DMG Mori Denmark ApS

Vesterballevej 24, Snoghøj, 7000 Fredericia

Company reg. no. 34 07 61 54

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 5 July 2021.

Karl Martin Svärdh
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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

Management's report

Today, the board of directors and the managing director have presented the annual report of DMG Mori Denmark ApS for the financial year 1 January - 31 December 2020.

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

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company’s assets, equity and liabilities, and financial position at 31 December 2020 and of the company’s results of activities in the financial year 1 January – 31 December 2020.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Fredericia, 5 July 2021

Managing Director

Karl Martin Svärdh

Board of directors

Steffen Rolf Burghoff	Fredrik Gedda

Independent auditor's report

To the shareholders of DMG Mori Denmark ApS

Opinion

We have audited the financial statements of DMG Mori Denmark ApS for the financial year 1 January - 31 December 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the company's activities for the financial year 1 January - 31 December 2020 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 section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, 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 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 financial statements.

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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of 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 and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 our auditor's report to the related disclosures in the financial statements 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 financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 commentary
Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Fredericia, 5 July 2021

KPMG
Statsautoriseret Revisionspartnerselskab
Company reg. no. 25 57 81 98

Nikolaj Møller Hansen
State Authorised Public Accountant
mne33220

Company information

The company	DMG Mori Denmark ApS Vesterballevej 24 Snoghøj 7000 Fredericia	
	Company reg. no.	34 07 61 54
	Established:	23 November 2011
	Domicile:	Fredericia
	Financial year:	1 January - 31 December 9th financial year
Board of directors	Steffen Rolf Burghoff Fredrik Gedda	
Managing Director	Karl Martin Svärdh	
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Vesterballevej 27, 2. 7000 Fredericia	

Financial highlights

DKK in thousands.	2020	2019	2018	2017	2016
Income statement:					
Gross profit	15.148	18.435	18.547	20.423	24.807
Profit from operating activities	1.495	2.764	1.933	1.270	2.333
Net financials	-409	-305	-584	-539	-1.551
Net profit or loss for the year	821	1.871	1.026	549	558
Statement of financial position:					
Balance sheet total	61.562	69.846	50.886	53.845	90.812
Investments in property, plant and equipment	0	23	96	0	240
Equity	24.812	23.992	22.121	21.095	20.546
Employees:					
Average number of full-time employees	17	19	21	24	27
Key figures in %:					
Solvency ratio	40,3	34,3	43,5	39,2	22,6
Return on equity	3,4	8,1	4,7	2,6	2,8

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:

Solvency ratio

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

Return on equity

$$\frac{\text{Results for the year x 100}}{\text{Average equity}}$$

Management commentary

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 totals DKK 15.148.000 against DKK 18.435.000 last year. Income or loss from ordinary activities after tax totals DKK 821.000 against DKK 1.871.000 last year. Management considers the net profit or loss for the year satisfactory.

Financing:
The company's opertations 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.

In 2020, the company’s cash and cash equivalents increased by DKK 728.820, i.e. from DKK 4.415.698 to DKK 5.144.518.

New products
The Company did not introduce any new products in 2020..

Investments
The Company did not make any significant investments in 2020.

Capital resources
The capital ressources are mainly presented by equity of TDKK 24.812 and debt capital TDKK 45.854.

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 pessimistic outlook from the COVID-19 pandemic is expected to have an adverse impact on the Company's financial performance for 2021. Due to the highly uncertain market situation, the risk of a revenue decline and credit losses attributable to COVID-19-related restrictions affecting the market for the Company's products.

Events subsequent to the financial year

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

Accounting policies

The annual report for DMG Mori Denmark ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class C enterprises (medium sized enterprises).

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Pursuant to section 86 (4) of the Danish Financial Statements Act, no statement of cash flows for the enterprise has been prepared, as the relevant information is included in the consolidated financial statements of DMG Mori AG.

Foreign currency translation

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. If currency positions are considered to hedge future cash flows, the value adjustments are recognised directly in equity in a fair value reserve.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets acquired and paid for in foreign currency are measured at the exchange rate prevailing at the date of the transaction.

Group enterprises abroad, associates, and equity investments are considered to be independent entities. The income statements are translated at an average exchange rate for the month, and the balance sheet items are translated at the closing rates. Currency translation differences, arising from the translation of the equity of group enterprises abroad at the beginning of the year to the closing rate and from the translation of income statements from average prices to the closing rate, are recognised directly in equity in the fair value reserve. This also applies to differences arising from translation of income statements from average exchange rate to closing rate.

Translation adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in equity in the fair value reserve. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised directly in equity.

When recognising foreign group enterprises which are integral units, the monetary items are translated using the closing rate. Non-monetary items are translated using the exchange rate prevailing at the time of acquisition or at the time of the subsequent revaluation or writedown for impairment of the asset. Income statement items are translated using the exchange rate prevailing at the date of the transaction. However, items in the income statement derived from non-monetary items are translated using historical prices.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

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.

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.

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, realised and unrealised capital gains and losses concerning financial assets and liabilities, and amortisation of financial assets and liabilities.

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 assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. Goodwill is amortised over the estimated useful life, which is determined on the basis of management's experience in the individual business areas. Goodwill is amortised on a straightline basis over the amortisation period, which is set at 20 years. The amortisation period is determined on the basis of an expected pay-back period, being the longer for strategical acquirees with a strong market position and an expected longterm earnings profile.

Tangible assets

Other tangible assets are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less 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 carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

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

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Other fixtures and fittings, tools and equipment	3-5 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

At their initial recognition in the statement of financial position, leases concerning property, plant, and equipment where the company holds all essential risks and advantages associated with the proprietary right (finance lease) are measured either at fair value or at the present value of the future lease payments, whichever value is lower. When calculating the present value, the discount rate used is the internal rate of return of the lease or, alternatively, the borrowing rate of the enterprise. Hereafter, assets held under a finance lease are treated in the same way as other similar property, plant, and equipment.

The capitalised residual lease commitment is recognised in the statement of financial position as a liability other than provisions, and the interest part of the lease is recognised in the income statement for the term of the contract.

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible fixed assets are subject to annual impairment tests 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 for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is the higher value of value in use and selling price less expected selling cost. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the asset group and expected net cash flows from the sale of the asset or the asset group after the end of their useful life.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

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

Receivables
Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired.If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Accounts receivable for which there is no objective indication of impairment at the individual level are evaluated at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' domicile and credit rating in accordance with the company's and the group's credit risk management policy. Determination of the objective indicators applied for portfolios are based on experience with historical losses.

Impairment losses are calculated as the difference between the carrying amount of accounts receivable and the present value of the expected cash flows, including the realisable value of any securities received. The effective interest rate for the individual account receivable or portfolio is used as the discount rate.

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 equity.

Income tax and deferred tax
Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, 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. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

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

Income statement 1 January - 31 December

DKK thousand.

Note		2020	2019
	Gross profit	**15.148**	**18.435**
1	Staff costs	-12.385	-14.392
2	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-1.268	-1.279
	Operating profit	**1.495**	**2.764**
3	Other financial costs	-409	-305
	Pre-tax net profit or loss	**1.086**	**2.459**
4	Tax on ordinary results	-265	-588
	Profit or loss from ordinary activities after tax	**821**	**1.871**
5	**Net profit or loss for the year**	**821**	**1.871**

Statement of financial position at 31 December

DKK thousand.

Note	Assets	2020	2019
	Non-current assets		
6	Goodwill	13.896	15.134
	Total intangible assets	13.896	15.134
7	Other fixtures and fittings, tools and equipment	51	81
	Total property, plant, and equipment	51	81
	Total non-current assets	**13.947**	**15.215**
	Current assets		
	Manufactured goods and trade goods	6.489	11.760
	Total inventories	6.489	11.760
	Trade debtors	21.817	29.133
	Amounts owed by group enterprises	10.398	7.908
	Other debtors	3.766	1.414
	Total receivables	35.981	38.455
	Available funds	5.145	4.416
	Total current assets	**47.615**	**54.631**
	Total assets	**61.562**	**69.846**

Statement of financial position at 31 December

DKK thousand.

Note	Equity and liabilities	2020	2019
	Equity		
	Contributed capital	818	818
	Retained earnings	23.994	23.174
	Total equity	**24.812**	**23.992**
	Provisions		
8	Provisions for deferred tax	1.303	1.038
	Total provisions	**1.303**	**1.038**
	Liabilities other than provisions		
	Prepayments received from customers	7.985	8.625
	Trade creditors	7.902	10.770
	Debt to group enterprises	15.056	19.648
	Other debts	4.504	5.773
	Total short term liabilities other than provisions	35.447	44.816
	Total liabilities other than provisions	**35.447**	**44.816**
	Total equity and liabilities	**61.562**	**69.846**

9 Contingencies

10 Related parties

Statement of changes in equity

DKK thousand.

	Contributed capital	Retained earnings	Total
Equity 1 January 2020	818	23.173	23.991
Profit or loss for the year brought forward	0	821	821
	818	**23.994**	**24.812**

Notes

DKK thousand.

		2020	2019
1.	**Staff costs**		
	Salaries and wages	11.294	13.096
	Pension costs	918	977
	Other costs for social security	103	120
	Other staff costs	70	199
		12.385	**14.392**
	Average number of employees	17	19
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	30	41
		1.268	**1.279**
3.	**Other financial costs**		
	Financial costs, group enterprises	204	179
	Other financial costs	205	126
		409	**305**
4.	**Tax on ordinary results**		
	Adjustment for the year of deferred tax	265	588
		265	**588**
5.	**Proposed distribution of the results**		
	Allocated to results brought forward	821	1.871
	Distribution in total	**821**	**1.871**

Notes

DKK thousand.

6. Goodwill

Cost 1 January 2020	24.755	24.755
Cost 31 December 2020	**24.755**	**24.755**
Amortisation and writedown 1 January 2020	-9.621	-8.383
Amortisation for the year	-1.238	-1.238
Amortisation and writedown 31 December 2020	**-10.859**	**-9.621**
Carrying amount, 31 December 2020	**13.896**	**15.134**

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 establishement 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 fixtures and fittings, tools and equipment

Cost 1 January 2020	2.366	2.343
Additions during the year	0	23
Cost 31 December 2020	**2.366**	**2.366**
Amortisation and writedown 1 January 2020	-2.285	-2.244
Depreciation for the year	-30	-41
Amortisation and writedown 31 December 2020	**-2.315**	**-2.285**
Carrying amount, 31 December 2020	**51**	**81**

Depreciated over 3-5 years.

8. Provisions for deferred tax

Provisions for deferred tax 1 January 2020	1.038	450
Deferred tax of the results for the year	265	588
	1.303	**1.038**

DKK thousand.

9. Contingencies

Contingent liabilities

Rent obligations falling due within five years amount to TDKK 2.299. The rent obligations falling due within one year amount to TDKK 388.

Lease obligations (operating leases) falling due within five tears amount to TDKK 398. The lease obligations falling due within one year amount to TDKK 1.381.

10. Related parties

Controlling interest

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 subsidary.

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

DMG MORI AKTIENGESELLSCHAFT
Gildemeisterstraße 60
D-33689 Bielefeld

Transactions

The company's balances with group enterprises at December 31, 2020 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.