax		
Provisions for deferred tax 1 January 2018	126	-56
Deferred tax of the results for the year	<u>323</u>	<u>182</u>
	<u>449</u>	<u>126</u>

Deferred tax mainly relates to intangible assets and tax losses carried forward.

9. Contingencies

Contingent liabilities

Rent obligations falling due within one year amount to TDKK 101.

Lease obligations (operating leases) falling due within five years amount to TDKK 1.062. The lease obligations falling due within one year amount to TDKK 512.

10. Related parties

Related party disclosures

DMG Mori Denmark ApS is part of the consolidated financial statement of DMG Mori Seiki Europe AG, registered office, and the consolidated financial statements of DMG Mori Aktiengesellschaft, registered office, which are the smallest and largest groups, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of DMG Mori Aktiengesellschaft can be obtained by contacting the company on the following address:

DMG MORI AKTIENGESELLSCHAFT

Gildemeisterstraße 60
D-33689 Bielefeld

Notes

DKK in thousands.

Related party transactions

	2018
Sale of goods to group companies	12.958.450
Purchase of goods from group companies	-85.948.229
Sales of services to group companies	6.152.722
Purchase of services from group companies	-1.367.695
Sales of goods to parent company	0
Purchase of goods from parent company	0
Sales of services to parent company	0
Purchase of services from parent company	-491.988
	-68.696.740

The company's balances with group enterprises at December 31, 2018 are recognized in the balance sheet. Interest income and expenses with respect to group enterprises are disclosed in note 3. Further, balances with group enterprises comprise trade balances related to the purchase and sale of goods and services.