DMG MORI

AKTIENGESELLSCHAFT

dynamic . excellence

Annual Report 2021

KEY FIGURES

The Consolidated Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as at 31 December 2021 were prepared in accordance with the International Financial Reporting Standards (IFRS), as they have to be applied in the European Union. This financial report refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its subsidiaries (in the following DMG MORI).

KEY FIGURES in € million	2021	2020		Changes 2021 against 2020
Order Intake	2,517.2	1,599.4	917.8	57 %
Domestic	747.4	462.0	285.4	62 %
International	1,769.8	1,137.4	632.4	56 %
% International	70	71		
Sales Revenues	2,052.9	1,831.3	221.6	12 %
Domestic	652.8	553.1	99.7	18 %
International	1,400.1	1,278.2	121.9	10 %
% International	68	70		
Order Backlog*	1,208.9	852.2	356.7	42 %
Domestic	459.8	366.2	93.6	26 %
International	749.1	486.0	263.1	54 %
% International	62	57		
EBITDA	190.8	156.7	34.1	22 %
EBIT	123.8	81.7	42.1	52 %
EBT	121.6	74.9	46.7	62 %
EAT	85.6	52.1	33.5	64 %
Free cash flow	179.9	15.7	164.2	1,046 %

	2021	2020		Changes 2021 against 2020
Employees*	6,821	6,672	149	2 %
incl. trainees	225	279	-54	-19 %

* Reporting Date 31 December

DMG MORI in brief

DMG MORI AKTIENGESELLSCHAFT is a worldwide leading manufacturer of machine tools with sales revenues of over € 2.0 billion and more than 6,800 employees. In the “Global One Company”, around 12,000 employees are in direct contact with over 100,000 customers from 55 industries. DMG MORI is present in 87 countries worldwide – with 16 production plants, 111 sales and service locations – and is actively advancing the future fields of automation, digitization and sustainability.

High-precision machine tools and sustainable technologies from DMG MORI are at the beginning of global value chains. Integrated automation and end-to-end digitization solutions extend our core business with turning and milling machines, Advanced Technologies and Additive Manufacturing. With modular products, we enable an easy, fast, scalable entry into digital manufacturing as well as end-to-end digitization. With PAYZR – PAY with Zero Risk – for Equipment-as-a-Service and Software-as-a-Service, DMG MORI is also implementing a completely digital subscription business model. Customers benefit from fast innovation cycles without risk – with maximum planning security, cost and price transparency and full flexibility. **Our mission: Empower our customers in manufacturing and digitization**!

Our technology excellence is bundled within the main sectors of Aerospace, Automotive, Die & Mold as well as Medical and Semiconductor. With the DMG MORI Qualified Products (DMQP) partner program, we offer perfectly matched peripheral products from a single source. Our customer-oriented services cover the entire life cycle of a machine tool – including training, repair, maintenance and spare parts service. With our online customer portal *my* DMG MORI, we enable digital, direct access to our service experts and digitize all service processes.

Sustainability at DMG MORI is globally and holistically oriented. Both our “**Company Carbon Footprint**” and “**Product Carbon Footprint**” are climate-neutral already today – and that along the entire supply up to the customer. **Our vision: Be the most attractive global machine tool manufacturer with digitized and sustainable products!**

VISION

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

TOP VALUES

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

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

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

MISSION

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

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04 FURTHER INFORMATION

↗ business report information not reviewed for content

ANNUAL REVIEW 2021

100 % climate-neutral. Sustainability is a part of the DNA of DMG MORI.

1ST QUARTER

Completely green

Since 2021, DMG MORI has both a CO_2-neutral "Company Carbon Footprint" and "Product Carbon Footprint". Thus all machines delivered wordwide are produced climate-neutrally – from raw material to delivery.

Live, digital and interactive

With the first completely digital open house exhibition in Pfronten, DMG MORI presents itself impressively as the future partner no. 1 – and sets new standards in the exchange with customers.

Strong partner

DMG MORI receives the "Microsoft Intelligent Manufacturing Award" in the category "Envision" for CELOS X.

2ND QUARTER

Made in China – for China

DMG MORI strengthens its presence in China. The construction start for the highly automated and fully digitized production plant near Shanghai is planned for the end of the year.

TOP event for TOP values

At the Live Strategy Information and Q&A session of the Executive Board, many employees seize the opportunity for an exchange about orientation, future fields and perspectives of DMG MORI.

Made in Africa – for Africa

Together with AOI, DMG MORI invests in Egypt. With the company "GEMAS", a highly automated and fully digitized production plant will be built in Cairo in 2024.

Live Strategy Information of the Executive Board for employees.

Digital end-to-end solutions

With PAYZR, DMG MORI realizes a completely digital subscription business model. As digital point-of-sale for all PAYZR offers in the Equipment- and Software-as-a-Service area, the new "DMG MORI Store powered by ADAMOS" launches.

Together against corona

The occupational vaccinations at DMG MORI are a big success and an important contribution towards normality. The willingness to vaccinate is very high. Every vaccination counts!

1st Half Year 2021

The strategic fit of automation, digitization and sustainability is more suitable than ever. In the 1st half of the year, DMG MORI records a highly dynamic business development with significant growth compared to the previous year.

New trade show concept for the EMO in Milan.

3RD QUARTER

Pre-EMO show

At the Pre-EMO show at DECKEL MAHO Pfronten, DMG MORI shows in total 25 completely climate-neutrally manufactured hightech machines to the over 4,000 visitors – live on site and also digitally.

DMG MORI Partner Summit

DMG MORI honors five partners for innovative and intensive cooperation with the Partner Award. Over 400 guests attend the exclusive hybrid event.

4TH QUARTER

Hybrid as "New Normal"

Starting signal for a new trade show concept: At the EMO Milano, DMG MORI presents the manufacturing of the future for the first time at two locations – in the exhibition hall & in the DMG MORI showroom.

Ground Breaking Ceremony

Ground breaking for DMG MORI Manufacturing Solutions in Pinghu: the production of the state-of-the-art plant is to start in 2023.

Global Development Summit

At the "Global Development Summit", more than 300 international TOP R&D specialists and external experts develop ideas for the future – for even better and networked machines and shop floor solutions.

Financial Year 2021

DMG MORI has emerged strengthened from the crisis and successfully finishes the financial year. The new machines business in particular develops very well. Free cash flow reaches a new record level.

Ground breaking for DMG MORI Manufacturing Solutions.

Pre-EMO show at DECKEL MAHO in Pfronten.

Report of the Supervisory Board

Dr. Eng. Masahiko Mori (60)

Chairman of the Supervisory Board
President of DMG MORI COMPANY LIMITED

Dr. Eng. Masahiko Mori (60) has been Chairman of the Supervisory Board since 4 May 2018 and a member since 2009. After studying engineering at Kyoto University in Japan, he received a doctorate from the University of Tokyo. Dr. Eng. Masahiko Mori initially worked for a Japanese trading company before joining the family company, MORI SEIKI, in 1993. Dr. Eng. Masahiko Mori has been President of DMG MORI COMPANY LIMITED since 1999.

In financial year 2021, the Supervisory Board's main focus was once again on the global impact of the corona pandemic on business performance, employees and future opportunities. It also closely examined digitization and its effect on future business models. Moreover, the Supervisory Board held in-depth discussions on business performance, earnings development, strategy as well as business policy, risk management, sustainability and compliance. Executive board matters and group development, including investments until 2024, were also addressed, as was the ongoing group-wide roll-out of SAP S/4HANA.

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

Despite the difficult circumstances resulting from the corona pandemic, the Supervisory Board again managed to hold all meetings as scheduled with full attendance of Supervisory Board members at every meeting. This also applies to committee meetings. There were only two committee meetings, where a committee member was unable to attend: Dietmar Jansen was unable to attend a meeting of the Finance and Audit Committee. Prof. Berend Denkena was unable to attend a meeting of the Committee for Transactions with Related Parties. In keeping with the recommendations on combating the corona pandemic, all meetings were initially held as video conferences. From September 2021, the Supervisory Board was able to return to in-person meetings.

During the reporting year, the Supervisory Board received prompt, regular and comprehensive updates from the Executive Board on all processes and events essential to the company, not only at meetings, but also by telephone and in writing. Moreover, the Supervisory Board was regularly notified about the company's business performance, and in particular, the progress of key company performance indicators. The company supported Supervisory Board members in individual training and advanced training programs, with members attending seminars and other events, such as workshops, and in particular, it regularly informed the whole Supervisory Board about relevant legal and other regulatory changes. The same applies to committee members. Given the extensive self-evaluation carried out in the previous year, the Supervisory Board decided not to carry out a new self-evaluation.

The Supervisory Board performed its duties with great care in accordance with the Articles of Association and statutory requirements. It held a total of four meetings in financial year 2021. The chairpersons of the Supervisory Board committees, who regularly prepared the Supervisory Board meetings at a number of meetings, reported to the plenum on the issues and recommendations discussed at the committee meetings. In the past financial year, there were again no conflicts of interest to report regarding the members of the Supervisory Board.

The annual auditors also attended the **balance sheet meeting on 8 March 2021**. The Supervisory Board approved the Group Business Report and Consolidated Financial Statements as well as the Business Report and Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT as of 31 December 2020 and the Sustainability Report 2020. The plenary meeting also discussed business performance and the agenda for the 119th Annual General Meeting planned for 7 May 2021, including the recommendation for the appointment of the annual auditor for DMG MORI AKTIENGESELLSCHAFT and group auditor, as proposed by the Finance and Audit Committee. Moreover, the chairpersons reported on the previous meetings of the Personnel, Nomination and Remuneration Committee and the Finance and Audit Committee.

The Supervisory Board meeting on **6 May 2021** focused on preparations for the Annual General Meeting on the following day, as well as the discussion of current business performance, the effects of the corona pandemic and the production plants planned in China and Egypt. The Supervisory Board also approved the audit engagement for the auditor of the Individual and Consolidated Financial Statements.

Due to an improvement in the corona situation, the Supervisory Board meeting on **20 September 2021** could be held as an in-person meeting in Pfronten for the first time in the past financial year. The Executive Board provided the Supervisory Board with a detailed report on business performance and the effects of the corona pandemic. Other topics on the agenda were the Pre-EMO Show and the "DMG MORI Partner Summit 2021" in Pfronten, cybersecurity, the current status of the ERP project GLOBE and the nomination for the German Sustainability Award. A detailed report was also provided on previous meetings of the Finance and Audit Committee and the Committee for Transactions with Related Parties.

The meeting on **26 November 2021** focused on business performance 2021, the discussion and resolution on corporate and investment planning for 2022 and medium-term planning for 2023/2024. In particular, the Supervisory Board also examined the impact of increasingly limited material supplies, rising material, energy, and logistics costs, as well as the GLOBE project. Moreover, the chairpersons reported on the previous meetings of the Personnel, Nomination and Remuneration Committee and the Finance and Audit Committee. The parameters for variable Executive Board remuneration for 2022 were defined. Moreover – as recommended by the Finance and Audit Committee – the Supervisory Board defined the following main focus areas for the statutory audit 2021:

- Impairment test of goodwill and intangible assets pursuant to IAS 36 "Impairment of Assets",
- recognition and evaluation of trade receivables and the required disclosures in the notes,
- GLOBE project accounting.

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

A large proportion of the Supervisory Board's work is carried out by different committees: The **Finance and Audit Committee** met six times in financial year 2021. It discussed the company's current financial status based on key figures including development of the cash flow and investment. Tax issues were also discussed with particular reference to external audits. The committee's audits and discussions also focused on the Quarterly Releases for the 1st and 3rd quarters and the Interim Report for the 1st Half-Year 2021.

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

Further topics covered by the committee included the results from the compliance effectiveness check and the procedure presented by the Executive Board for approving non-audit services provided by the annual auditor, that was adopted following an in-depth review and discussion. It also prepared Supervisory Board resolutions on the declaration of compliance in accordance with Section 161 AktG and audit focus areas for 2021.

The **Personnel, Nomination and Remuneration Committee** held two meetings. In particular, the committee focused on Executive Board target achievement and the related settlement of the variable remuneration payment for 2021. It also discussed the remuneration of the Supervisory Board. A peer group analysis showed that the current remuneration of the Supervisory Board is in line with market conditions and the requirements of the German Corporate Governance Code. Therefore, no changes are required at present. Moreover, the committee prepared the Supervisory Board's resolution on the targets for variable Executive Board remuneration for 2022.

The **Committee on Transactions with Related Parties** held two meetings in the reporting year. On 29 June 2021, the Executive Board informed the committee about the planned cooperation with Egypt's largest industrial holding company (AOI) to build a highly automated and completely digitized production plant in Cairo. At the meeting on 13 December 2021, the committee dealt with questions on the planned production plant for 5-axis milling machines in Pinghu (China), as well as a new minority interest acquired in a spindle service business.

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

The "**Corporate Governance Report / Group Declaration on Corporate Management**" section on page 48 et seqq. of the Annual Report describes the activities of the Supervisory Board with regard to the declaration of compliance in accordance with Section 161 AktG. Since the last declaration of compliance in November 2020, DMG MORI AKTIENGESELLSCHAFT has complied with the recommendations of the "Government Commission on the German Corporate Governance Code" in the version dated 16 December 2019, and will also comply with them in the future, but with the following exception.

- In accordance with G.10 of the German Corporate Governance Code, the remuneration of the Executive Board shall be invested primarily in shares of the company or granted on a share-based basis. DMG MORI does not implement this recommendation but has based the long-term remuneration component of the Executive Board on key figures which, in the opinion of the Supervisory Board, are of material importance for the long-term success of the company.

To our Shareholders | The Supervisory Board | Report of the Supervisory Board

Share-based remuneration is not appropriate at DMG MORI, as DMG MORI AKTIENGESELLSCHAFT is a dependent company on the basis of the domination and profit transfer agreement of 2 June 2016, whose shareholders are entitled to compensation and severance pay under the domination and profit transfer agreement. The development of the company's share price is therefore not significantly influenced by the performance of the Executive Board and is therefore not an appropriate means of measuring the long-term remuneration of the Executive Board at DMG MORI.

After consulting the annual auditor and following its own review and discussion, the Supervisory Board approved the Annual Financial Statements and Business Report, as well as the Consolidated Financial Statements and Group Business Report of DMG MORI AKTIENGESELLSCHAFT for financial year 2021 at the **balance sheet meeting on 14 March 2022**. Thus, the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT were adopted pursuant to Section 172 AktG. The separate, non-financial group report, which is part of the Sustainability Report, and which fulfills statutory requirements in accordance with the CSR Directive Implementation Act implementing Directive 2014 / 95 / EU (Section 289 of the German Commercial Code) of 11 April 2017, was also discussed in detail. Following its audit, the Supervisory Board had no objections. The resolutions were prepared by the Finance and Audit Committee.

The Executive Board prepared the Business Report and Annual Financial Statements for 2021, as well as the Group Business Report 2021 of DMG MORI AKTIENGESELLSCHAFT in accordance with the provisions of the German Commercial Code (HGB). The Consolidated Financial Statements 2021 of DMG MORI AKTIENGESELLSCHAFT were prepared in accordance with International Financial Reporting Standards (IFRS), as applicable within the European Union. Pursuant to the exemption provision in Section 315e HGB, Consolidated Financial Statements in accordance with HGB were not prepared. The annual auditors provided detailed reports on their audit procedures and findings and were available for any further queries. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Bielefeld, issued unqualified audit opinions for both business reports and financial statements. The annual auditor also stated that the Executive Board has taken all the reasonable steps required under Section 91(2) AktG. The design and application of the appropriate information and monitoring system in line with company requirements appears suited to its purpose of providing early warning of decisions posing a threat to the continued existence of the company. No major weaknesses in the Internal Control System and Early Risk Identification System were reported.

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

DMG MORI closed financial year 2021 successfully, despite continuing difficult global market and economic conditions. The Supervisory Board wishes to thank the members of the Executive Board for their exceptional commitment and outstanding strategic and operational work, especially in these particularly challenging times. Our special thanks go to all employees for their dedication and flexibility throughout the past financial year.

Dr. Eng. Masahiko Mori
Chairman of the Supervisory Board
Bielefeld, 14 March 2022

Dear Shareholders,

challenging and successful – that was 2021 for DMG MORI. The effects of the corona pandemic on almost all areas of life were again unprecedented. We mitigated the economic consequences of the pandemic to a considerable degree. We were able to solve the global supply shortages for the most part with a close, personal exchange with our partners and suppliers. In challenging times, we demonstrated financial strength, resilience, innovation and team spirit. Our strategic fit of automation, digitization and sustainability is currently more suitable than ever. DMG MORI offers holistic, integrated solutions from a single source – always with the focus on our customers! We innovate and open up completely new business areas. We are investing in new production plants and increasing our global presence. 2021 has shown one thing: DMG MORI has the people and the courage to actively tackle changes!

Business development has increasingly improved over the course of the year. We were able to raise our forecasts several times – and in the end even slightly exceeded them. Order intake grew by +57 % to € 2,517.2 million. New machine business in particular enhanced significantly by +71 %. Overall, the core business with machine tools and services was even +5 % above the high pre-corona level of 2019. Sales revenues went up +12 % to € 2,052.9 million. With consistent measures we significantly improved our results and sustainably optimized our cost structure further. EBIT increased by +52 % to € 123.8 million. The EBIT margin improved to 6.0 %. The financial position also developed very positively: free cash flow rose to € 179.9 million and thus reached an all-time high.

Our key figures show: DMG MORI is well positioned. We are on course. Above all, this is also an expression of the outstanding commitment of the more than 12,000 employees in the "Global One Company". Our thanks go to them – as well as to our more than 100,000 customers all around the world.

We have become more innovative, more digital and more resilient. Holistic sustainability in machine tool manufacturing – from raw materials to recycling – as well as a unique future architecture for networked solutions consisting of machine, automation and digitization: DMG MORI is setting standards across all industries. Here applies: The machine is and remains our core! Holistic automation solutions and digital innovations expand our core business with machine tools.

Already since 2017, DMG MORI has been pushing five important future fields that still remain up-to-date and are firmly anchored in our corporate strategy. With dynamic and excellence, we are actively pushing our strategic fit of automation, digitization and sustainability, as well as Additive Manufacturing and the DMG MORI Qualified Products (DMQP), and are consistently developing further into a holistic, sustainable solution provider in the manufacturing environment. At the same time, we are optimizing five other strategically important pillars for excellence: "First Quality", service and technology excellence, the ERP project "GLOBE" and our highly qualified employees.

Automation is the key to more efficiency, more productivity, even faster amortization – and thus leading to greater competitiveness of our customers. Our innovative automation portfolio with 57 products includes machine-specific, universal and scalable solutions up to DMG MORI central control computer technology for workpiece, pallet and tool management. Machine, automation and technology – everything from a single source.

Digitization is one of our strategically most important future fields, in which we have been consistently investing for years. The corona pandemic has also significantly raised awareness for digitization among our customers. DMG MORI is regarded as an "enabler", as a digital pioneer in machine tool manufacturing. Being a technology leader, we also take responsibility here and implement digitization internally in our own production plants as well as externally at our customers. With an open DMG MORI digital architecture, we offer our customers easy access, maximum innovation and flexibility – and that with a comprehensive portfolio of digital products and services along the entire process chain: from planning and work preparation to production, monitoring and service.

Dear shareholders, in my inaugural speech as Chairman of the Executive Board in 2016, I provocatively asked: How will DMG MORI become the Netflix of mechanical engineering? Today, I am proud to say: with **PAYZR** (**Pay** with **Z**ero **R**isk) we successfully entered the "Subscription Economy" – the world of Software-as-a-Service and Equipment-as-a-Service – in 2021. With PAYZR, we implemented a completely digital business model in the reporting year. Our customers receive exactly what they need in these demanding times of digital reorientation and future orientation. They benefit from fast innovation cycles without risk – with maximum planning security, cost and price transparency and full flexibility. Subscription & All-In instead of investment and purchase.

Sustainability has been part of the DNA of DMG MORI for many years and runs as a common thread through all our corporate activities. We assume global and holistic responsibility for resources along the entire value chain. Sustainability is firmly anchored in all structures and processes. Because doing business successfully means doing business sustainably.

At DMG MORI, sustainability and technology leadership have been in harmony for many years. We have already achieved a lot – and created our own "**DMG MORI GREEN ECONOMY**": Our manufacturing solutions are high-quality, durable, recyclable and maximally efficient – for example through technology integration as well as comprehensive automation and digitization solutions – which preserves resources, the climate and the environment. The trend towards sustainability is therefore a huge opportunity for DMG MORI.

For us, resource-efficient machine manufacturing is already a lived reality today. Through our climate triple "Avoid – Reduce – Compensate", DMG MORI has both a CO_2-neutral "**Company Carbon Footprint**" and a climate-neutral "**Product Carbon Footprint**". This includes direct and indirect emissions from our own value creation as well as indirect emissions from upstream processes along the supply chain (scope 1, 2 and 3 upstream). All machines delivered since January 2021 are produced completely climate-neutral.

But sustainability means much more: In addition to environmental and climate protection, we promote and demand diversity and equal opportunities. We pay attention to compliance in all respects and implement all applicable laws and guidelines. We focus on the satisfaction and health of our employees. We are committed to the common good with donations and various campaigns.

Dear shareholders, I am firmly convinced: with our high-precision, sustainable machine tools and holistic technologies, we make a decisive contribution to improving the lives of generations.

DMG MORI has been awarded the Platinum Medal in the Sustainability Rating by the internationally renowned institute EcoVadis. This means that we are among the top 1 % of over 35,000 companies evaluated worldwide. The CSR rating includes the categories environment, labor and human rights, ethics and sustainable procurement. DMG MORI will continue to be a role model and to create value and innovations – for people and the environment.

Additive Manufacturing is without alternative. As a full-liner for additive manufacturing processes, DMG MORI is the only manufacturer to offer the complete process chain – from design, through additive manufacturing of complex components, to post-production cutting.

In our future field **DMQP** (DMG MORI Qualified Products), together with over 120 DMQP technology partners worldwide, we currently offer our customers more than 4,000 DMQPs for the perfect synergy of machine, machine components, peripherals and accessories – all from a single source.

With our "**First Quality**" strategy, we drive numerous initiatives along the entire value chain to satisfy every customer 100 %. From our machines, our customers expect efficiency, accuracy, reliability, durability. In short: excellent quality.

Service Excellence is a top priority at DMG MORI and more than 1,500 experts work on it day after day. We bundle our know-how in 17 **Technology Excellence** Centers. Over 800 application engineers are involved in our customers' development processes from an early stage.

With the business and IT transformation project **GLOBE** (**Gl**obal **O**ne **B**usiness **E**xcellence), we are creating an ERP platform based on SAP S/4HANA that standardizes our internal systems and processes. We also understand digitization as an opportunity to significantly increase internal efficiency.

Dear shareholders, the corona pandemic has further strengthened the team spirit at DMG MORI. I am proud of what our **employees** achieve! Their extremely dedicated, passionate commitment all around the world has also inspired me in 2021. It is exactly this spirit that I value so much and that makes DMG MORI a remarkable company. The close cohesion is based on **TOP values**: **T**rust, **O**penness and **P**assion.

The past year has once again shown that DMG MORI is a stable and reliable partner even under difficult external conditions. And we have reason enough to look ahead with confidence. We have a strong foundation and a clear strategic plan for the future. 2022 will again be marked by major challenges, in particular due to the Russian military action against Ukraine, of which the consequences are not yet completely foreseeable at present. The corona pandemic, more difficult material supply, increasing logistics shortages as well as high raw material and transport costs and rising inflation will also accompany us for quite some time. Thanks to our consistent cost and supplier management as well as comprehensive health protection measures, we will also master these challenges.

For the current financial year, we are planning order intake of around € 2.5 billion. Sales revenues are estimated to be around € 2.3 billion. EBIT is expected to be around € 180 million. Free cash flow is forecast to be around € 130 million. Our forecasts are subject to the condition that globally there will be no further impact from the Russia-Ukraine conflict.

You see: DMG MORI is keeping up a high speed – both operationally and strategically. We innovate and invest – we continue to align ourselves for the future. With a new production plant for 5-axis milling machines, we are expanding our global presence in China – the world's largest market for machine tools with high demand for high-tech machines. In Egypt we are also opening up an important market with high demand for future technologies through the company GEMAS.

We want to be the world's most attractive machine tool manufacturer with digitized and sustainable products! We empower our customers – in manufacturing and digitization! This is our vision-mission statement. With our TOP values, an excellent team, our valued customers and strong partners, we will continue our growth course. Accompany us! Progress through sustainable technology – that is what DMG MORI stands for.

Dear owners, I would like to thank you personally and on behalf of the Executive Board team and all employees for your trust. Especially in difficult times, loyalty, constructive support and confidence are invaluable. Together we will continue to be successful in the future with energy and determination.

Yours sincerely,

Christian Thönes
Chairman of the Executive Board
Bielefeld, 14 March 2022

Trust, Openness and Passion:
With our **TOP** values "**T**rust, **O**penness & **P**assion" we continue our growth course.

Christian Thönes (49)
Chairman of the Executive Board
Product development, sales and services, procurement,corporate communications, personnel, legal and audit

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

Björn Biermann (42)
Controlling, finance, accounting, taxes, risk management, investor relations and compliance

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

Michael Horn (50)
Production, logistics, quality and information technologies

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

AUTOMATION

Holistic solutions for workpiece and pallet handling.

57 automation products 13 product lines

DMG MORI CELL CONTROLLER
central control computer for workpiece, pallet and tool management

DIGITAL ENGINEERING
digital development, testing & optimization

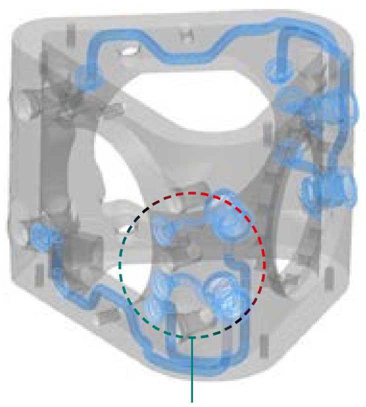
DIGITIZATION

We empower our customers –
in manufacturing and digitization!

ADDITIVE MANUFACTURING

Global full liner with end-to-end solutions.

ADDITIVE INTELLIGENCE
by **DMG MORI**

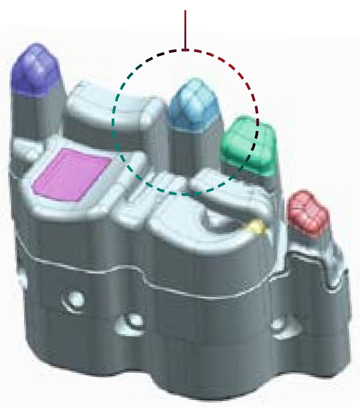


Structural optimizations

Consulting for comprehensive implementation of *SLM* and *DED* technology

+ component identification
+ development & design
+ simulation & optimization
+ training
+ ramp-up support

Repair applications



POWDER BED

LASERTEC 30 DUAL *SLM*

4 parts on a substrate plate

Robo2Go head

+ **64 %** lighter
+ **45 %** fewer sealing points
+ **59 %** fewer parts

CNC finishing on a DMU 50 3rd Gen.

POWDER NOZZLE

LASERTEC 125 *DED hybrid*

Additive Manufacturing with powder nozzle and integrated 5-axis milling in finished part quality.

Diecast core

+ **3 times** the service life compared with conventional repair work
+ **80 %** time saving

DMG MORI

QUALIFIED PRODUCTS

One-stop-shop: perfectly matched peripherals and accessories.

> 120
technology partners

> 4,000
DMQP products

> 90,000
DMQP technology combinations

+ customizable online
+ with AI to the optimal technology solution
+ DMQP bonus program with up to 30 % discount

1. MACHINING
+ Tools
+ Clamping fixtures
+ Software (CAD / CAM)

2. HANDLING
+ Bar Feeder
+ Chip conveyors
+ Grippers

3. MEASURING
+ Probes
+ Tool calibration
+ Tool presetting

4. MONITORING
+ Sensors
+ IO-link communication
+ In-process validation

5. ADDITIVE MANUFACTURING MATERIALS
+ AM powder
+ AM powder parameters
+ Unpacking

SUSTAINABILITY

DMG MORI GREEN ECONOMY –
100 % green machines.

SUPPLIERS + DMG MORI

100 % CLIMATE-NEUTRAL MACHINE PRODUCTION

DMG MORI GREEN MACHINE

1. NEUTRAL PRODUCT CARBON FOOTPRINT (SCOPE 3 UPSTREAM) ✓

2. NEUTRAL COMPANY CARBON FOOTPRINT (SCOPE 1 + 2) ✓

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

INTEGRITY NEXT

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

DMG MORI CO_2 neutral

PLATINUM Top 1%
2022
ecovadis
Sustainability Rating

CUSTOMERS + DMG MORI

RESOURCE-EFFICIENT MACHINE USAGE

DMG MORI GREEN MODE

RESOURCE-EFFICIENT MACHINE OPERATION (SCOPE 3 DOWNSTREAM)

DMG MORI GREEN TECH

TECHNOLOGY EXCELLENCE FOR GREEN TECHNOLOGIES

FIRST QUALITY

Without compromises – highest quality
for 100 % customer satisfaction.

36 months
warranty for all
MASTER spindles

... at lowest
failure rates of < 1 %

Fully automated measurement for
maximum accuracy

... and highest precision
of up to 5 µm

100 hours quality check
before delivery approval

... for optimal availability
from day 1

27 CELOS apps
for superior customer
support

... and comprehensive
quality monitoring

***my* DMG MORI –**
digital, direct access to
service experts

... for more than 30,000
registered customers

SERVICE EXCELLENCE

Digital progress & professional expertise.

100 % FREE

my DMG MORI – the customer portal

Digital and direct access to service experts

> 30,000 registered customers with > 140,000 machines

Registration in < 3 minutes

End-to-end communication – simple and fast

ALSO FOR THIRD-PARTY MACHINES

WERKBLiQ-UPGRADE

SPINDLE SERVICE

+ New and replacement spindles: 96 % warehouse availability
+ Spindle repair: the cost-effective alternative for all spindles (also for third-party products)

TECHNOLOGY EXCELLENCE

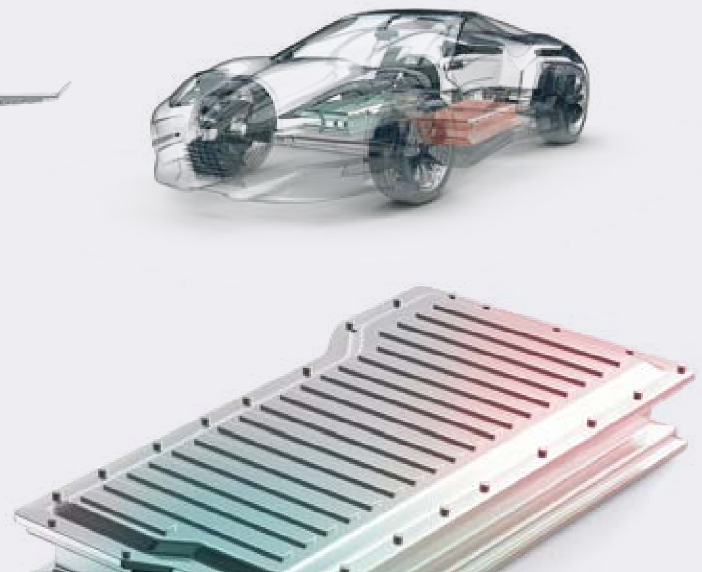
The key to success for turnkey projects.

17 Technology Excellence Center | > 10,000 turnkey projects | > 800 application engineers

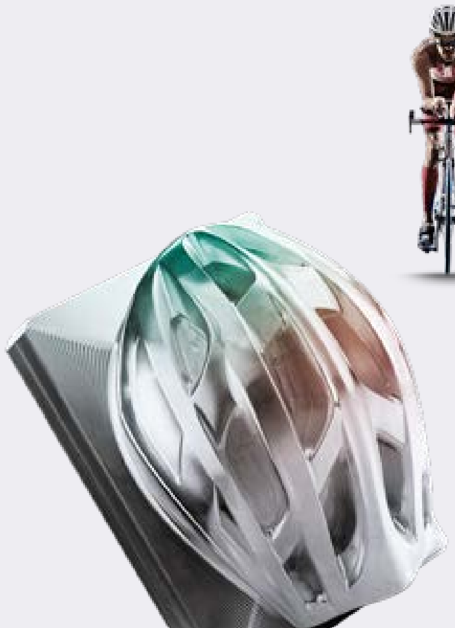
CONSULTING → PROCESS DESIGN → REALIZATION → PRE-ACCEPTANCE → FINAL ACCEPTANCE → RAMP-UP SUPPORT

AEROSPACE

AUTOMOTIVE



DIE & MOLD

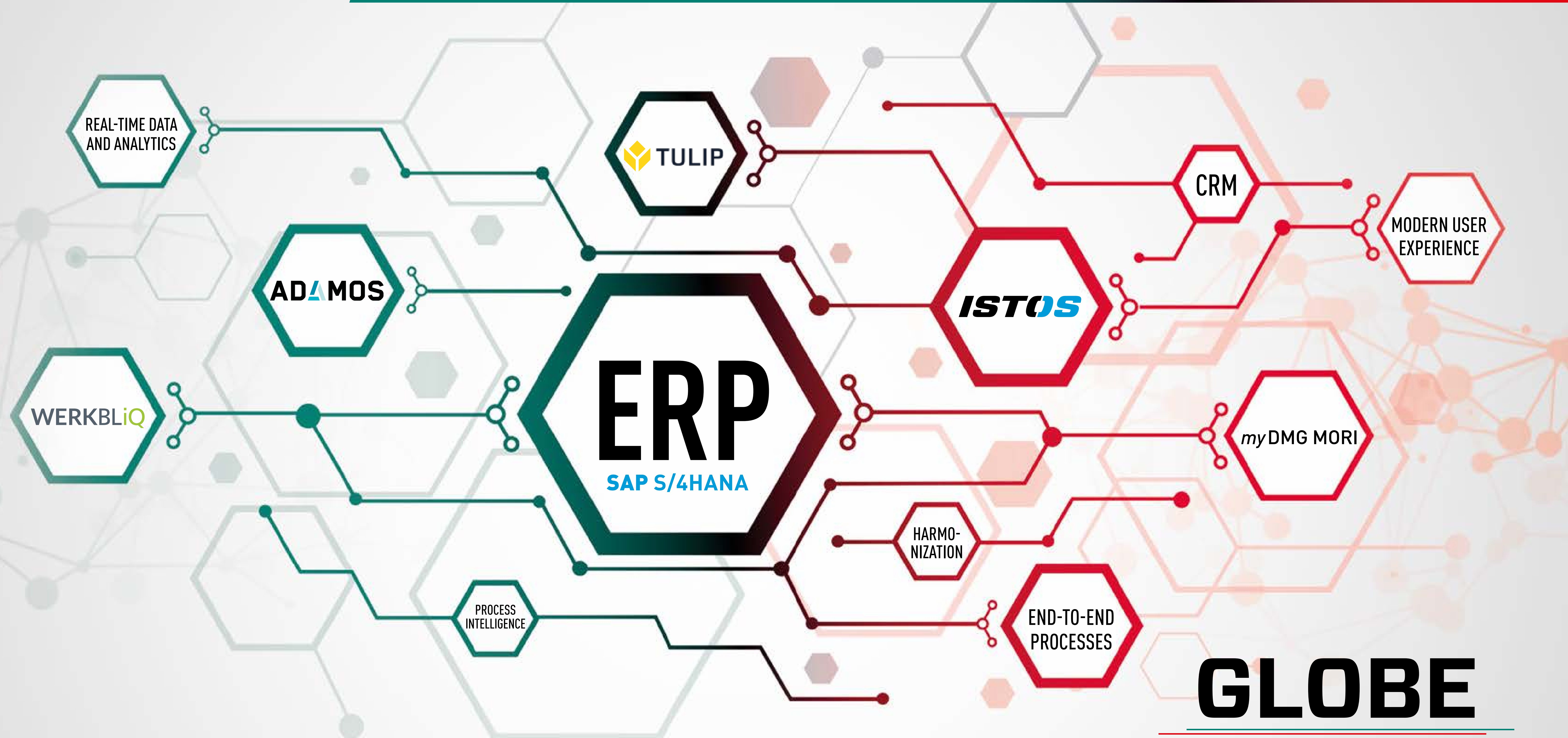


MEDICAL

SEMICONDUCTOR

GLOBAL ONE BUSINESS EXCELLENCE

Excellence in integration, performance and focus on customers & employees.



GLOBE

GLOBAL ONE BUSINESS EXCELLENCE

EMPLOYEES

Trust, Openness and Passion –
our TOP values in the "Global One Company".

THE BASIS OF THE GROUP

Corporate Strategy and Key Financial and Performance Indicators

dynamic . excellence

+ Automation
+ Digitization
+ Additive Manufacturing
+ DMQP
+ Sustainability

+ First Quality
+ Service Excellence
+ Technology Excellence
+ GLOBE
+ Employees

The strategic future fields and pillars of DMG MORI.

DMG MORI AKTIENGESELLSCHAFT and its subsidiaries form the group (hereinafter DMG MORI). The operating business of DMG MORI is divided into the "Machine Tools" and the "Industrial Services" segments. "Corporate Services" mainly comprise the group-wide holding functions.

The profound change in the global manufacturing industry towards automation and digitization was accelerated by the effects of the corona pandemic. At the same time, the industry faces uncertainty over the further development of the virus. Economic recovery in addition encounters major uncertainties, in particular a more difficult supply of materials, increasing logistics shortages as well as high raw material and transport costs and rising inflation. In addition, there are still geopolitical influences due to trade conflicts. The resulting risks call for localization of value creation and "double sourcing". Moreover, the topic of **sustainability** is gaining importance.

Customers are increasingly demanding a flexible, integrated and sustainable complete solution – including machine, automation, software, process, peripherals and service. The technology and function integration required for this enhances the technical complexity of machine tools. This leads to an innovation-driven and highly dynamic market environment and in some cases requires fundamentally new business models in response to the challenges that our customers are facing.

The digital linkage of machines and processes enables end-to-end transparency along the value chain. Building on this, efficiency increases are achieved through the parallel, virtual mapping of production. Together with automation, digitization thus improves competitiveness across the entire value creation process.

DMG MORI actively meets the shifting market requirements and technological change with innovations in order to further expand today's market position as a leading global provider of holistic 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 holistic portfolio of future-oriented machine tools, automation and digitization solutions, as well as our DMG MORI Qualified Products (DMQP), we want to be the world's number 1 for our customers: from development and production to global sales and service. To this end, we are

consistently developing further from a machine builder to a holistic, sustainable solution provider in the manufacturing environment. Our mission: **"We empower our customers – in manufacturing and digitization"**.

Together with DMG MORI COMPANY LIMITED, we act as "Global One Company" true to our motto **"Dynamic . Excellence"**. Since 2017, we have been actively occupying our five strategic future fields of automation, digitization, sustainability, additive manufacturing and DMG MORI Qualified Products (DMQP) with high dynamics. At the same time, we are striving for excellence in quality, service and technology solutions, and our processes – together as a team with our highly qualified employees.

The corona pandemic and its consequences have confirmed our strategic focus. Here, the principle applies: the machine is and remains our core! Our combination of highly productive, flexible machines and the strategic triple of automation, digitization and sustainability is strong for the future – and fits perfectly into the current times. New in these three future fields as of this reporting year:

› Automation: We have expanded our range of driverless transport systems with the TH-AGV for automated tool handling.

› Digitization: Our business model PAYZR "PAY with Zero Risk" for Equipment-as-a-Service and Software-as-a-Service solutions under the motto: Subscription & All-In instead of investment and purchase. As a digital point-of-sale for all new PAYZR offers, the DMG MORI Store powered by ADAMOS was launched in June 2021.

› Sustainability: All machines delivered worldwide since January 2021 are manufactured completely CO_2-neutral through the triple "Avoid – Reduce – Compensate".

We identified the changes in the market at an early stage and intend to intensify the localization of our production with our planned production plants in China and Egypt in order to secure long-term, independent access to important markets. At the same time, we are using cooperations to respond even faster to dynamic market changes and to benefit from external influences.

I. Automation
Automation is a significant basis for the future competitiveness of our machine tools. Our innovative automation portfolio with 57 products for 159 different machine models includes machine-specific, universal and scalable solutions right through to DMG MORI central control computer technology for workpiece, pallet and tool management. Machine, automation and technology – all from a single source. We differentiate between:

1. machine-specific systems with integrated robots or gantry loaders – one example is the WH 3 Cell,

2. universal solutions like the Robo2Go MAX or the pallet handling system PH Cell MAX,

3. highly scalable solutions with linear pallet systems (LPP) or individually configurable automation modules from our modular systems WH Flex and MATRIS – bundled up with DMG MORI central control computer technology and central tool management.

Scalable solutions also include our fully automated, driverless transport systems WH-AGV, PH-AGV and TH-AGV – freely movable, collaborative and modular for maximum flexibility. All DMG MORI automation products are characterized by simple programming and easy handling. As a partner for the automation of manufacturing, we provide support with our know-how in our "Automation Excellence Centers" for the areas of turning and milling.

II. Digitization
Digitization is another important element for sustainable competitiveness. DMG MORI is one of the pioneers of digitization in the manufacturing industry. As a cooperative enabler, the focus of our digitization strategy is on maximum customer benefit and the consistency of our digital solutions across the entire process chain: from planning and work preparation through production and monitoring to service. This also means that we offer a uniform architecture that is open to third parties, which results in maximum variability and security for our customers. Instead of a "lock-in" effect, our customers receive support in the holistic, digital networking of their entire value creation process. The basic principle at DMG MORI is that we first implement digitization internally in our own production plants before we externally offer solutions to our customers.

1. *my* **DMG MORI**_As a partner for our customers, we focus on low entry barriers for our software solutions and offer an easy start into digitization. In addition to our comprehensive, worldwide sales and service, we provide digital, direct access to our service experts with our online customer portal *my* DMG MORI. More than 30,000 customers are already using this service platform. Over 140,000 machines are now networked, and numerous service processes have been digitalized. In addition, *my* DMG MORI has been expanded to include self-service device management. This allows customers to monitor the connectivity of their machines and provide them autonomously with function and safety updates based on a self-selected update strategy.

2. Via the **DMG MORI Store powered by ADAMOS**, our customers have had access to digital solutions from DMG MORI (Software-as-a-Service and Equipment-as-a-Service) since June 2021. The cross-system single sign-on concept standardizes and simplifies the login also to *my* DMG MORI and selected partner applications. This digital point-of-sale for digital end-to-end solutions is thus an important pillar for digitized production.

3. **DMG MORI Connectivity**_Digitization of manufacturing enables continuous evaluation and analysis of data directly from the process. The basis for this is connectivity for central, secure storage of the acquired data, so that it is available throughout the entire process chain, as well as IT security. That's why we equip all new machines with DMG MORI Connectivity as standard – free of charge for the customer – a secure, standardized interface for the simple digitization of new and existing machines. More than 5,000 machines are now networked. By the end of 2022, this figure should reach 11,000.

4. **CELOS** is the digital brand core of DMG MORI. Launched in 2013 as a central app-based operating and control interface, CELOS has become an open ecosystem for manufacturing technology – a platform with which the entire process chain can be digitized and which enables access to all manufacturing-relevant information. CELOS bundles our digital products in one interface. For the latest generation CELOS X, DMG MORI received the "Microsoft Intelligent Manufacturing Award" as a visionary industry pioneer in the category "Envision" in the reporting year.

5. **ISTOS**_With our digital products we focus on flexible and scalable as well as cloud-based software and platform solutions – immediately usable, always up-to-date and maintenance-free for our customers. One example of this is the "Planning Board" from ISTOS, which enables the optimization of planning processes directly from the shop floor. ISTOS stands for "Innovative Software Technologies for Open Solutions" and develops applications for open, cross-machine networking. The cloud-based production planning and control replaces inconvenient Excel spreadsheets. The ideal solution for medium-sized businesses.

6. **Digital Twin**_The digital image of machine, automation and process. The Digital Twin dynamically simulates all production processes, including the work area and all components, independently of the machine. Customers benefit from a time advantage of 80 % during commissioning and up to 30 % less component costs. The importance of digital twins as functional virtual instances of machines or automated machining systems as part of a holistic digital engineering approach continues to grow. Digital engineering – from plant design to virtual commissioning and training – enables significant optimization of the efficiency of processes and the real machine over the entire life cycle.

7. **TULIP**_The no-code-manufacturing platform enables users to digitally map their workflows on machines and throughout the entire shop floor. Customers create apps themselves – without any programming knowledge – making paper documents obsolete. This means higher productivity and efficiency throughout the process chain and a real boost for digitization. More than 180 new customers benefited from this in the reporting year alone. More than 1,100 workstations and over 200 self-developed apps are in use at our own plants.

8. **WERKBLiQ**_With an upgrade from *my* DMG MORI to the end-to-end maintenance and servicing platform WERKBLiQ, third-party products can also be integrated and recurring maintenance and servicing tasks automated. *my* DMG MORI and WERKBLiQ are the Software-as-a-Service solutions for all relevant internal and external service processes.

9. With **PAYZR**, we have implemented a completely digital business model for Equipment-as-a-Service and Software-as-a-Service. Customers benefit from fast innovation cycles without risk – with maximum planning security, cost and price transparency as well as full flexibility. Subscription & All-In instead of investment and purchase. PAYZR includes all Software-as-a-Service (SaaS) offerings of the cloud-based systems from WERKBLiQ, TULIP, ISTOS and up2parts. On the other hand, we enable the benefits of Equipment-as-a-Service (EaaS) with PAYZR. Following the launch in June 2021 with the M1 3-axis milling machine, we added the CLX 450 TC to the PAYZR program in September 2021. Since the market launch, we have already been able to conclude numerous contracts. Around 60 % of all orders also came from new customers.

III. Sustainability

DMG MORI recognized the importance of sustainability at an early stage. We take global and holistic responsibility for resources along the entire value chain. Sustainability is firmly anchored in all structures and processes. Because doing business successfully means doing business sustainably. At DMG MORI, sustainability and technology leadership have been in harmony for many years. We have already achieved a lot – and created our own **"DMG MORI GREEN ECONOMY"**: Our manufacturing solutions are high-quality, durable, recyclable and maximally efficient – for example through technology integration as well as comprehensive automation and digitization solutions – which preserves resources, the climate and the environment. Under the motto "DMG MORI GREEN ECONOMY" we summarize all initiatives for the "100 % green machine":

1. **GREEN**MACHINE – the 100 % climate-neutrally produced machine,
2. **GREEN**MODE – the resource-efficient machine operation at the customer's site,
3. **GREEN**TECH – our contribution as a pioneer of green technologies.

With GREENMACHINE, we are one of the first industrial companies to have a climate-neutral **"Product Carbon Footprint"** in the upstream. This means that since January 2021, every DMG MORI machine has been manufactured in a climate-neutral way – from raw material to delivery. Our own value creation has even been balanced since May 2020 (**"Company Carbon Footprint"**).

DMG MORI's "Company Carbon Footprint" refers to emissions from scope 1, 2 and 3 (categories 3, 5, 6 and 7) of the Greenhouse Gas Protocol. DMG MORI's Product Carbon Footprint includes all emissions that are directly attributable to the machines produced. The indirect emissions from scope 3 (upstream categories 1 and 4; downstream categories 9, 11 and 12) of the Greenhouse Gas Protocol are particularly relevant here.

Since September 2021, DMG MORI has been a certified member of the "Science Based Targets" initiative, which aims to limit global warming to a maximum of 1.5 °C. In addition, we have committed ourselves to implementing the "Task Force on Climate-related Financial Disclosures" (TCFD) and thus follow the recommendations for voluntary and consistent disclosure of climate-related information.

The continuous avoidance and reduction of emissions over the entire life cycle is our incentive. That's why we also encourage our suppliers to take action themselves and to reduce their CO_2 emissions, for example. The cloud-based platform Integrity Next and SAP Ariba integrate our sustainability criteria into the purchasing and supplier organization across the group.

Our holistic solutions comprising machine, automation and digitization enable maximum resource efficiency in operations (GREENMODE) through the efficient use of all production factors to significantly increase productivity and save energy – from planning and preparation through production to monitoring and service.

At the same time, DMG MORI is a pioneer of green technologies (GREENTECH). Many of our customers use our machines to manufacture highly innovative components for wind turbines, hydropower plants, hydrogen electrolysis or electric mobility. To this end, our experts in our production plants provide specific know-how, which we expand continuously.

In addition to environmental and climate protection, our sustainability strategy also focuses on promoting diversity, equal opportunities and employee satisfaction.

DMG MORI has been awarded the Platinum Medal in the Sustainability Rating by the internationally renowned institute EcoVadis. This means that we are among the top 1 % of over 35,000 companies evaluated worldwide. The CSR rating includes the categories environment, labor and human rights, ethics and sustainable procurement.

IV. Additive Manufacturing

In the future field of additive manufacturing, we cover the entire process chain as a global full liner and support our customers with advice through our DMG MORI Additive Intelligence along the entire additive process chain – from product development, additive manufacturing of metal components and post-production cutting to service and training. Our product portfolio includes two key generative manufacturing processes that enable our customers to cover a wide range of applications for individual, complex geometries and multi-materials – from medical technology to toolmaking. DMG MORI Additive GmbH offers machines for laser melting in powder beds (Selective Laser Melting / SLM) and DMG MORI Ultrasonic I Lasertec GmbH for laser deposition welding using powder nozzles (Direct Energy Deposition / DED).

V. DMQP

With currently more than 4,000 DMG MORI Qualified Products (DMQP), we are expanding our holistic portfolio together with more than 120 technology partners worldwide to include machine components, peripheral equipment and accessories with a high level of synergy with our machine tools – all from a single source. The DMQP program is characterized by technology expertise, innovative products and a high level of quality, thus making an important contribution to our strategic fit of automation, digitization and sustainability. When selecting products, we support our customers with AI-based recommendations and intelligent assistance functions to ensure the optimal solution configuration of machine, automation, digitization and DMQP. This also applies to our new online configurator, which allows our customers to intuitively assemble their individual manufacturing solution from over 90,000 possible technology combinations anytime and anywhere.

BUSINESS REPORT | The Basis of the Group | Corporate Strategy and Key Financial and Performance Indicators

VI. First Quality

DMG MORI stands for accuracy, efficiency, reliability as well as durability and sustainability. With our "First Quality" strategy, we align our products and processes along the entire value chain to these high standards and focus on customer benefits in all our activities. Our customers expect efficiency, accuracy, reliability, durability – in short: excellent quality – from our machines. This is why, for example, every machine is subjected to the "DMG MORI Quality Check" of 100 hours before delivery release. A central aspect is the in-house development and manufacture of our core components under the term DMG MORI Components. In this way, we not only reduce dependencies and influences from volatile markets, but also strengthen our core competencies and ensure the best possible quality of our products. Other initiatives include the standardization of components and interfaces, the streamlining of our product portfolio and consistent supplier management.

VII. Service Excellence

In the Industrial Services segment, the focus is on service excellence. As a partner to our customers, it goes without saying that we are committed to providing excellent services over the entire life cycle of our machines, particularly in the area of service – from commissioning through maintenance and spare parts to repair and training. Our customers benefit from our two all-round services "FULLservice" and "Digital Manufacturing Package", which guarantee planning security and high added value. With digital service offerings such as *my* DMG MORI and NET*service*, we have further increased transparency for our customers and speed of problem solving through targeted interaction with DMG MORI – for example, with the track-and-trace function for tracking inquiries. Through the benefits of *my* DMG MORI and direct, digital contact with our service experts alone, we have been able to achieve up to 70 % faster response times. In parallel, we are optimizing our internal service processes by switching to a self-developed, digital and integrated service platform. We are also focusing on our spindle service, which we are continuously expanding.

VIII. Technology Excellence

Customer needs for complete solutions that are individually adapted and perfectly matched to their requirements are constantly increasing. For this reason, more than 800 DMG MORI application engineers are available for consultation early on in the component development process and have successfully completed more than 10,000 turnkey projects to date. In our 17 Technology Excellence Centers, especially for the leading industries Aerospace, Automotive, Die & Mold as well as Medical and Semiconductor, we continue to strategically and continuously expand our comprehensive technological industry know-how. In addition to consulting, we also make our knowledge available in the form of our 55 technology cycles, which enable precise and up to 60 % faster machine programming even for complex machining operations.

IX. GLOBE

Continuous optimization of our own processes and structures is essential to secure our position as a global technology leader in the long term. In the past, DMG MORI has already been able to significantly reduce complexity by optimizing its product portfolio and global production network as well as reorganizing its sales and service structures. Currently, the focus is particularly on the standardization of our systems and processes as a result of the establishment of uniform IT infrastructures and with our "GLOBE – Global One Business Excellence" project for the implementation of a global ERP system. At the same time, the increasing volatility of the market environment and acute delivery problems call for an efficient and resilient organizational alignment. In this way, it is possible to react dynamically to market changes.

X. Employees

DMG MORI's success is an extraordinary team effort by our highly motivated employees, who work for our customers every day with passion and highly qualified know-how. In this way, they make it possible to meet the high demands of our customers while also achieving our own ambitious goals. In addition, we continuously strive to be an attractive employer, to strengthen employee loyalty through numerous offers, to constantly improve the working environment and to offer stability even during periods of economic weakness. DMG MORI stands for a modern corporate culture with TOP values: Trust, Openness and Passion. We promote entrepreneurial thinking and our talents, among other things, through group-wide training offers, such as the "High Potential Program" and the innovative learning platform Masterplan. With Masterplan, we also provide our employees with a digital opportunity for sustainable further training – anywhere and anytime.

dynamic . excellence

A.01 | GROUP STRUCTURE // DMG MORI AKTIENGESELLSCHAFT

(as part of "Global One Company" // Last updated: March 2022)

CORPORATE SERVICES

DMG MORI AKTIENGESELLSCHAFT, Bielefeld

MACHINE TOOLS

GILDEMEISTER Beteiligungen GmbH, Bielefeld; Development and Production

TURNING	MILLING	ADVANCED TECHNOLOGIES	DIGITAL SOLUTIONS
GILDEMEISTER Drehmaschinen GmbH (Bielefeld)	DECKEL MAHO Pfronten GmbH (Pfronten)	DMG MORI Ultrasonic Lasertec GmbH (Pfronten, Idar-Oberstein)	DMG MORI Digital GmbH (Bielefeld)
GILDEMEISTER Italiana S.r.l. (Bergamo / Italy)	DECKEL MAHO Seebach GmbH (Seebach)	DMG MORI Additive GmbH (Bielefeld)	ISTOS GmbH (Düsseldorf)
	DMG MORI Manufacturing Solutions (Pinghu / China) [1]		
FAMOT Pleszew Sp. z o.o. (Pleszew / Poland)	Ulyanovsk Machine Tools ooo (Ulyanovsk / Russia)		
GRAZIANO Tortona S.r.l. (Tortona / Italy)			

INDUSTRIAL SERVICES

DMG MORI Management GmbH, Bielefeld; Sales and Services

SALES AND SERVICES

DMG MORI DACH [2]	DMG MORI EMEA [3]	DMG MORI China	DMG MORI India	DMG MORI Services

Märkte der DMG MORI COMPANY LIMITED [4]

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

1) Start of production 2022
2) Germany, Austria, Switzerland
3) Europe, Middle East, Africa
4) These markets are consolidated by DMG MORI COMPANY LIMITED.

Management System of DMG MORI

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

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

DMG MORI has successfully completed the demanding financial year 2021. The ongoing corona pandemic, a more difficult supply of materials, increasing logistics shortages as well as high raw material and transport costs and rising inflation characterized the year and slowed down the overall economic development. The global market for machine tools was on the road to recovery but remained significantly below the pre-corona level in 2019. In this volatile market environment, DMG MORI came out of the crisis stronger. Order intake rose by +57 % to € 2,517.2 million (previous year: € 1,599.4 million). New machine business in particular increased significantly by +71 %. Overall, the core business with machine tools and services was even +5 % above the high pre-corona level in 2019 (€ 2,401.8 million). Sales revenues grew by +12 % to € 2,052.9 million (previous year: € 1,831.3 million). We achieved a significant increase in earnings. We also continued to sustainably optimize our cost structure. EBITDA improved by +22 % to € 190.8 million (previous year: € 156.7 million). EBIT rose by +52 % to € 123.8 million (previous year: € 81.7 million). The EBIT margin improved to 6.0 % (previous year: 4.5 %). EBT grew by +62 % to € 121.6 million (previous year: € 74.9 million). As of 31 December 2021, the group reported EAT of € 85.6 million – an increase of 64 % compared to the previous year (€ 52.1 million). The financial position also developed very positively: free cash flow rose to € 179.9 million and thus achieved an all-time high (+1,046 %; previous year: € 15.7 million).

Investments in property, plant and equipment and intangible assets amounted to € 77.3 million and were, due to the investment decision for the new production plant in Pinghu, on a par with the previous year (€ 80.0 million). Research and development expenses were € 72.9 million (previous year: € 66.7 million). DMG MORI achieved or even exceeded all targets and performance indicators forecast in the Annual Report 2020, in particular due to the very good development in the new machines business.

A.02 | KEY FINANCIAL AND PERFORMANCE INDICATORS	Targets Annual Report 2020 (09 March 2021)	Targets Q1 / 2021 (27 April 2021)	Targets Q2 / 2021 (23 July 2021)	Targets Q3 / 2021 (26 October 2021)	FACTS 2021
Order intake	around € 1.7 billion	around € 2.0 billion	around € 2.25 billion	around € 2.5 billion	€ 2,517.2 million
Sales revenues	around € 1.7 billion	around € 1.8 billion	around € 1.95 billion	around € 2.0 billion	€ 2,052.9 million
EBIT	around € 30 million	around € 60 million	around € 100 million	around € 120 million	€ 123.8 million
Free Cash flow	around € 20 million	around € 70 million	around € 140 million	around € 150 million	€ 179.9 million
Investments (tangible fixed assets / intangible assets)	around € 60 million	around € 80 million	around € 80 million	around € 80 million	€ 77.3 million
Research and Development expenses	around € 70 million*	around € 70 million*	around € 70 million*	around € 70 million*	€ 72.9 million*

* Including expenses for special constructions

Organization and Legal Corporate Structure

DMG MORI AKTIENGESELLSCHAFT, which has its headquarters in Bielefeld, manages the group centrally and across all functions as a management holding company. It covers all the group's cross-divisional key functions. DMG MORI Management GmbH, Bielefeld, is the operating management company of the sales and service locations. DMG MORI AKTIENGESELLSCHAFT manages the markets in the regions DACH (domestic market Germany, Austria and Switzerland) and EMEA (Europe, Middle East, Africa), as well as the markets China and India. As the parent company of the group's production sites, GILDEMEISTER Beteiligungen GmbH is responsible for further holding functions. Together with DMG MORI COMPANY LIMITED, we have a global presence with 111 sales and service locations around the world – including 16 production plants.

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

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

› Effective from 1 January 2021, DMG MORI Hilden GmbH, Hilden, was merged with DMG MORI Bielefeld Hilden GmbH, Bielefeld.

› Effective from 1 January 2021, DMG MORI Software Solutions GmbH, Pfronten, and DMG MORI Digital GmbH, Bielefeld, were merged with WERKBLiQ GmbH, Bielefeld. WERKBLiQ GmbH was subsequently renamed DMG MORI Digital GmbH.

› In March 2021, GILDEMEISTER Beteiligungen GmbH acquired 24.9% of the shares in up2parts GmbH, Weiden. The interest in our strategic partner, up2parts, and its AI-based products, is a further element of our DMG MORI digital architecture plan.

› In June 2021, DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu (China) was established as a wholly owned subsidiary of GILDEMEISTER Beteiligungen GmbH. In Pinghu near Shanghai we are building a highly automated and fully digitized production plant for 5-axis milling machines.

› In June 2021, as part of the optimizing of our group structure, DMG MORI Europe AG, Winterthur (Switzerland), was merged with DMG MORI Sales and Service Holding AG, Winterthur (Switzerland), with retroactive effect from 1 January.

› In September 2021, GILDEMEISTER Beteiligungen GmbH acquired a 40.0% interest in RUN-TEC GmbH, Niedenstein.

› In November 2021, DECKEL MAHO Pfronten GmbH founded DMG MORI Logistik GmbH.

› In December 2021, GEMAS (German Egyptian Manufacturing Solutions) was founded as a joint stock company, in which GILDEMEISTER Beteiligungen GmbH holds a 40.0% share.

The group's structure is designed to ensure that all companies make their contribution to further expand the group's position as a leading global machine tool manufacturer with digitized and sustainable products. The group is represented by a matrix organization – with the production plants on one side and the sales and service companies on the other. The supply plants specialize in business fields and product lines.

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

DMG MORI COMPANY LIMITED, Tokyo (Japan), holds an indirect interest of 86.42% in the share capital of DMG MORI AKTIENGESELLSCHAFT.

DMG MORI's financial investments are listed on page 169 et seqq.

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

The following statutory disclosures apply to the group:

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

› Pursuant to Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board is responsible for appointing and dismissing the 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.

› DMG MORI COMPANY LIMITED holds an 86.42% interest via DMG MORI GmbH.

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

› Pursuant to Section 5 (3) of the Articles of Association, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital of the company in the period up to 9 May 2024, by up to a nominal amount of € 102,463,392.20 by issuing up to 39,408,997 new shares on one or more occasions in return for cash and / or non-cash contributions (authorized capital). In this context, 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).

› 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 that DMG MORI COMPANY LIMITED (indirectly) holds more than 50% of the voting rights in DMG MORI AKTIENGESELLSCHAFT.

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

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

› As at 31 December 2021, 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.

› No amendments were made to the Articles of Association in financial year 2021.

› The last amendment to the Articles of Association was made in May 2020 with a revised version of Section 15 (3) sentence 1 of the Articles of Association, 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).

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

Share

The shares of DMG MORI AKTIENGESELLSCHAFT are listed in the "Prime Standard" and traded on the regulated market on the stock exchanges in Frankfurt / Main, Berlin and Düsseldorf, as well as on the open market stock exchanges in Hamburg, Hanover, Munich and Stuttgart. DMG MORI AKTIENGESELLSCHAFT meets the international transparency requirements in the German Stock Exchange's "Prime Standard".

Share Performance

The DMG MORI share started the stock market year 2021 at a price of € 41.35 (4 January 2021). It closed with € 42.15 as of 31 December 2021. The share displayed a stable development over the year and has proven itself a solid investment. The market capitalization amounted to € 3.32 billion.

Guaranteed Dividend

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

Investor Relations // Financial Communications

An active and open information policy is an essential part of our value-based approach. We communicate comprehensively, promptly and reliably. We treat all capital market participants equally. Shareholders, shareholder associations, capital market participants, financial analysts, the media and the general public are continuously informed about current business developments and significant changes. Sustainable and trusting cooperation is important to us.

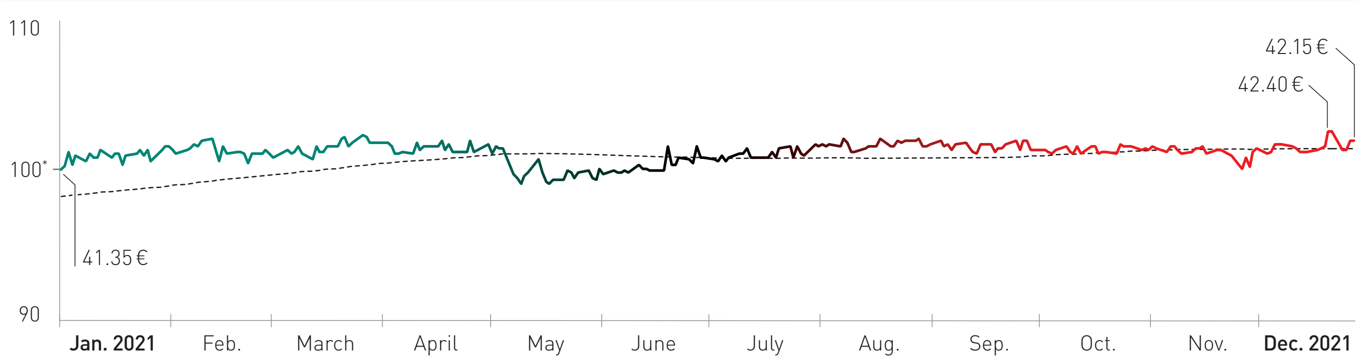
We publish extensive information on our website → en.dmgmori-ag.com/investor-relations. In addition to regular financial reporting, it contains current announcements, important dates and details of the annual press conference and Annual General Meeting. The Annual General Meeting, which was again held virtually in the reporting year, is also broadcast here.

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

		2021	2020	2019	2018	2017
Registered capital	€ million	204.9	204.9	204.9	204.9	204.9
Number of shares	million shares	78.8	78.8	78.8	78.8	78.8
Closing price [1]	€	42.15	41.10	42.35	43.10	46.02
Annual high [1]	€	42.40	42.90	48.35	50.60	53.85
Annual low [1]	€	41.00	38.80	40.90	42.80	42.95
Market capitalization	€ million	3,322.2	3,239.4	3,337.9	3,397.1	3,627.2
Earnings per share [2]	€	1.07	0.66	1.93	1.88	1.49
Price-to-earnings-ratio [3]		39.4	62.3	21.9	22.9	30.9

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

A.04 | DMG MORI AKTIENGESELLSCHAFT SHARE – JANUARY TO DECEMBER 2021
in %



* 4 January 2021 = 100, stock performances indexed XETRA; Source: Deutsche Börse Group

Corporate Governance Report / Declaration on Corporate Governance in the Group

↗ Business Report information not reviewed for content

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

In November 2021, the Executive Board and Supervisory Board issued a declaration of compliance that confirmed adherence to 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 remuneration of the Executive Board shall be invested primarily in shares of the company or granted on a share-based basis. DMG MORI does not implement this recommendation but has based the long-term remuneration component of the Executive Board on key figures which, in the opinion of the Supervisory Board, are of material importance for the long-term success of the company.
  Share-based remuneration is not appropriate at DMG MORI, as DMG MORI AKTIENGESELLSCHAFT is a dependent company on the basis of the domination and profit transfer agreement of 2 June 2016, whose shareholders are entitled to compensation and severance pay under the domination and profit transfer agreement. The development of the company's share price is therefore not significantly influenced by the performance of the Executive Board and is therefore not an appropriate means of measuring the long-term remuneration 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 compliance issued for the year 2021.

DMG MORI complies with the suggestions of the German Corporate Governance Code with only 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 compliance and the Corporate Governance Report together with the declarations of compliance of previous years are permanently accessible on our website. → **en.dmgmori-ag.com/corporate-communications/corporate-governance**

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

Responsible Management of Opportunities and Risks

For us, part of good corporate governance is the comprehensive and systematic management of opportunities and risks within corporate management. Detailed information on the opportunities and risk management system can be found on page 88 et seqq.

Cooperation between the Executive Board and Supervisory Board

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

The remuneration of both the members of the Supervisory Board and of the Executive Board is presented in detail in the remuneration report from page 52 et seqq. which forms part of the Business Report of the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

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

Objectives concerning the Composition of the Supervisory Board

In its meeting on 22 September 2015, the Supervisory Board adopted the following resolution on the voluntary commitment 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 about DMG MORI and of markets of particular importance to DMG MORI, as well as knowledge about technical contexts and technology management;

› Consideration of special knowledge and experience in the application of financial reporting 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;

› At least 50 % of all Supervisory Board members should be independent;

› Avoiding conflicts of interest;

› An upper age limit of 70 years at the time of election to the Supervisory Board should be observed; maximum limit of five office terms;

› Nominations for the future composition of the Supervisory Board should continue to focus in particular on 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 2021. 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 through the DMG MORI Code of Conduct.

Statutory Gender Quota Requirements

Taking into account the Act on Equal Participation of Men and Women in Executive Positions in Private Business and the Public Sector, the Supervisory Board on 30 November 2017 passed 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 flat hierarchies, DMG MORI AKTIENGESELLSCHAFT only has one management level 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. Three female Supervisory Board members have been among the employees' representatives since the Supervisory Board's elections.

Avoiding 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 benefit, and from granting undue advantages to other persons. Any conflicts of interest that may arise from these and other situations must be disclosed to the Supervisory Board without delay and must be assessed and, if necessary, authorized by the Supervisory Board. The Supervisory Board reports to the Annual General Meeting on any conflicts of interest and 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 approval of the actions of the Supervisory Board and Executive Board, as well as on the election of the auditor of the annual financial statements or any amendments of the Articles of Association. Due to the corona situation, the Annual General Meeting was once again held as a virtual event in the reporting year. For Annual General Meetings held in this format, we enable shareholders to exercise their voting rights by electronic or postal written ballot, within the legal possibilities, and by issuing instructions to the company's voting proxies. Shareholders may exercise their voting rights in person at Annual General Meetings conducted as presence events. Shareholders who are unable to personally attend a physical Annual General Meeting are offered the option of appointing an authorized representative of their choice to exercise their voting rights on their behalf, or to assign them to a proxy who must exercise them in accordance with their instructions. It is also possible to timely obtain information online about the Annual General Meeting. All documents and information are made available to our shareholders on our website well ahead of the meeting date.

Transparency

We strive to ensure corporate communications that offer the greatest possible transparency and actuality for all target groups, including shareholders, investors, business partners, employees and the general public. On our website, we continuously provide information on the company's current affairs and publish press and quarterly releases, annual reports as well as a detailed financial calendar.

Compliance

We are aware of our responsibility towards our business partners, shareholders and employees, as well as to the environment and the society. We are therefore 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 2021 and on our website.

Accounting and Annual Audit

For the reporting year, DMG MORI and financial auditing firm PwC PricewaterhouseCoopers, Bielefeld, agreed that the Chairman of the Supervisory Board and the Chairwoman of the Finance and Audit Committee shall be informed promptly of 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 compliance issued by the Executive Board and Supervisory Board under the Corporate Governance Code.

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

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

Shareholdings of the Executive Board and Supervisory Board members

Only one of the members of the Supervisory Board holds a significant indirect interest in DMG MORI AKTIENGESELLSCHAFT. Dr. Eng. Masahiko Mori holds shares in DMG MORI COMPANY LIMITED (Tokyo, Japan). DMG MORI COMPANY LIMITED indirectly holds an 86.42 % interest in the share capital of DMG MORI AKTIENGESELLSCHAFT. Thus, Dr. Eng. Masahiko Mori is holding an indirect equity interest in DMG MORI AKTIENGESELLSCHAFT.

Pursuant to Section 19 MMVO (German Market Abuse Regulations), members of the Supervisory Board and 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, of shares or other securities of the company. The company is then required to publish the notification without delay. The relevant notifications made by DMG MORI AKTIENGESELLSCHAFT are available on the company's website anytime.

Remuneration Report

The remuneration system and remuneration of the Supervisory Board and the Executive Board for financial year 2021 are presented in the following. The Executive Board and the Supervisory Board are responsible for preparing the remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG).

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 was approved by the Annual General Meeting 2021 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.

In financial year 2021, the fixed remuneration entitlement of each individual Supervisory Board member amounted to € 60,000. The chairperson is entitled the 2.5-fold amount (€ 150,000). The Chairman of the Supervisory Board Dr. Eng. Masahiko Mori as well as James V. Nudo and Irene Bader have been waiving their complete Supervisory Board remuneration. The vice chairperson is entitled to the 1.5-fold amount (€ 90,000). The entitlement from the base remuneration amounted to € 630,000 in total (previous year: € 630,000).

The remuneration entitlements for committee work totaled € 252,000 (previous year: € 235,033) and took into consideration the work performed in the Finance and Audit Committee, in the Personnel, Nomination and Remuneration Committee and in the Committee for Transactions with Related Parties. The individual committee members were entitled to € 18,000. The committee chairpersons received an additional fixed remuneration of € 18,000.

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 the reporting year, all Supervisory Board members again waived 10 % of their fixed remuneration (base remuneration).

In financial year 2021, the total remuneration paid to the Supervisory Board amounted to € 930,000 (previous year: € 892,530). The total base remuneration – less waived amounts – and committee remuneration amounted to € 819,000 (previous year: € 778,530). The meeting attendance fees amounted to € 111,000 (previous year: € 114,000).

A.05 | REMUNERATION GRANTED AND PAYABLE TO THE SUPERVISORY BOARD

in €	Base remuneration	Committee remuneration: Finance and Audit Committee (F&A)	Committee remuneration: Personnel, Nomination and Remuneration Committee (PNR)	Committee remuneration: Committee for Transactions with Related Parties (TRP) (since 10 March 2020)	Base remuneration and committee remuneration total excl. waivers	Base remuneration less waivers (-10 %) and committee remuneration	Meeting attendance fees	Total remuneration
Dr. Eng. Masahiko Mori 1) Chairman of the Supervisory Board Chairman PNR	-	-	-	-	-	-	-	0
Ulrich Hocker 2) Deputy chairman SB Chairman TRP	90,000	0	18,000	36,000	144,000	135,000	12,000	147,000
Irene Bader 3)	-	-	-	-	-	-	-	0
Prof. Dr.-Ing. Berend Denkena 4)	60,000	0	0	18,000	78,000	72,000	7,500	79,500
Prof. Dr. Annette Köhler Chairwoman F&A	60,000	36,000	0	0	96,000	90,000	15,000	105,000
James Victor Nudo 5)	-	-	-	-	-	-	-	0
Mario Krainhöfner 6) 7) 1st Deputy chairman SB	90,000	0	18,000	0	108,000	99,000	9,000	108,000
Stefan Stetter 8) Deputy chairman SB	90,000	18,000	0	18,000	126,000	117,000	18,000	135,000
Tanja Fondel 6) 9)	60,000	0	18,000	0	78,000	72,000	9,000	81,000
Dietmar Jansen 6) 10)	60,000	18,000	0	0	78,000	72,000	13,500	85,500
Larissa Schikowski 11)	60,000	0	18,000	0	78,000	72,000	9,000	81,000
Michaela Schroll 6) 12)	60,000	18,000	0	18,000	96,000	90,000	18,000	108,000
Total amount	**630,000**	**90,000**	**72,000**	**90,000**	**882,000**	**819,000**	**111,000**	**930,000** 13)

1) Dr. Eng. Masahiko Mori is also a member of the F&A, Nomination and Mediation Committees. Dr. Eng. Masahiko Mori waives his Supervisory Board remuneration in full. Thus, Dr. Eng. Masahiko Mori has not received any Supervisory Board remuneration for 2021.
2) Ulrich Hocker is also a member of the PNR as well as of the Nomination and the Mediation Committee.
3) Irene Bader waives her Supervisory Board remuneration in full. Thus, Irene Bader has not received any Supervisory Board remuneration for 2021.
4) Prof. Dr.-Ing. Berend Denkena is a member of the TRP.
5) James Victor Nudo is a member of the F&A, PNR and Nomination Committee. James Victor Nudo waives his Supervisory Board remuneration in full. Thus, James Victor Nudo has not received any Supervisory Board remuneration for 2021.
6) These employees' representatives transfer the majority of their remuneration for Supervisory Board duties to the Hans-Böckler-Stiftung, Düsseldorf, Germany.
7) Mario Krainhöfner is a member of the PNR and Mediation Committees.
8) Stefan Stetter is a member of the F&A and TRP Committees.
9) Tanja Fondel is a member of the PNR and the Mediation Committee.
10) Dietmar Jansen is a member of the F&A.
11) Larissa Schikowski is a member of the PNR and transfers part of her Supervisory Board remuneration to various charitable institutions.
12) Michaela Schroll is a member of the F&A and TRP Committees.
13) The total amount corresponds to the expenses of DMG MORI AKTIENGESELLSCHAFT for 2021.

As the remuneration of the members of the Supervisory Board is not composed of variable but exclusively of fixed components, it is not necessary to determine a maximum total remuneration for the members of the Supervisory Board.

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

Comparison of annual change in Supervisory Board remuneration

The following table shows a comparison of the percentage change in the remuneration of the Supervisory Board members with the earnings development (EAT) of DMG MORI AKTIENGESELLSCHAFT and the average remuneration of the employees on a full-time basis compared to the previous year.

The remuneration of the Supervisory Board members shown in the table reflects the actual amounts paid for the respective financial year. For financial year 2021, these amounts correspond to the amounts stated in the table "Remuneration granted and payable to the Supervisory Board".

A.06 | COMPARISON OF ANNUAL CHANGE IN SUPERVISORY BOARD REMUNERATION	CHANGES 2021 AGAINST 2020 in %
Dr. Eng. Masahiko Mori 1)	–
Ulrich Hocker	+8.5 %
Irene Bader 2)	–
Prof. Dr.-Ing. Berend Denkena	+4.4 %
Prof. Dr. Annette Köhler	+3.6 %
James Victor Nudo 3)	–
Mario Krainhöfner	+1.7 %
Stefan Stetter	+5.2 %
Tanja Fondel	+2.3 %
Dietmar Jansen	+0.4 %
Larissa Schikowski	+2.3 %
Michaela Schroll	+6.6 %
EAT (DMG MORI AG group) 4)	+64 %
EAT (DMG MORI AKTIENGESELLSCHAFT) 5)	+8 %
Average employee remuneration 6)	+2 %

1) Dr. Eng. Masahiko Mori has not received any Supervisory Board remuneration for 2021.
2) Irene Bader has not received any Supervisory Board remuneration for 2021.
3) James Victor Nudo has not received any Supervisory Board remuneration for 2021.
4) 2021: € 85.6 million / 2020: € 52.1 million
5) 2021: € 29.3 million (under HGB) / 2020: € 27.1 million (under HGB)
6) Employee remuneration in Germany in the respective financial year

Executive Board remuneration

The remuneration system for the Executive Board is determined by the Supervisory Board. The Personnel, Nomination and Remuneration Committee develops recommendations for the Executive Board remuneration system, which the Supervisory Board also discusses and decides on in detail.

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.

The remuneration system for the Executive Board of DMG MORI AKTIENGESELLSCHAFT is geared to promoting the business strategy and the sustainable and long-term development of the company. This is achieved in compliance with the statutory requirements and in consideration of competitive aspects. The remuneration system was prepared by the Supervisory Board by resolution of 28 November 2019 on the legal basis of the Implementation of the Shareholders' Rights Directive (ARUG II) and approved by the 118th Annual General Meeting on 15 May 2020.

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 remuneration system adopted by the Supervisory 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 (DCGK), 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 limited free float of the stock 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.

Adequacy of the Executive Board 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 Executive Board member based on the remuneration system. The total target remuneration for each Executive Board member is the sum of base remuneration, the STI for 100% target achievement, the LTI for 100% target achievement and the pension contribution.

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 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 employees 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.

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) of the 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 applies if the Executive Board member's office tenure or employment has already ended at the time repayment is demanded. Claims for damages against the Executive Board member remain unaffected.

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 an Executive Board member's employment for important reasons, or if the Executive Board member terminates his service agreement without proper cause ("bad leaver"), all outstanding LTI allocations of which the three-year reference period has not yet ended will be forfeited.

Components of the remuneration system

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 forms the basis for recruiting and retaining the highly qualified Executive Board members needed for the group's further development and implementation of the corporate strategy.

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

Base remuneration: Each Executive Board member receives a fixed base remuneration. This 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, particularly the provision of a company car but also insurance coverage.

Retirement provisions: Each Executive Board member is granted a payment that must 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) Short-term incentive (STI)

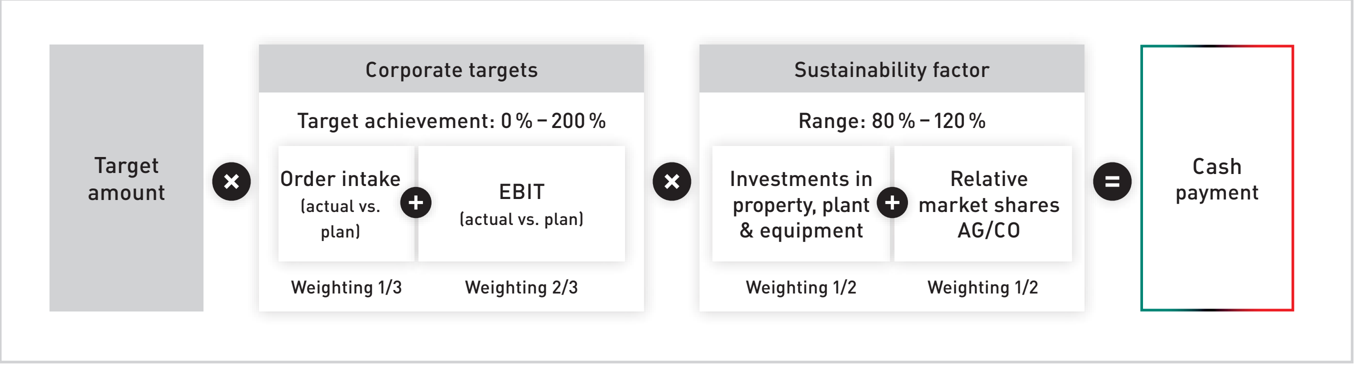
The STI is intended to motivate Executive Board members to achieve challenging and demanding financial, operational and strategic targets in the financial year. The targets reflect the corporate strategy and aim at increasing the earnings and market position of DMG MORI AKTIENGESELLSCHAFT. The one-year variable compensation is linked to the achievement of important key figures in the respective financial year, and in particular by tying it to the order intake and EBIT. An individual target amount is defined for each member of the Executive Board. The target amount is the starting point for determining the performance-related payment after the end of the assessment period. An entitlement to payment only arises at the end of the one-year assessment period and depends on whether or how the targets have been achieved.

The STI system is based on two target dimensions with different weightings that can be adjusted by so-called 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 reward the Executive Board's actions and successes that have made a contribution to sustainably securing the company's success.

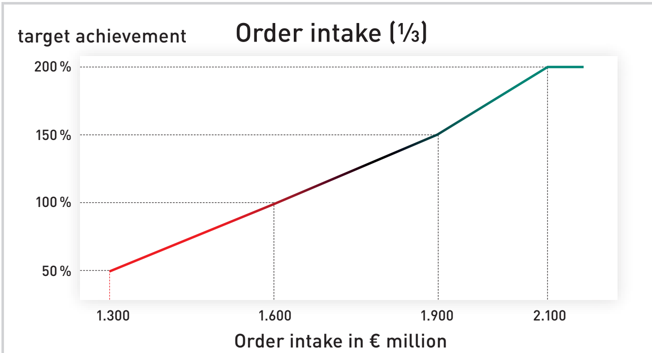
The levels of target achievement for the STI 2021 result from the following key figures and factors for 2021 and are determined for all Executive Board members according to the same criteria:

Order intake is weighted 1/3. In this way, the STI considers one of the key financial figures of DMG MORI AKTIENGESELLSCHAFT. The order intake component of the STI must reach a lower limit before it becomes bonus relevant. The lower limit is set at a target achievement of 50%. Reaching the target amount corresponds to a target achievement of 100%. The component does not increase further once a certain upper limit has been reached. This upper limit corresponds to a target achievement of 200%.

Short-term-incentive (STI) diagram

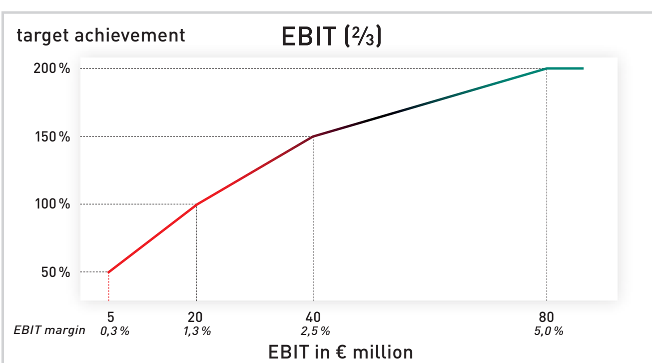


The following figure shows further details with respect to target achievement:



The **EBIT** is weighted 2/3. In this way, the STI considers an additional key financial figure of DMG MORI AKTIENGESELLSCHAFT. The EBIT component of the STI must reach a lower limit before becoming bonus relevant. This lower limit corresponds to a target achievement of 50 %. Reaching the target amount corresponds to a target achievement of 100 %. The component does not increase further once a certain upper limit has been reached. This upper limit corresponds to a target achievement of 200 %.

The following figure shows further details with respect to target achievement:



The remuneration resulting from the achievement of targets is adjusted (80 %-120 %) through two **sustainability factors** ("modifiers"), which are specified within the framework of the tender. These targets forming the basis of the sustainability factor include, for example, investments in property, plant and equipment as well as the development of internal market shares and positions (ratio of order intake DMG MORI AG group and DMG MORI COMPANY LIMITED). Both sustainability factors can reach a level of 80 % – 120 % and are weighted 50 % each. This is in particular intended to boost the Executive Board's efforts aimed at a sustainable management that delivers future growth.

c) Long-term incentive (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 three-year performance period contributes to assuring that the Executive Board's decisions in the current financial year are also focused on the company's long-term development.

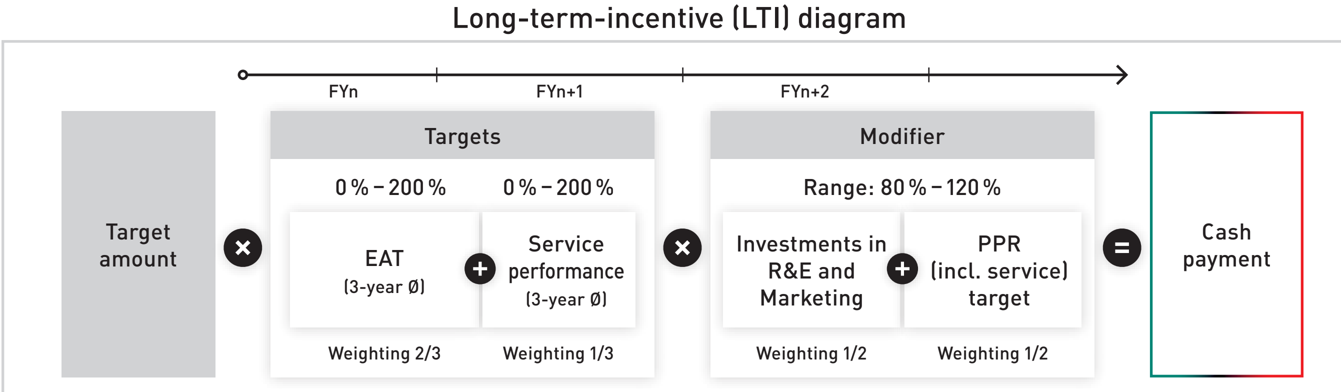
The LTI program is paid in cash on the basis of performance indicator-based remuneration determined over an assessment period of three years ("performance period"). It is granted in the form of yearly tranches.

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). In addition to that, the modifier with a bandwidth of 80 % to 120 % also incorporates the sustainability targets.

An individual target amount it set for each member of the Executive Board. The target amount represents the starting point for determining the performance-based payment after the end of the assessment period. A claim for payment only arises at the end of the three-year assessment period and depends on whether and to what degree the targets were achieved.

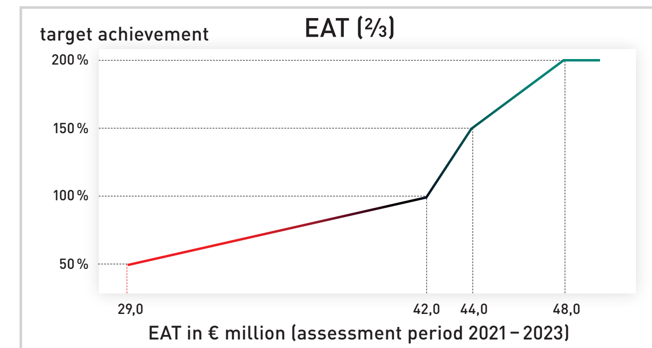
The levels of target achievement result from the following key figures and factors and are determined for all Executive Board members according to the same criteria:

Long-term-incentive (LTI) diagram



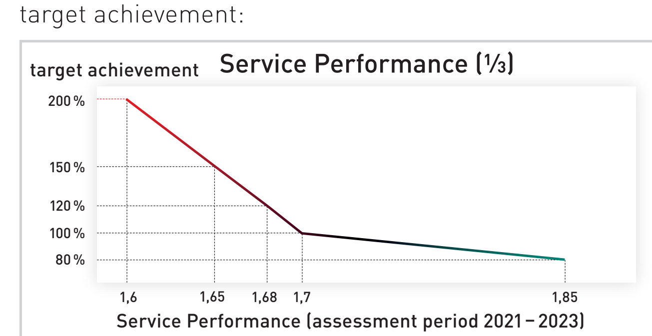
The **EAT** is weighted 2/3. In this way, the LTI considers one of the key financial figures of DMG MORI AKTIENGESELLSCHAFT. The EAT component of the LTI must reach a lower limit in order to become bonus relevant. This corresponds to a target achievement of 50 %. Reaching the target amount results in a target achievement of 100 %. The component does not increase further once an upper limit has been reached. This corresponds to a target achievement of 200 %.

The following figure shows further details with respect to target achievement:



The **service performance** over a period of three years is weighted 1/3. In this way, the LTI considers an important key management figure of DMG MORI AKTIENGESELLSCHAFT. The service performance is the average number of service calls per machine under warranty over the last 12 months. The service performance component of the LTI must fall below a threshold value before becoming bonus relevant. This threshold value corresponds to a target achievement of 80 %. Reaching the target figure corresponds to a target achievement of 100 %. It does not increase further after reaching the minimum value. This minimum value corresponds to a target achievement of 200 %.

The following figure shows further details with respect to target achievement:



The remuneration resulting from the degree of target achievement is adjusted (80 % – 120 %) by two **sustainability factors** ("modifiers"), which are specified within the framework of the tender. The current sustainability targets include adherence to the R&D and marketing budgets, as well as the development of the PPR indicator (number of "Product Problem Reports" in the last twelve months with status completed and final adjusted divided by the number of "Product Problem Reports" issued in the last twelve months). A "product problem report" describes a customer complaint. Both sustainability factors can reach a level of 80 % – 120 % and are weighted 50 % each. To secure the long-term and sustainable development, the targets are selected in consideration of the strategy.

Target and maximum amounts of remuneration

The payment from STI and LTI is limited in each case to a total of 200 % of the target amount.

The maximum total remuneration of an Executive Board member is determined by the Supervisory Board on the basis of the target total remuneration and is the maximum amount of total remuneration for the respective financial year, taking into account the fixed remuneration, short-term variable remuneration (STI), long-term variable remuneration (LTI 2021 – 2023), and retirement provisions.

The maximum total remuneration for financial year 2021 was set at € 4,800 K for the Chairman of the Executive Board and € 2,400 K for the Executive Board members. (→ Table A.07)

Retirement provisions

The retirement provisions are a further basis for recruiting and retaining the highly qualified Executive Board members required for the group's continued development and implementation of the corporate strategy. The retirement provisions should be competitive on the market for highly qualified Executive Board members and provide an appropriate level of retirement benefits. The retirement provisions for the Executive Board members are paid in the form of a contribution-based pension scheme:

› Christian Thönes: € 450 K p. a.
› Björn Biermann: € 200 K p. a.
› Michael Horn: € 200 K p. a.

A.07 I TARGET AND MAXIMUM REMUNERATION (REMUNERATION COMPONENTS 2021)	Christian Thönes		Björn Biermann		Michael Horn	
	2021 (Target)	2021 (MAX)	2021 (Target)	2021 (MAX)	2021 (Target)	2021 (MAX)
Base remuneration [1]	€ 1,200,000	€ 1,200,000	€ 600,000	€ 600,000	€ 600,000	€ 600,000
STI	€ 800,000	€ 1,600,000	€ 400,000	€ 800,000	€ 400,000	€ 800,000
LTI 2021 – 2023	€ 1,150,000	€ 2,300,000	€ 612,500	€ 1,225,000	€ 612,500	€ 1,225,000
Pension	€ 450,000	€ 450,000	€ 200,000	€ 200,000	€ 200,000	€ 200,000
Total remuneration	€ 3,600,000	€ 4,800,000	€ 1,812,500	€ 2,400,000	€ 1,812,500	€ 2,400,000

1) Fixed remuneration incl. waiver: Christian Thönes € 1,080 K; Björn Biermann € 540 K; Michael Horn € 540 K

Expenses for the contribution-based retirement provisions for the Executive Board members totaled € 850 K in financial year 2021 (previous year: € 800 K).

Remuneration for former members of the Executive Board
The former Executive Board member Dr. Maurice Eschweiler was paid € 60 K from the 2019 – 2021 LTI tranche for the reporting year (prorated amount until expiry of his Executive Board appointment on 31 March 2019). Under direct pension obligations, € 1,132 K was paid to former Executive Board members and their surviving dependants, of this € 680 K was attributable to Dr. Rüdiger Kapitza, who left the Executive Board in 2016.

Remuneration of the Executive Board for financial year 2021
In accordance with § 162 (1) sentence 2 no. 1 AktG, the following is a report on compensation in the financial year in which the activity underlying the compensation was performed in full. This applies to base remuneration as well as STI and LTI.

All members of the Executive Board again waived 10 % of their base remuneration in the reporting year. In total, the Executive Board waived payments in the amount of € 240 K for financial year 2021, which – together with the waiver of the Supervisory Board members – were paid into the DMG MORI relief fund for employees particularly affected by the corona pandemic.

The target achievement for short-term variable remuneration is 200 % for the key figure EBIT, and 200 % for the key figure order intake. The target achievement for the sustainability factor relating to the budget for investments in property, plant and equipment was 118.4 %, and for the relative market shares AG/CO 120.0 %, resulting in a weighted modifier of 119.2 % overall. The STI payment is limited to a total of 200 % of the target amount (cap).

The LTI tranche 2019 – 2021 as a long-term remuneration component considers the repayment contribution of DMG MORI AKTIENGESELLSCHAFT based on a three-year assessment period. The repayment contribution is the sum of the profit transfer and settlement of tax obligations as well as any loan amounts to DMG MORI COMPANY LIMITED. There is an upper limit (cap) for this LTI tranche at 120 % of the award amount for each Executive Board member. In 2019 – 2021 a minimum value (80 %) of an average of € 130 million redemption contribution must be achieved for a payout – in no year may the repayment contribution fall below € 60 million. The target value (100 %) corresponds to a repayment amount of € 150 million and the maximum value (120 %) to a repayment amount of € 170 million. In the assessment period, the average repayment amount was € 421.7 million. In no year was the repayment amount less than € 60 million. This corresponds to the maximum target achievement (120 %).

The total remuneration without advance payments of the Executive Board for financial year 2021 amounted to € 7,118 K (previous year: € 4,912 K). Of this amount, € 2,228 K (previous year: € 2,126 K) is attributable to the fixed, non-performance-based remuneration (base remuneration and fringe benefits), and € 3,200 K (previous year: € 1,236 K) to the short-term variable remuneration (STI) as well as € 850 K to contribution-based retirement provisions (previous year: € 800 K).

The LTI tranche 2019 – 2021, which was allocated on 31 December 2021 and will be paid in 2022, results in a total amount of € 840 K (LTI 2018 – 2020: € 750 K).

For the LTI tranche 2020 – 2022, a recoverable advance payment of € 1,508 K was made in 2021, which is part of the remuneration in accordance with section 162 (1) sentence 1 AktG.

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

The companies belonging to DMG MORI AKTIENGESELLSCHAFT group did not pay any remuneration directly to members of the Executive Board for services provided personally, in particular consulting and mediation services.

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

Table A.09 shows the granted and payable remuneration components of the active Executive Board members in the respective financial year, including the corresponding relative share pursuant to Section 162 (1) sentence 1 of the German Stock Corporation Act (AktG). The figures represent the base remuneration, the fringe benefits and the retirement provisions paid in the financial year. The table shows the STI as well as the LTI tranche 2019 – 2021 that will be paid in financial year 2022 for underlying activities that were fully performed by the end of financial year 2021. The recoverable advance payment for the LTI tranche 2021 – 2023 is also shown.

The Executive Board's voluntary waivers for the financial years 2020 and 2021 have been considered accordingly.

Table A.08 shows a comparison of the percentage change in the remuneration of the Executive Board members with the development of earnings of DMG MORI AKTIENGESELLSCHAFT and the average remuneration of the employees on a full-time equivalent basis compared to the previous year. The figures for the reporting year correspond to the figures for the total remuneration specified in the table "Remuneration granted and payable, including waivers" pursuant to § 162 (1) sentence 1 German Stock Corporation Act. The development of earnings is generally presented on the basis of the development of the key figure EAT.

A.08 | COMPARISON OF ANNUAL CHANGE IN EXECUTIVE BOARD'S REMUNERATION (SECTION 162 (1) NO. 2 AKTG)

	CHANGES 2021 AGAINST 2020 in %
Christian Thönes	+47.7 %
Björn Biermann	+35.4 %
Michael Horn	+49.8 %
EAT (DMG MORI AG group) [1]	+64 %
EAT (DMG MORI AKTIENGESELLSCHAFT) [2]	+8 %
Average employee remuneration [3]	+2 %

1) 2021: € 85.6 million / 2020: € 52.1 million
2) 2021: € 29.3 million (under HGB) / 2020: € 27.1 million (under HGB)
3) Employee remuneration in Germany in the respective financial year

A.09 | REMUNERATION AS GRANTED AND PAYABLE, INCL. WAIVERS (SECTION 162 (1) SENT. 1 AKTG)
in € K

	Christian Thönes Chief Executive Officer				Björn Biermann Executive Board member			
	2020	2020 [3]	2021	2021 [3]	2020	2020 [3]	2021	2021 [3]
Base remuneration	930		1,080		555		540	
Perquisite	12		11		17		8	
Total	**942**	**40 %**	**1,091**	**31 %**	**572**	**43 %**	**548**	**31 %**
STI	618	26 %	1,600	46 %	309	24 %	800	45 %
LTI 2018 – 2020	360	15 %	-	-	240	18 %	-	-
LTI 2019 – 2021	-	-	360	10 %	-	-	240	13 %
Total	**978**	**41 %**	**1,960**	**56 %**	**549**	**42 %**	**1,040**	**58 %**
Pension [1]	450	19 %	450	13 %	200	15 %	200	11 %
Total remuneration without advance payment	**2,370**	**100 %**	**3,501**	**100 %**	**1,321**	**100 %**	**1,788**	**100 %**
Recoverable advance payment LTI 2020 – 2022 [2]	-	-	650	-	-	-	429	-
Total inflow with advance payment	2,370	-	4,151	-	1,321	-	2,217	-

	Michael Horn Executive Board member				Executive Board total			
	2020	2020 [3]	2021	2021 [3]	2020	2020 [3]	2021	2021 [3]
Base remuneration	555		540		2,040		2,160	
Perquisite	57		49		86		68	
Total	**612**	**50 %**	**589**	**32 %**	**2,126**	**43 %**	**2,228**	**31 %**
STI	309	26 %	800	44 %	1,236	24 %	3,200	45 %
LTI 2018 – 2020	150	12 %	-	-	750	19 %	-	-
LTI 2019 – 2021	-	-	240	13 %	-	-	840	12 %
Total	**459**	**38 %**	**1,040**	**57 %**	**1,986**	**41 %**	**4,040**	**57 %**
Pension [1]	150	12 %	200	11 %	800	16 %	850	12 %
Total remuneration without advance payment	**1,221**	**100 %**	**1,829**	**100 %**	**4,912**	**100 %**	**7,118**	**100 %**
Recoverable advance payment LTI 2020 – 2022 [2]	-	-	429	-	-	-	1,508	-
Total inflow with advance payment	1,221	-	2,258	-	4,912	-	8,626	-

1) Payments for pension provisions as defined contribution
2) Contribution made in 2021
3) The specified relative proportions refer to the remuneration components "granted and payable" in the respective financial year pursuant to Section 162 (1) sentence 1 German Stock Corporation Act.

Already successfully in use at DMG MORI over 1,000 times: with TULIP, every customer can digitize the entire value chain step by step – simply and quickly.

Johannes Egger
Product Manager Digital Solutions // DMG MORI Management GmbH

Research and Development

The purpose of DMG MORI's research and development is to sustainably increase the value of our products for our customers. With the machine at the center, we are consistently developing further from a machine manufacturer to a holistic, sustainable solution provider in the manufacturing environment. In the reporting year, together with DMG MORI COMPANY LIMITED, we presented **26 innovations** – thereof 7 world premieres, 3 automation solutions, 15 digital innovations including 6 technology cycles and 1 DMG MORI Components.

We have expanded our machine portfolio with the following 7 world premieres:

- CLX 450 TC – the new Turn&Mill center for 6-sided complete machining. 100 % reduced setup times, up to 40 % lower tool costs and 20 % reduced production time at an attractive price set new standards in universal turning. With PAYZR, now also available as Equipment-as-a-Service.
- NZ platform – the variably configurable NZ DUE, TRE and QUATTRO production lathes offer maximum flexibility and productivity. Customers receive an individually customized configuration that enables highly productive 6-sided complete machining in two independent working areas.
- M1 – the new 3-axis milling machine in the entry-level. Compact, precise and highly profitable. Also available as Equipment-as-a-Service with the subscription business model PAYZR and easily configurable via cloud-based offering.
- DMP 35 – the new vertical high-speed machining center for maximum productivity in highly dynamic 5-axis simultaneous machining with a footprint of only 3 m².
- DMF 300|8 – the extension of the new travelling column series with a 20 % increase in milling performance, 60 % larger working area, innovative tool changer and extended options.
- ULTRASONIC 55 *MicroDrill* – the new machine for the semiconductor industry enables the highly productive and process-reliable drilling of micro holes down to a diameter of 0.1 mm thanks to the innovative ULTRASONIC *MicroDrill* technology.
- LASERTEC 3000 DED *hybrid* – the Turn&Mill center with DED technology integration offers additive and subtractive machining for 6-sided complete machining. The new machine enables the machining of even larger components at a smaller footprint.

Automation is the key to more efficiency, more productivity, even faster amortization – and thus to greater competitiveness of our customers. DMG MORI's innovative automation portfolio with 57 products includes machine-specific (WH Cell, PH Wheel, RPS etc.), universal (Robo2Go, PH Cell, PH 150 etc.) and scalable solutions (MATRIS, WH Flex, LPP, AGVs etc.) up to DMG MORI central control computer technology with central tool management. Our Robo2Go will soon also be available for workpieces up to 115 kg. Without knowledge of robot programming, the Robo2Go MAX can be used particularly quickly and easily via CELOS. This makes Robo2Go the ideal and flexible solution for small and medium batch sizes, also for particularly heavy components.

In future, the PH Cell MAX pallet handling system will allow the handling of up to 2,000 kg on each of the up to 21 pallets. It can be variably adapted thanks to standardized modules and is simply run via the Pallet Master directly from the machine. For the PH Wheel, we have transferred the proven concept of tool wheel magazines to workpieces. On less than 9 m², the PH Wheel stores up to 125 workpieces and enables a workpiece change in under 7 seconds.

Our automated guided vehicles (AGV) have been expanded with the TH-AGV for autonomous tool transport and the PH-AGV 125 for large pallets. Both, together with central storage systems such as the new CTS (Central Tool Storage) tool magazine, enable free layout design and maximum flexibility for any application.

Central job and order management is handled by the DMG MORI Cell Controller. This central control computer ensures simple, structured and efficient processing of jobs in a production line with multiple machines and also handles tool management.

Integrated digitization solutions and completely new business models expand our core business with machine tools and holistic automation solutions. In the reporting year, we presented 15 digital innovations.

With **PAYZR – PAY with Zero Risk** – for Equipment-as-a-Service and Software-as-a-Service, our customers have been benefiting since the middle of the reporting year from rapid innovation cycles without risk – with maximum flexibility, cost and price transparency, and thus maximum planning security. The PAYZR offer is being continuously expanded. Currently available are the 3-axis milling machine M1 as well as the turn-mill machining center CLX 450 TC as Equipment-as-a-Service and Software-as-a-Service offers from ISTOS, TULIP, WERKBLiQ and up2parts. With PAYZR, DMG MORI now enables all the benefits of data-based business models, such as subscription and pay-per-use, in addition to purchase, financing or leasing. We are increasingly offering digital end-to-end solutions that can be provided to our customers quickly, scalable and inexpensively. Digital business models, such as PAYZR, are the future and complement the classic machine and service business with networked, platform-based solutions.

The digital point-of-sale for all PAYZR offers is the **DMG MORI Store powered by ADAMOS**, which was newly introduced in June of the reporting year. Access is possible simply by "single sign-on" via digital channels such as the DMG MORI website or the customer portal *my* DMG MORI. Customers can access the complete variety of digital products here.

With the new **cloud-based offering**, various configurations of machines and systems can be compared in real time and perfectly matched to the customer's own application. The search, selection and evaluation of the individually suitable machine solution (including automation, digitization, technology cycles and DMG MORI Qualified Products) is thus mapped holistically for the first time.

With **DMG MORI TOOLING**, we have introduced a cloud solution for tool management, especially for small and medium-sized companies. The software increases process reliability and transparency in the management of tools and can be tested free of charge for 60 days. With the new **Digital Twin Process Optimizer,** real manufacturing processes recorded by sensors can now also be digitally tracked, analyzed and optimized 1:1. The Digital Twin is also part of our integrated **"Digital Engineering"** approach to increase the efficiency of real production.

The new post-processor **CELOS Dynamic Post** is the ideal interface between a wide variety of CAM systems and DMG MORI machines. This ensures the optimal implementation of the machining planned in the CAM system and fully seizes the potential of the machine.

The **Production Planning & Control** solutions from ISTOS simplify the entry into digitally optimized production planning and order processing, especially for small and medium-sized companies. They can be easily connected to existing ERP systems with standardized interfaces for the seamless exchange of production-relevant information. Customers can test "Production Planning & Control" free of charge for 30 days via the DMG MORI Store powered by ADAMOS.

DMG MORI Monitoring powered by TULIP enables easy monitoring of availability, performance and quality of all machines and systems. Thanks to its openness and consistency, new, old and third-party machines can be easily connected via protocols such as OPC-UA, MQTT and MTconnect, regardless of the manufacturer, and data can be linked via interfaces to IT systems such as ERP and MES. Individual evaluations can be created with TULIP without programming knowledge and can be accessed both at the machine and on mobile devices. More than 180 new customers benefited from the TULIP no-code manufacturing platform in the reporting year alone. More than 1,100 workstations and over 200 self-developed apps are in use in our own plants.

Already more than 30,000 registered customers with over 140,000 machines benefit from our free customer portal ***my* DMG MORI**. Applications purchased in the DMG MORI Store powered by ADAMOS can be directly assigned to specific machines in the *my* DMG MORI customer profile. We enable all *my* DMG MORI users to upgrade to the manufacturer-independent WERKBLiQ maintenance and service platform in order to also integrate third-party machines.

With 6 new **DMG MORI technology cycles**, we support our customers with now altogether 55 cycles in programming their machine on the shop floor. The new gearSHAPING cycle, for example, complements our gear machining cycles like gearSKIVING, gearMILL and gearHOBBING and allows the simple production of internal and external gears in confined spaces.

Sustainability with a holistic approach has been part of the DNA of DMG MORI for many years. We take global and holistic responsibility for resources along the entire value chain in the "DMG MORI GREEN ECONOMY". Our manufacturing solutions are high-quality, durable, recyclable and maximally efficient – for example through technology integration as well as comprehensive automation and digitization solutions – which preserves resources, the climate and the environment. All machines delivered worldwide since January 2021 have been produced completely CO_2-neutral through the triple "Avoid – Reduce – Compensate". Both our "**Company Carbon Footprint**" and "**Product Carbon Footprint**" are already climate neutral today – along the entire supply chain to the customer (scope 1, 2 and 3 upstream). In the reporting year, DMG MORI was one of the TOP 17 companies out of more than 1,000 applicants nominated for Europe's largest sustainability award in the area of climate protection. Since September

2021, DMG MORI has also been a certified member of the "Science Based Targets" initiative, which aims to limit global warming to a maximum of 1.5 °C. Furthermore, we have committed to implementing the "Task Force on Climate-related Financial Disclosures" (TCFD) and thus follow the recommendations for voluntary and consistent disclosure of climate-related information. DMG MORI has been awarded the Platinum Medal in the Sustainability Rating by the internationally renowned institute EcoVadis. This means that we are among the top 1 % of over 35,000 companies evaluated worldwide. The CSR rating includes the categories environment, labor and human rights, ethics and sustainable procurement.

In **Additive Manufacturing**, we offer new solutions for process automation, monitoring and optimization. For example, the new "Melt Pool Monitoring" for SLM technology enables real-time monitoring of the melting process. This allows the physical manufacturing process to be digitally tracked, analyzed and optimized.

In the reporting year, we presented the innovative "zeroFOG" cooling mist separator. This new **DMG MORI Component** ensures particularly clean air in the machine environment and is characterized by high energy efficiency.

Research and development expenses amounted to € 72.9 million (previous year: € 66.7 million). A total of 599 employees worked on the development of our products (previous year: 560 employees). As in the previous year, this corresponds to 15 % of the plants' total workforce. The innovation rate in the "Machine Tools" segment was 6.6 % (previous year 6.4 %). Investments in new developments are listed in the notes on the segments as capitalized development costs.

Our research and development activities are organized decentrally and coordinated by a central product development body. This structure enables us to build up a high level of product expertise while at the same time offering synergy effects through cross-plant cooperation. We create further synergies through our annual worldwide development conference. At the "Global Development Summit" in October, around 300 international experts once again came together digitally to develop and drive forward future ideas for integrated solutions from machine, automation, digitization and sustainability.

A.10 | RESEARCH AND DEVELOPMENT IN A YEAR BY YEAR VIEW

		2021	2020	2019	2018	2017	2016
R & D employees	number	599	560	583	581	525	502
Proportion of R & D employees [1]	in %	15	15	15	15	15	15
R & D expense [2]	€ million	72.9	66.7	72.0	70.9	60.9	57.1
Innovation ratio [3]	in %	6.6	6.4	5.0	4.9	4.7	4.6
Capitalization ratio [4]	in %	6.3	6.1	6.4	6.4	10.5	14.4

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

"Over 800 application engineers in our 17 Technology Excellence Centers support our customers right from the start – from the initial idea to final acceptance."

Dr. Eng. Edmond Bassett
Head of Technology Development // GILDEMEISTER Drehmaschinen GmbH

Purchasing

Purchasing, procurement and logistics are more important than ever. Due to the corona pandemic, supply chains in particular are facing new challenges. Resilience and adaptability are decisive success factors in the context of digitization and sustainability and have long been a focus at DMG MORI. Purchasing at DMG MORI is digital, innovative, agile.

1. We pursue a clear strategy in purchasing: double sourcing + regionalization.
2. We push digitization – also in purchasing.
3. We believe in strong partnerships.

In the reporting year, the cost of materials and services purchased totaled € 1,161.6 million (previous year: € 983.9 million), of which € 1,008.6 related to raw materials and consumables (previous year: € 842.6 million). The materials ratio was 55.9 % (previous year: 54.4 %). The real net output ratio was 24.0 % (previous year: 26.5 %).

We are continuing to work consistently on implementing a completely digitized supply chain and thus to sustainably improve efficiency in purchasing. DMG MORI is increasingly using digital solutions that help to identify synergies across the group and enhance security of supply. In the reporting year, we were able to leverage further efficiencies through the use of "Robotic Process Automation" (RPA).

DMG MORI maintains strong and stable partnerships with its suppliers: The challenges posed by material and supply shortages in particular have shown that an ongoing close exchange with our suppliers is more important than ever. To underline the significance and performance of our strategic suppliers, the established "DMG MORI Partner Summit" took place – virtual and live – on the occasion of the Pre-EMO Show at DECKEL MAHO in Pfronten. The five best supplier partners were honored with the "DMG MORI Partner Award 2021". They convinced with their outstanding performance in the following categories: Quality, Innovation, DMQP, Delivery Performance and, for the first time, Sustainability.

In 2021, we further strengthened the resilience of our supply chain with extensive measures: our global double-sourcing strategy means that we have at least two suppliers for substantial components. In this, we rely on both global and regional providers. We think globally and act locally. In addition, we are increasingly manufacturing core components ourselves through our DMG MORI Components. DMG MORI's holistic supply chain risk management identifies risks in the supply chain at an early stage by digital tools and enables suitable countermeasures to be initiated in good time. We managed to secure supplies for the most part by bringing forward orders, increasing inventories of critical components, safeguarding production capacities and building up consignment stocks at our supply partners. We minimize economic and geopolitical risks by paying attention to diversification and localization of the supplier portfolio in the various markets.

Along with the global material shortages and limited logistics capacities, DMG MORI was also confronted with rising prices. For example, prices in steel rose by 225 % and in logistics by 540 %. However, material price increases stabilized at a high level at the end of the reporting year.

Through the active role of purchasing, technologies are driven forward and methods for the early involvement of suppliers in the innovation process are continuously developed. Together with proven DMG MORI technology partners, procurement contributes to the cooperative and future-proof further development of DMG MORI and its supplier network. The technology partnership enables both sides to exchange ideas in order to be strongly positioned for future challenges. 30 "Tech Days" were held with our DMG MORI technology partners during the reporting year, at which 54 new development projects were initiated. In addition, 65 future-oriented ideas were submitted and presented digitally via a web-based innovation platform.

The structural analysis of suppliers in the area of purchasing shows that 5 % cover a share of around 80 % of the total purchasing volume. We refer to these as our A-suppliers. Another 11 % of our suppliers have a share of 15 % of the purchasing volume (B-suppliers); 16 % of our suppliers thus cover 95 % of the total purchasing volume. The remaining 5 % share of purchased materials is distributed among the other 84 % of our suppliers, the so-called C-suppliers.

Purchasing units operating worldwide procure production materials, goods and services in the required quality and at the best possible conditions. The intensive networking of the individual purchasing organizations leads to optimized material group management with improved cost structures and makes it possible to achieve group-wide synergies on various procurement markets for over 30 material groups, for example control technology, sheet metal, castings or motor spindles.

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

The Product Cost Optimization (PCO) program continues to be an essential part of the product development process. In the reporting year, 79 projects with potential savings of € 2.9 million were supported, mainly in the areas of castings, machined parts and sheet metal parts. Costs were again reduced through the further development of PCO.

Every day, DMG MORI assumes responsibility in a holistic and sustainable manner: This also applies to purchasing. The basis for successful business relationships with our partners and suppliers is the observance of human rights and occupational health and safety standards, active environmental protection and the fight against corruption. With the platforms "Integrity Next" and "SAP Ariba", our sustainability criteria are uniformly integrated into the purchasing and supplier organization throughout the group. "Integrity Next" is used to obtain information on all suppliers in order to determine sustainability performance and ensure adherence to statutory requirements. On this basis, we define concrete improvement measures with our suppliers. In the reporting year, 90 % – that is 3,191 – of DMG MORI's active suppliers were already involved. This makes "Integrity Next" an important element for the timely implementation of the Supply Chain Due Diligence Act, which will come into force on 1 January 2023.

We respond to sustainability risks and violations by systematically implementing measures. For example, supply partners are informed of deficits and proactively requested to remedy them within a specified period. Serious violations can lead to the dissolution of the cooperation as well as to a system-side blocking of the supply partner.

Climate change and the accompanying reduction of CO_2 emissions are currently the central tasks. In order to achieve the transformation to a "GREEN ECONOMY", technological as well as regulatory changes are necessary and of high importance especially for purchasing.

DMG MORI supports its supplier partners with advice on their path to climate neutrality and decarbonization. Innovative Software-as-a-Service solutions transparently present CO_2 emissions at component level and can automatically generate concrete improvement proposals for suppliers. In the reporting year, we analyzed some components on a test basis with the help of a start-up. This improved data quality enables us to identify even more targeted CO_2 reduction potential together with our suppliers on the basis of our climate triple "Avoid – Reduce – Compensate". In 2022, we plan to expand our activities to include additional emissions-intensive material groups and, in particular, approach suppliers with the highest CO_2 emissions to define specific reduction measures. Further details can be found in the separate Sustainability Report 2021 on page 36 et seqq.
→ en.dmgmori-ag.com/sustainability

Production and Logistics

The ultimate goal of DMG MORI's production and logistics is sustainable, digitized and highly efficient manufacturing and assembly. In this way, we want to ensure the highest quality as well as on-time and prompt delivery of our machines. The basis for this is adherence to our strict global quality standards and processes. We achieve this with our "First Quality" strategy along the entire value chain. The continuous improvement of our quality management system combined with innovative digital solutions are the key to highest product and process quality and a resulting customer satisfaction of over 95 % in the reporting year.

With the TAKT project, we are systematically advancing the implementation of our production strategy and transferring lighthouse projects, standards and process optimizations to all production sites. Our components strategy pursues the strengthening and expansion of our core competencies: Through in-house production of DMG MORI Components, we can guarantee the highest quality standards and reduce dependencies on suppliers. The guidelines of our production strategy are optimal capacity utilization and sustainable production.

In the TAKT Academy, our employees receive further training in the "Digital Lean Six Sigma" methodology. In the course of the training, projects are carried out to eliminate waste, reduce lead times, increase productivity and ergonomically improve workplaces. There is a strong focus on digitizing our processes and integrating flexible automation solutions into our own value chain. By implementing software solutions developed in-house by TULIP, ISTOS and WERKBLiQ, we are also actively promoting digital transformation internally. In addition, we are working on the introduction of further assembly and intralogistics concepts with driverless transport systems and collaborative robots (cobots) that assist our employees with complex tasks.

We cooperate intensively with DMG MORI COMPANY LIMITED in the development of our worldwide production network. Through the mutual use of global production capacities, our customers benefit from shortened delivery times and reduced transport costs. In the future, we will continue to use our global production network to increase our flexibility, make optimum use of capacities and reduce the distance to our customers through local production. To secure long-term independent access to important markets, we are expanding our global presence with new production plants in China and Egypt:

Made in China for China: Another important component of this production network is the new production plant DMG MORI Manufacturing Solutions in Pinghu near Shanghai. The groundbreaking ceremony for the highly automated and fully digitized, around 41,000 m² production plant for 5-axis milling machines took place in December 2021. The core element will be a continuous flow assembly line with a driverless transport system. The grand opening is planned for 2023.

Made in Africa for Africa: In Cairo, together with Egypt's largest industrial holding company (AOI), we are also building a highly automated, fully digitized production plant for turning and milling machines covering around 20,000 m² by 2024. The company GEMAS (German Egyptian Manufacturing Solutions), in which DMG MORI holds a 40 % stake, is being built on a total area of around 60,000 m² in the immediate vicinity of the airport.

We bundle our idea management on our digital platform "DMG MORI Improve". More than 12,000 ideas were submitted there across the group in the reporting year and of those, more than 65 % were implemented. The modules for workshops and projects as part of continuous improvement process management are used across all production locations and also supported the implementation of the TAKT Academy projects.

In the reporting year, we started the construction of a new state-of-the-art logistics center with an area of 8,400 m² at the Pfronten site. The 14,000 rack meters with automated and fully digitized processes enable materials to be supplied in less than one hour after call-off.

Based on the "Digital Lean Six Sigma" method, a specially trained team analyzed the optimization of the DMU 80 duoBLOCK through digitally supported "Production Dojos" at the Pfronten site in the reporting year. Along the entire value chain, all aspects were critically examined, from optimized specifications at suppliers to design adjustments and packaging – and subsequently more than 100 different points were optimized. This led to a 30 % improvement in productivity. Furthermore, the lead time was reduced by 25 %. In addition, a project at the TAKT Academy enabled the machining processes for castings to be optimized through design adjustments, thus reducing material costs by up to 55 %.

At DECKEL MAHO in Seebach, lead times from initial sample parts to series release were reduced by more than 50 % in the course of another project. The focus was on the implementation of a self-developed TULIP Track & Trace APP, which enables us to control and seamlessly track the entire appoval process.

At GILDEMEISTER Drehmaschinen GmbH, production of the newly developed CLX 450 TC at the Bielefeld site has started successfully. The body machine is provided by our state-of-the-art production and supplier plant FAMOT in Poland and the compactMASTER spindle is produced in-house in Bielefeld. These processes ensure optimized value creation and bundle all the know-how in the group.

ECONOMIC REPORT

Business Environment

Overall Economic Development

The momentum of the global economic recovery in 2021 was slowed from mid-year by new waves of infection, shortages in global supply chains as well as high raw material and transport costs, and rising inflation. This significantly hindered the overall economic recovery process. According to preliminary calculations by the Institute for the World Economy (IfW) at the University of Kiel, the global economy nevertheless grew by +5.7 % after the historic decline in 2020 (-3.1 %).

Germany recorded a growth in gross domestic product (GDP) of +2.6 %, only partially offsetting the losses from the crisis year 2020 (-4.9 %). In the euro zone, the economy grew by +5.0 % (previous year: -6.4 %). However, supply shortages made it difficult for the economy to recover fully. The major European economies – led by France with an increase in GDP of +6.6 % (previous year: -8.0 %), Italy with +6.2 % (previous year: -9.0 %), and Spain with +4.2 % (previous year: -10.8 %) – recorded an upturn again after the recession in 2020. In the United Kingdom, the economy recovered with +6.9 % (previous year: -9.7 %). GDP in Russia increased by +3.7 % (previous year: -2.4 %).

China showed a GDP growth rate of +7.8 % (previous year: +2.3 %). A slight economic recovery was observed in Japan: GDP increased by +1.5 % (previous year: -4.7 %). India recorded significant growth of +7.6 % (previous year: -7.0 %). The Southeast Asia region grew by +2.9 % (previous year: -4.5 %).

The US economy achieved significant growth in the first half of 2021 and already exceeded pre-corona levels, but lost momentum towards the end of the year. Full-year GDP increased by +5.6 % (previous year: -3.4 %). Latin America recorded a strong rise of +6.6 % (previous year: -6.8 %).

Development of the machine tool industry

INTERNATIONAL DEVELOPMENT

The global market for machine tools was on course for recovery in 2021. However, the enormous challenges of the pandemic, material availability and supply shortages, rising inflation and high raw material and transport costs weighed on development. According to preliminary data from the German Machine Tool Builders' Association (Verein Deutscher Werkzeugmaschinenfabriken e. V. (VDW)) and the British economic research institute Oxford Economics, global consumption in 2021 rose significantly by +17.5 % to € 69.0 billion (2020: € 58.7 billion) but remained below the pre-corona level of 2019 (-5.2 %; € 72.8 billion).

In Europe, demand for machine tools was rather moderate at +11.8 % compared to last year's high decline (previous year: -26.3 %). Asia, on the other hand, recorded the strongest increase with +18.4 % (previous year: -16.3 %). The development in the North and South America regions was also positive at +14.6 % (previous year: -21.9 %).

In China, the world's largest market, consumption of machine tools grew significantly by +19.5 % to € 22.2 billion (2020: € 18.6 billion; 2019: € 19.9 billion). The USA, the second most important market for machine tools with € 8.3 billion, reported an increase of +14.0 % (2020: € 7.3 billion; 2019: € 8.7 billion). In Germany, the third largest market, consumption rose by only +2.2 % to € 4.7 billion (2020: € 4.6 billion), considerably below the pre-corona level of 2019 (-34.4 %; € 7.1 billion). In fourth place is Japan. Although consumption here increased significantly by +11.4 % to € 4.1 billion, it also remains notably below the pre-corona level of 2019 (-26.5 %; € 5.5 billion). Italy's consumption performed extremely well, up +29.7 % to € 3.7 billion (2020: € 2.9 billion; 2019: € 4.0 billion), maintaining its position as the fifth-strongest market ahead of South Korea at € 3.2 billion (2020: € 2.7 billion; 2019: € 3.0 billion). As in the previous year, the ten most important consumer markets represented around 79 % of global machine tool consumption.

For global production, the VDW calculated a volume of € 69.0 billion (2020: € 58.7 billion; 2019: € 72.8 billion). According to preliminary estimates, China remained the world's largest producer of machine tools in 2021 with a volume of € 20.6 billion (2020: € 17.0 billion; 2019: € 17.3 billion). Japan with € 9.6 billion (2020: € 8.2 billion; 2019: € 11.8 billion) and Germany with € 9.3 billion (2020: € 8.8 billion; 2019: € 12.6 billion) swapped places and followed in second and third place. As in the previous year, the ten key production countries represented a total of 90 % of all machine tools worldwide.

GERMAN MACHINE TOOL INDUSTRY

The German machine tool industry largely recovered in 2021 from the consequences of the corona pandemic. Order intake at the plants in Germany rose by +58.3 % to € 13.6 billion, already back above the pre-corona level in 2019 (2020: € 8.6 billion; 2019: € 12.3 billion) – although still well below the 2018 level of € 17.5 billion. Both domestic demand at +50.6 % (previous year: -36.5 %) and international orders +61.6 % (previous year: -26.7 %) increased significantly. Order intake for metal cutting machines grew notably by +65.0 % (previous year: -31.0 %). Domestic orders increased considerably by +69.0 % (previous year: -42.0 %). Foreign orders rose by +63.0 % (previous year: -25.0 %). In the metalforming machinery sector, order intake gained +42.0 % (previous year: -28.0 %). Order intakes at the foreign plants of German manufacturers are not included here.

Sales revenues of German machine tool manufacturers still fall noticeably short of the order intake development due to the tight supply situation. They grew only by +3.7 % to € 12.7 billion and were thus -25.7 % below the pre-corona level 2019 (2020: € 12.2 billion; 2019: € 17.0 billion). The production of machinery, parts and accessories reached a total volume of € 11.7 billion and was also up +5.7 % on the previous year (€ 11.1 billion).

German machine tool exports rose by +7.9 % to € 8.0 billion (previous year: € 7.4 billion). The export ratio went up by around 1.5 percentage points to 68.2 %. The most important export market for German machine tools was again China with an increase of +24.3 % to € 1.6 billion (previous year: € 1.3 billion). This corresponds to 20.0 % of machine tool exports (previous year: 17.4 %).

As in the previous year, the USA ranked second with an export volume of € 1.0 billion (export share: 12.5 %). Italy was the third most important export market with € 0.5 billion and an export share of 5.8 %, closely followed by Austria and Poland. Imports of machine tools went up by +10.9 % to € 2.8 billion (previous year: € 2.5 billion). With an import share of 26.2 %, approximately every fourth machine tool imported came from Switzerland. Japan (9.7 %) and Italy (9.2 %) followed in the other places.

Domestic consumption of machines, parts and accessories increased by +5.1 % to € 6.5 billion. Over the course of the year, the capacity utilization of German machine tool manufacturers rose by around 10 percentage points. Capacity utilization of cutting machine manufacturers was 80.8 % (previous year: 70.9 %).

The number of employees in German machine tool companies fell by -7.3 % on average over the year to around 64,500 (previous year: 69,558).

For the industrial economy, the ifo business climate is the leading indicator of economic development in Germany. According to the ifo publication of January 2022, the mood in the German economy improved at the start of the year. The business climate index rose in almost all major manufacturing sectors (mechanical engineering, production of metal products and electrical equipment). Although companies assessed the current situation as slightly worse, expectations grew significantly. In addition, the situation regarding supply shortages of intermediate products and raw materials eased somewhat.

BUSINESS REPORT | Economic Report | Business Environment

"With our new GLOBE platform, we create maximum added value for our customers and employees through 100 % transparency – from quotation to service.

Dr. Max Ruhwinkel
Head of Business Process Management // GILDEMEISTER Beteiligungen GmbH

Results of Operations, Financial Position and Net Worth

Order Intake

Demand for machine tools recovered in 2021 but was slowed down in the course of the year due to the corona pandemic and rising inflation. Under these once again more difficult general conditions, DMG MORI achieved a significant increase in order intake. Orders increased by +57 % to € 2,517.2 million (previous year: € 1,599.4 million). New machine business in particular increased significantly by +71 %. Overall, the core business with machine tools and services was even +5 % above the high pre-corona level in 2019 (€ 2,401.8 million). In the fourth quarter, orders increased to € 588.6 million (+43 %; previous year: € 411.6 million).

In the "Machine Tools" segment, orders rose to € 1,423.8 million (+69 %; previous year: € 844.3 million). In the fourth quarter, order intake amounted to € 302.0 million (previous year: € 206.9 million). The "Industrial Services" segment recorded an increase to € 1,093.2 million (previous year: € 754.9 million). Of this, € 1,092.7 million was attributable to Services (previous year: € 750.1 million). This includes order intake from our original service business (€ 671.5 million), which, in addition to lifecycle services (i.a. spare parts, maintenance and repair), comprises sales commissions (previous year: € 506.5 million). Orders for machines from DMG MORI COMPANY LIMITED increased by +73 % to € 421.2 million (previous year: € 243.6 million). In the fourth quarter, orders received for "Industrial Services" rose to € 286.6 million (previous year: € 204.6 million).

Domestic orders increased by +62 % to € 747.4 million (previous year: € 462.0 million). International orders rose by +56 % to € 1,769.8 million (previous year: € 1,137.4 million). The share of international orders was thus 70 % (previous year: 71 %). With 6,452 machines sold, the number of orders was significantly higher than the previous year's figure (3,654). Sales prices were successively increased across the entire product range due to worldwide raised in material prices.

Sales Revenues

Sales revenues increased to € 2,052.9 million despite the more difficult material supplies, increasing logistics shortages as well as high raw material and transport costs (+12 %; previous year: € 1,831.3 million). In the fourth quarter, sales revenues rose by € 76.0 million to € 602.0 million (+14 %; previous year: € 526.0 million).

The "Machine Tools" segment developed positively, with sales revenues growing by € 56.9 million to € 1,103.9 million (+5 %; previous year: € 1,047.0 million). In the fourth quarter, sales revenues rose to € 342.8 million (+14 %; previous year: € 300.0 million). In the "Industrial Services" segment, sales revenues for the full year increased to € 948.8 million (+21 %; previous year: € 784.1 million). In the Services division, sales revenues rose to € 946.7 million (previous year: € 778.8 million). Sales revenues from our original service business were impacted during the year by the travel restrictions, which still persisted in some cases, and amounted to € 506.0 million (previous year: € 430.2 million). Sales revenues from trade with products of DMG MORI COMPANY LIMITED accounted for € 440.6 million (previous year: € 348.6 million). In the fourth quarter, sales revenues in "Industrial Services" segment reached € 259.2 million (+15 %; previous year: € 225.9 million).

Domestic sales increased by 18 % to € 652.8 million (previous year: € 553.1 million). International sales grew by 10 % to € 1,400.1 million (previous year: € 1,278.2 million). The export share was 68 % (previous year: 70 %).

Pressure on supply chains remains high worldwide and is aggravated by logistics shortages. DMG MORI has so far been able to avoid serious production interruptions thanks to a stable and long-standing network with partners and suppliers.

Order Backlog

The group's order backlog increased to € 1,208.9 million as of 31 December 2021 due to the good development of order intake (31 Dec 2020: € 852.2 million). The domestic order backlog was € 459.8 million (31 Dec 2020: € 366.2 million). The international order backlog amounted to € 749.1 million (31 Dec 2020: € 486.0 million). International orders accounted for 62 % of the current backlog (same date in the previous year: 57 %).

The order backlog for the individual segments developed as follows: In the "Machine Tools" segment, it amounted to € 574.3 million (31 Dec 2020: € 346.2 million). The "Industrial Services" segment had an order backlog totaling € 634.6 million as of 31 December 2021 (31 Dec 2020: € 506.0 million).

The order backlog in the "Machine Tools" segment results in a calculated production range of around 7 months (previous year: around 4 months). The individual production companies have different capacity utilization. We counter longer delivery times with targeted measures such as the expansion and optimization of assembly and production capacities.

Results of Operation

DMG MORI completed the demanding financial year 2021 successfully. The effects of the corona pandemic, more difficult material supply, increasing supply shortages and high raw material and transport costs, as well as rising inflation impacted the year and slowed down overall economic development. The global market for machine tools was on the road to recovery but remained significantly below the pre-corona level of 2019. In this volatile market environment, DMG MORI came out of the crisis stronger.

The earnings situation developed positively: EBITDA improved by +22 % to € 190.8 million (previous year: € 156.7 million). EBIT increased by +52 % to € 123.8 million (previous year: € 81.7 million). The EBIT margin improved to 6.0 % (previous year: 4.5 %). EBT grew by +62 % to € 121.6 million (previous year: € 74.9 million). As of 31 December 2021, the group reported EAT of € 85.6 million – an increase of +64 % (previous year: € 52.1 million).

The individual income statement items are discussed below: amid rising material, logistics and transport costs as well as increasing raw material prices and the ongoing corona pandemic, sales revenues went up to € 2,052.9 million (+12 %; previous year: € 1,831.3 million). Total operating income improved to € 2,079.5 million (+15 %; previous year: € 1,809.8 million).

The cost of materials rose by € 177.7 million to € 1,161.6 million (previous year: € 983.9 million), mainly as a result of the higher total operating income. The materials ratio was 55.9 % (previous year: 54.4 %). The change resulted in particular from the change in inventories compared with the previous year and a modification in the product and country mix.

Gross profit increased to € 917.9 million (previous year: € 825.9 million). Personnel expenses amounted to € 522.7 million (previous year: € 486.9 million). The personnel ratio improved to 25.1 % (previous year: 26.9 %) with a significant rise in total performance.

The balance of other income and expenses changed by € -22.1 million to € -204.4 million (previous year: € -182.3 million). Other operating income decreased by € 14.6 million to € 59.7 million (previous year: € 74.3 million). As in the previous year, it includes in particular income from cost allocations of € 8.9 million (previous year: € 10.4 million) and exchange rate gains of € 24.0 million (previous year: € 34.0 million), which are related to the exchange rate losses in other operating expenses. In the financial year 2021, there was a net exchange rate gain of € 1.8 million (previous year: € 3.0 million). Other operating expenses (OOE) increased disproportionately by 2.9 % or € 7.5 million to € 264.1 million despite the +14.9 % rise in total operating performance (previous year: € 256.6 million). Due to our sustainable cost optimization measures, the OOE ratio improved by 1.5 % to 12.7 % (previous year: 14.2 %). Expenses for outgoing freight and packaging went up to € 44.9 million (previous year: € 41.3 million). Expenses for exhibitions and trade fairs amounted to € 29.2 million (previous year: € 25.5 million) and travel and entertainment expenses were € 21.8 million (previous year: € 19.7 million). Expenses for temporary employment and contractors amounted to € 5.6 million (previous year: € 5.4 million). Exchange rate losses were € 22.2 million (previous year: € 31.0 million).

Depreciation decreased to € 67.0 million (previous year: € 75.0 million). Depreciation includes impairment losses of € 1.9 million (previous year: € 3.5 million), mainly relating to intangible assets. Amortization of rights of use in accordance with IFRS 16 amounted to € 18.8 million (previous year: € 20.2 million).

The financial result was € -2.4 million (previous year: € -4.5 million). This was due to interest income of € 4.6 million (previous year: € 4.5 million) and interest expenses of € 7.0 million (previous year: € 9.0 million). Other financial result includes income from companies accounted for at-equity amounting to € 0.2 million. The previous year's figure (€ -2.3 million) includes an impairment loss of € 4.4 million on at-equity accounted investments. Tax expense increased to € 36.0 million (previous year: € 22.8 million) on significantly higher EBT. The tax ratio improved to 29.6 % (previous year: 30.4 %). Further explanations are provided in the notes to the consolidated financial statements on page 130 et seqq.

B.01 | INCOME STATEMENT
in € million

	2021		2020		Changes against previous year	
Sales Revenues	**2,052.9**	**98.7 %**	**1,831.3**	**101.2 %**	**221.6**	**12.1 %**
Changes in finished goods and work in progress	19.8	1.0 %	-35.5	-2.0 %	55.3	155.8 %
Own work capitalized	6.8	0.3 %	14.0	0.8 %	-7.2	51.4 %
Total work done	**2,079.5**	**100.0 %**	**1,809.8**	**100.0 %**	**269.7**	**14.9 %**
Cost of materials	-1,161.6	-55.9 %	-983.9	-54.4 %	-177.7	18.1 %
Gross profit	**917.9**	**44.1 %**	**825.9**	**45.6 %**	**92.0**	**11.1 %**
Personnel costs	-522.7	-25.1 %	-486.9	-26.9 %	-35.8	7.4 %
Other expenses and income	-204.4	-9.8 %	-182.3	-10.1 %	-22.1	12.1 %
EBITDA	**190.8**	**9.2 %**	**156.7**	**8.6 %**	**34.1**	**21.8 %**
Depreciation	-67.0	-3.2 %	-75.0	-4.1 %	8.0	10.7 %
EBIT	**123.8**	**6.0 %**	**81.7**	**4.5 %**	**42.1**	**51.5 %**
Financial result	-2.4	-0.2 %	-4.5	-0.3 %	2.1	46.7 %
Other financial result	0.2	0.0 %	-2.3	-0.1 %	2.5	108.7 %
EBT	**121.6**	**5.8 %**	**74.9**	**4.1 %**	**46.7**	**62.3 %**
Income taxes	-36.0	-1.7 %	-22.8	-1.3 %	-13.2	57.9 %
EAT	**85.6**	**4.1 %**	**52.1**	**2.8 %**	**33.5**	**64.3 %**

Financial Position

The financial situation also developed very positively: Free cash flow rose to € 179.9 million and has reached an all-time high (+1,046 %; previous year: € 15.7 million).

Cash flow from operating activities (cash inflow) improved to € 244.9 million (previous year: € 67.3 million). The main contributors to this cash flow were earnings before taxes (EBT) of € 121.6 million (previous year: € 74.9 million) and depreciation of € 67.0 million (previous year: € 75.0 million). Due to the significant increase in order intake, advance payments received rose by € 197.6 million and provisions grew by € 49.9 million as a result of the higher total output, leading to an improvement in cash flow. The increase of inventories by € 41.6 million and trade debtors from third parties by € 70.4 million, as well as the decrease in trade accounts payable by € 28.4 million, reduced cash flow. In addition, the € 44.5 million rise in advance payments to suppliers to secure the supply of materials led to a further decline in cash flow. Payments for income taxes (€ 28.9 million) and interest (€ 5.3 million) reduced cash flow.

B.02 | CASH FLOW
in € million

	2021	2020
Cash flow from operating activity	244.9	67.3
Cash flow from investment activity	-83.8	21.7
Cash flow from financing activity	-44.7	-117.1
Changes in cash and cash equivalents	118.4	-30.5
Liquid funds at the start of the reporting period	123.5	154.0
Liquid funds at the end of the reporting period	241.9	123.5

Cash flow from investment activities (cash outflow) was € -83.8 million (previous year: € 21.7 million). Cash outflows for investments in property, plant and equipment amounted to € 42.6 million (previous year: € 41.7 million) and for intangible assets to € 23.1 million (previous year: € 26.3 million). Investments in financial assets resulted in cash outflows of € 12.8 million (previous year: cash inflows of € 43.2 million). The partial repayment of the loan to DMG MORI GmbH resulted in cash inflows of € 30.0 million in the previous year.

Free cash flow rose to a record € 179.9 million (previous year: € 15.7 million). Free cash flow is defined as the balance of cash flow from operating activities and cash flow from investing activities. This figure does not include outflows and inflows relating to the sale and acquisition of subsidiaries (€ -3.1 million; previous year: € 0.1 million), or to financial assets (€ -12.8 million; previous year: € 43.2 million), or to as cash inflows and outflows from loans to other related parties (€ 1.2 million; previous year: € 30.0 million).

B.03 | FREE CASH FLOW
in € million

	2021	2020
Free cash flow from operating activity	244.9	67.3
Free cash flow from investment activity	-65.0	-51.6
Free cash flow	179.9	15.7

Cash flow from financing activities (cash outflow) amounted to € -44.7 million (previous year: € -117.1 million). The cash flow resulted from the payment of the profit transfer to DMG MORI GmbH for 2020 in the amount of € 27.1 million (previous year: € 95.7 million). Due to the adoption of IFRS 16 "Leases", lease payments of € 19.1 million (previous year: € 20.0 million) are recognized in cash flow from financing activities. The change in cash flows resulted in cash and cash equivalents of € 241.9 million as of 31 December 2021 (previous year: € 123.5 million). DMG MORI thus had a cash surplus of € 241.9 million as of 31 December 2021 (previous year: € 123.5 million).

DMG MORI covers its capital requirements from operating cash flow, cash and cash equivalents, and short- and long-term financing. The amount of agreed financing lines totaled € 727.9 million in financial year 2021 (previous year: € 761.8 million). These consist of a cash tranche of € 200.0 million, a guarantee tranche in the amount of € 300.0 million, additional guarantee lines of € 67.9 million and factoring agreements of € 160.0 million.

A key component of the financing lines is a syndicated credit line of € 500.0 million which was extended ahead of schedule already in April 2020 at improved conditions until February 2025 and again in April 2021 until February 2026. The syndicated credit line consists of a useable revolving cash tranche of € 200.0 million and a bank guarantee tranche of

€ 300.0 million. The syndicated loan bears interest at the current money market rate (1- to 6-month Euribor) plus a premium. This interest mark-up may change depending on the company's key figures. The cash tranche was not utilized as of 31 December 2021.

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

With this financing mix, we have sufficient financing lines that allow us to make available the liquidity required for our business activities. Our syndicated loan agreement requires us to observe a market-standard covenant. This was complied with on a quarterly basis and as of 31 December 2021. The financing is supplemented by lease agreements. Lease liabilities totaled € 45.1 million (previous year: € 52.3 million).

Net Worth

The balance sheet total increased to € 2,556.0 million as of 31 December 2021 (previous year: € 2,191.5 million). Equity grew by +11 % to € 1,401.8 million (previous year: € 1,259.5 million). Due to the increased balance sheet total, the equity ratio was 54.8 % (previous year: 57.5 %).

On the assets side, fixed assets increased by € 98.6 million or 13.4 % to € 836.5 million (previous year: € 737.9 million). Property, plant and equipment went up by € 4.2 million to € 468.7 million (previous year: € 464.5 million). Intangible assets grew by € 10.2 million to € 221.4 million (previous year: € 211.2 million). Financial assets increased by € 84.3 million to € 146.4 million (previous year: € 62.2 million). The change resulted in particular from the fair value measurement of the shares in TULIP Interfaces Inc. which is recognized directly in equity. An explanation of the key investments is provided in the chapter "Investments" on page 75.

Long-term receivables and other assets decreased slightly by € 3.7 million to € 69.2 million (previous year: € 72.9 million). Deferred tax assets amounted to € 55.2 million (previous year: € 58.5 million). Inventories increased by 7.5 % or € 40.4 million to € 579.1 million (previous year: € 538.7 million). Inventories of raw materials and consumables rose by € 47.7 million to € 279.0 million (previous year: € 231.3 million) to secure the material supply and work in progress by € 12.4 million to € 127.8 million (previous year: € 115.4 million). Finished goods decreased by € 19.7 million to € 172.3 million (previous year: € 192.0 million). The inventory turnover rate was 3.5 (previous year: 3.4). The share of inventories in the balance sheet total amounted to 22.7 % (previous year: 24.6 %).

Short-term receivables and other assets increased by 15.4 % or € 110.8 million to € 829.3 million (previous year: € 718.5 million). Trade receivables went up by € 68.1 million to € 202.0 million as a result of higher sales revenues and a reduced factoring volume (previous year: € 133.9 million). The turnover rate of trade receivables was 7.0 (previous year: 6.8). Receivables from related parties amounted to € 412.1 million (previous year: € 466.2 million). Other assets grew by € 72.4 million to € 170.6 million (previous year: € 98.2 million). The rise resulted in particular from advance payments of € 70.8 million to selected suppliers to ensure the availability of materials (previous year: € 26.4 million).

On the balance sheet date, liquid funds rose to € 241.9 million (previous year: € 123.5 million). This is a 9.5 % share of the increased balance sheet total (previous year: 5.6 %). On the liabilities side, equity grew by € 142.3 million or 11.3 % to € 1,401.8 million (previous year: € 1,259.5 million). The equity ratio was 54.8 % (previous year: 57.5 %). As on the previous year's date, we have a surplus of cash and cash equivalents and therefore no gearing.

Long-term debts decreased slightly by € 5.5 million to € 125.7 million (previous year: € 131.2 million). The share in the balance sheet total was 4.9 % (previous year: 6.0 %). Long-term provisions amounted to € 82.7 million. € 2.6 million of the long-term liabilities related to deferred tax liabilities (previous year: € 1.8 million). Long-term financing resources, comprising equity and long-term debts, increased by € 136.8 million or 9.8 % to € 1,527.5 million in the reporting year (previous year: € 1,390.7 million).

Short-term funding amounted to € 1,028.5 million (previous year: € 800.8 million). Short-term provisions increased to € 265.2 million (previous year: € 221.0 million) against the background of higher total operating income. Trade creditors decreased by € 2.4 million to € 134.7 million (previous year: € 137.1 million). Advance payments received increased by € 192.2 million to € 348.8 million (previous year: € 156.6 million) on significantly higher order intake. Liabilities to other related parties decreased by € 20.9 million to € 119.1 million (previous year: € 140.0 million) and include the transfer of profits to DMG MORI GmbH (2021: € 29.3 million; 2020: € 27.1 million). This item within liabilities to other related parties is recognized in cash flow from financing activities upon payment.

In addition to the assets recognized in the consolidated balance sheet, DMG MORI also uses off-balance sheet assets. As part of off-balance sheet financing instruments, we use factoring programs.

B.04 | BALANCE SHEET OF DMG MORI in € million	31 Dec 2021		31 Dec 2020		Changes against previous year	
Assets						
Long-term assets	905.7	35.4 %	810.8	37.0 %	94.9	11.7 %
Fixed assets	836.5	32.7 %	737.9	33.7 %	98.6	13.4 %
Long-term receivables and other assets	69.2	2.7 %	72.9	3.3 %	-3.7	5.1 %
Short-term assets	1,650.3	64.6 %	1.380.7	63.0 %	269.6	19.5 %
Inventories	579.1	22.7 %	538.7	24.6 %	40.4	7.5 %
Short-term receivables and other assets	829.3	32.4 %	718.5	32.8 %	110.8	15.4 %
Liquid funds	241.9	9.5 %	123.5	5.6 %	118.4	95.9 %
Balance Sheet total	**2,556.0**	**100.0 %**	**2,191.5**	**100.0 %**	**364.5**	**16.6 %**
Equity and liabilities						
Long-term financing resources	1,527.5	59.7 %	1,390.7	63.5 %	136.8	9.8 %
Equity	1,401.8	54.8 %	1,259.5	57.5 %	142.3	11.3 %
Outside capital	125.7	4.9 %	131.2	6.0 %	-5.5	4.2 %
Long-term provisions	82.7	3.2 %	84.7	3.9 %	-2.0	2.4 %
Long-term liabilities	43.0	1.7 %	46.5	2.1 %	-3.5	7.5 %
Short-term financing resources	1,028.5	40.3 %	800.8	36.5 %	227.7	28.4 %
Short-term provisions	265.2	10.4 %	221.0	10.1 %	44.2	20.0 %
Short-term liabilities	763.3	29.9 %	579.8	26.4 %	183.5	31.6 %
Balance Sheet total	**2,556.0**	**100.0 %**	**2,191.5**	**100.0 %**	**364.5**	**16.6 %**

Investments

Capital expenditure in property, plant and equipment and intangible assets amounted to € 77.3 million (previous year: € 80.0 million). This included additions from right of use assets pursuant to IFRS 16 "Leases" in an amount of € 11.5 million (previous year: € 12.0 million). Investments in financial assets amounted to € 11.8 million (previous year: € 1.2 million) and mainly resulted from the capital increase of TULIP Interfaces Inc. in which DMG MORI participated in July 2021. Investments thus totaled € 89.1 million (previous year: € 81.2 million).

At DECKEL MAHO in Pfronten, we started the construction of a state-of-the-art, automated logistics center. On an area of 8,400 m², four logistics warehouses previously located externally are bundled centrally, thus ensuring an optimized and sustainable supply of materials for production. Innovative transport and automation solutions will enable materials to be supplied efficiently and ready for assembly, resulting in significantly improved throughput times. At the same time, we advance sustainability in production, by significantly reducing packaging materials and transport routes.

At DECKEL MAHO in Seebach, we have further intensified the modernization, automation and digitization of mechanical production. The pioneering assembly concept based on driver-less transport systems AGV (automated guided vehicles) that has already been successfully introduced in Pfronten, is also to be implemented in Seebach to prospectively manufacture 5-axis machines in a model mix in a state-of-the-art cycle assembly.

In China, we have started construction of our new, highly automated production plant for 5-axis milling machines in Pinghu near Shanghai. In the middle of the Yangtze River Delta – one of China's most dynamic economic zones – we will demonstrate our integrated technology solutions: We are building a state-of-the-art, innovative flow assembly line with automated guided vehicles, flexible automation and end-to-end digitization. The grand opening of the approximately 41,000 m² production plant is scheduled for 2023.

In addition, we are continuing to invest in our ERP project "GLOBE – Global One Business Excellence" to standardize and optimize systems and processes.

Depreciation of non-current assets taking into account capitalized development costs and leases, amounted to € 67.0 million (previous year: € 75.0 million). Depreciation of capitalized development costs amounted to € 5.7 million (previous year: € 6.5 million).

Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT (Summary)

The following tables are a summary of the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT according to HGB (German Commercial Code). The complete Annual Financial Statements and Business Report are set out in a separate report. DMG MORI AKTIENGESELLSCHAFT's income is largely determined by the income from domestic subsidiaries amounting to € 67.5 million resulting from profit transfers (previous year: € 51.3 million).

B.05 | INCOME STATEMENT OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMERCIAL CODE – HGB)

in € million	2021	2020
Sales revenues	11.8	12.2
Other operating income	22.6	43.3
Other expenses	-62.4	-69.7
Income from financial assets	67.5	51.3
Financial result	4.2	2.6
Income taxes	-14.4	-12.6
EAT	29.3	27.1
Transfer of profits to DMG MORI GmbH	-29.3	-27.1
Net income	0	0
Net profit	**0**	**0**

Other income amounted to € 22.6 million (previous year: € 43.3 million). It includes currency exchange gains of € 18.8 million (previous year: € 28.4 million) and, in the previous year, income of € 8.4 million from the sale of shares in an affiliated company.

Other expenses declined to € 62.4 million (previous year: € 69.7 million). The change relates in particular to other operating expenses, which fell to € 34.7 million (previous year: € 45.0 million). They mainly resulted from currency losses of € 16.1 million (previous year: € 24.5 million). Excluding the effects of currency losses, other operating expenses decreased by € 1.9 million to € 18.6 million (previous year: € 20.5 million). By contrast, personnel expenses increased to € 24.0 million (previous year: € 19.8 million).

The financial result improved to € 4.2 million (previous year: € 2.6 million). Tax expenses amounted to € 14.4 million (previous year: € 12.6 million). Income taxes include the taxes charged by DMG MORI GmbH, as a result of the fiscal unity and a tax allocation agreement. As per domination and profit transfer agreement, EAT in the amount of € 29.3 million will be transferred to DMG MORI GmbH (previous year: € 27.1 million).

The balance sheet total of DMG MORI AKTIENGESELLSCHAFT increased in total by € 141.7 million to € 1,882.0 million (previous year: € 1,740.3 million). Fixed assets decreased to € 752.9 million (previous year: € 754.8 million).

Current assets and other assets grew to € 1,129.1 million (previous year: € 985.5 million). The change resulted in particular from the increase in cash and cash equivalents, which rose by € 116.8 million to € 169.3 million (previous year: € 52.5 million).

On the liabilities side, equity remained unchanged from the previous year at € 921.2 million. Due to the increase in total assets, the equity ratio was 48.9 % (previous year: 52.9 %). Liabilities to affiliated companies grew to € 927.3 million (previous year: € 791.0 million). These include the profit transfer to DMG MORI GmbH for financial year 2021 in the amount of € 29.3 million, income taxes of € 11.5 million, which are charged by DMG MORI GmbH due to the fiscal unity and a tax allocation agreement, as well as finance and cost offsets with affiliated companies.

B.06 | BALANCE SHEET OF DMG MORI AKTIENGESELLSCHAFT (GERMAN COMERCIAL CODE – HGB)

in € million	2021	2020
Assets		
Fixed assets	**752.9**	**754.8**
Shares in affiliated companies	717.8	717.8
Equity investments	6.7	6.7
Other fixed assets	28.4	30.3
Current and other assets	**1,129.1**	**985.5**
Receivables from affiliated companies	915.0	906.9
Other current assets and other assets	214.1	78.6
Balance Sheet total	**1,882.0**	**1,740.3**
Equity and liabilities		
Equity	**921.2**	**921.2**
Provisions	**30.4**	**25.2**
Liabilities	**930.4**	**793.9**
Liabilities to affiliated companies	927.3	791.0
Other liabilities	3.1	2.9
Balance Sheet total	**1,882.0**	**1,740.3**

From social media through online marketing to in-house events – we inspire every customer with cross-medial and global campaigns.

Katharina Loh
Marketing Campaign Manager // DMG MORI Global Marketing GmbH

Segment Report

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

Machine Tools

The "Machine Tools" segment includes the group's new machine business with the divisions Turning and Milling, Advanced Technologies (Ultrasonic / Lasertec / Additive Manufacturing), and Digital Solutions. The Turning division includes GILDEMEISTER Drehmaschinen GmbH and GILDEMEISTER Italiana S.r.l. Our portfolio of turning machines ranges from universal turning machines, through turn-mill centers up to production turning and multi-spindle machining centers. The Milling division includes DECKEL MAHO Pfronten GmbH and DECKEL MAHO Seebach GmbH. Our range of products includes vertical, horizontal and 5-axis milling. In June 2021, DMG MORI Manufacturing Solutions was founded in Pinghu (China). From 2023, 5-axis milling machines for the Chinese market will be manufactured in the highly automated and fully digitized production plant. Our universal turning and milling machines of the CLX and CMX series are built in our plants FAMOT Pleszew Sp. z o.o. and GRAZIANO Tortona S.r.l. At Ulyanovsk Machine Tools ooo, we produce the ECOLINE series machine locally – in Russia for Russia.

In production, we also cooperate intensively with DMG MORI COMPANY LIMITED. By utilizing global production capacities, we can reduce delivery times and transport costs – to the benefit of our customers.

The Advanced Technologies business unit is formed by DMG MORI Ultrasonic Lasertec GmbH and DMG MORI Additive GmbH. In addition to ultrasonic-assisted milling and grinding (Ultrasonic), it includes laser processing technology (Lasertec) and the area of additive manufacturing. In this future field, we offer selective laser melting in the powder bed with DMG MORI Additive GmbH as well as laser build-up welding using the powder nozzle with DMG MORI Ultrasonic Lasertec GmbH.

In the Digital Solutions business unit, DMG MORI Digital GmbH bundles the digitization expertise within the group and is thus the central point of contact for our customers on all topics relating to digitization. This includes, among others, the digital subscription business model PAYZR, the control and software development of DMG MORI Digital GmbH, as well as the WERKBLiQ products for an end-to-end, cross-manufacturer maintenance and servicing platform as well as our customer portal *my* DMG MORI. Sustainable digitization in the manufacturing area is complemented by efficient production planning along the entire supply and value chain from ISTOS GmbH. DMG MORI Digital GmbH also supports our sales and service companies with customer-oriented services for implementations and qualification.

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

B.07 | SEGMENT KEY INDICATORS DMG MORI in € million	2021	2020		Changes against previous year
Order Intake	**2,517.2**	**1,599.4**	**917.8**	**57%**
Machine Tools	1,423.8	844.3	579.5	69%
Industrial Services	1,093.2	754.9	338.3	45%
Corporate Services	0.2	0.2	0.0	0%
Sales revenues	**2,052.9**	**1,831.3**	**221.6**	**12%**
Machine Tools	1,103.9	1,047.0	56.9	5%
Industrial Services	948.8	784.1	164.7	21%
Corporate Services	0.2	0.2	0,0	0%
EBIT	**123.8**	**81.7**	**42.1**	**52%**
Machine Tools	54.7	50.2	4.5	9%
Industrial Services	95.4	54.3	41.1	76%
Corporate Services	-26.4	-22.8	-3.6	-16%

ADAMOS GmbH bundles know-how from mechanical engineering, production and information technology. Together with the global market leaders Dürr, Software AG, ZEISS and ASM PT, DMG MORI is establishing the open, manufacturer-independent IoT platform as a global industry standard – by machine builders for machine builders, their suppliers and customers. Since its founding in 2017, the three well-known shareholders Engel, Karl Mayer and PwC have joined along with 15 additional partners. In total, the ADAMOS network currently comprises 37 partners. The DMG MORI Store powered by ADAMOS is the digital point-of-sale for all PAYZR offers in Equipment- and Software-as-a-Service.

In our future field of automation, we focus on the intelligent automation of machines and plants with machine-specific, universal and scalable solutions, with DMG MORI central control computer technology and central tool management. The responsibility for automation solutions lies with the production plants. This means that our customers receive perfectly coordinated machines and automation solutions from a single source. With the joint venture DMG MORI HEITEC GmbH, we accelerate the development of modularly coordinated solutions and offer an end-to-end automation concept, especially for small and medium-sized companies.

Demand for machine tools recovered in 2021, but was slowed down in the course of the year by the corona pandemic and rising inflation. Under these once again more difficult general conditions, DMG MORI achieved a significant growth in order intake. In particular, the new machines business increased notably by +71%. In the "Machine Tools" segment, order intake rose by +69% to € 1,423.8 million (previous year: € 844.3 million). In the fourth quarter, order intake increased by +46% to € 302.0 million (previous year: € 206.9 million). Domestic order intake for the full year doubled to € 423.4 million (previous year: € 211.6 million). International orders increased to € 1,000.4 million (previous year: € 632.7 million). The share of international orders was 70% (previous year: 75%). The "Machine Tools" segment accounted for 57% of all orders (previous year: 53%).

B.08 | KEY FIGURES "MACHINE TOOLS SEGMENT" in € million	2021	2020		Changes against previous year
Order intake				
Total	1,423.8	844.3	579.5	69%
Domestic	423.4	211.6	211.8	100%
International	1,000.4	632.7	367.7	58%
% International	70	75		
Sales revenues				
Total	1,103.9	1,047.0	56.9	5%
Domestic	363.1	308.4	54.7	18%
International	740.8	738.6	2.2	0%
% International	67	71		
Order backlog *				
Total	574.3	346.2	228.1	66%
Domestic	105.4	45.1	60.3	134%
International	468.9	301.1	167.8	56%
% International	82	87		
Investments	75.0	67.0	8.0	12%
EBITDA	97.3	96.3	1.0	1%
EBIT	54.7	50.2	4.5	9%
EBT	51.5	42.2	9.3	22%
	2021	**2020**		**Changes against previous year**
Employees *	3,908	3,780	128	3%
including trainees	189	240	-51	-21%

*Reporting date 31 December

Sales revenues increased to € 1,103.9 million despite more difficult material supply, increasing logistics shortages as well as high raw material and transport costs (+5 %; previous year: € 1,047.0 million). In the fourth quarter, sales revenues amounted to € 342.8 million (+14 %; previous year: € 300.0 million). Domestic sales revenues for the full year were € 363.1 million (previous year: € 308.4 million). International sales revenues reached € 740.8 million (previous year: € 738.6 million). The export share was 67 % (previous year: 71 %). The "Machine Tools" segment accounted for 54 % of sales revenues (previous year: 57 %).

The order backlog at 31 December 2021 was € 574.3 million (previous year: € 346.2 million). Domestic order backlog amounted to € 105.4 million (previous year: € 45.1 million). At € 468.9 million, international orders had a share of 82 % (previous year: € 301.1 million; 87 %). EBITDA reached € 97.3 million (previous year: € 96.3 million). EBIT improved to € 54.7 million (previous year: € 50.2 million). EBT amounted to € 51.5 million (previous year: € 42.2 million).

Investments in property, plant and equipment and in intangible assets were € 63.2 million as planned (previous year: € 65.8 million). This includes additions from rights of use under IFRS 16 of € 2.1 million (previous year: € 1.5 million). Investments in financial assets amounted to € 11.8 million (previous year: € 1.2 million) and mainly resulted from the capital increase of TULIP Interfaces Inc. in which DMG MORI participated in July 2021. Investments thus totaled € 75.0 million (previous year: € 67.0 million). Capitalized development costs amounted to € 4.6 million (previous year: € 4.1 million).

At DECKEL MAHO in Pfronten, we started construction of a state-of-the-art automated logistics center. On an area of 8,400 m², four logistics warehouses previously located externally will be bundled centrally, thus ensuring an optimized and sustainable supply of materials to production. Innovative transport and automation solutions will enable materials to be supplied efficiently and ready for assembly, resulting in significantly improved lead times. At the same time, we promote sustainability in production, as packaging materials and transport routes are significantly reduced.

At DECKEL MAHO in Seebach, we have further intensified the modernization, automation and digitization of mechanical production. The pioneering assembly concept based on driverless transport systems, which has already been successfully introduced in Pfronten, is also to be implemented in Seebach to manufacture 5-axis machines in a model mix in a state-of-the-art cycle assembly in future.

In China, we have started construction of our new, highly automated production plant for 5-axis milling machines near Shanghai. In Pinghu, we are building a state-of-the-art, innovative flow assembly with driverless transport systems, flexible automation and continuous digitization. Ground breaking for DMG MORI Manufacturing Solutions was in December 2021. The grand opening of the approximately 41,000 m² production plant is scheduled for 2023. In addition, our ERP project "GLOBE – Global One Business Excellence" for the standardization and optimization of systems and processes remained in focus.

The "Machine Tools" segment had 3,908 employees at year-end (previous year: 3,780 employees). The percentage of employees in this segment was 57 %, as in the previous year. The personnel ratio was 23.0 % (previous year: 22.4 %). Personnel expenses amounted to € 254.1 million (previous year: € 234.5 million).

Industrial Services

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

In the "Industrial Services" segment, the recovery in demand for machine tools and related services was also noticeable. Order intake increased by +45 % to € 1,093.2 million (previous year: € 754.9 million). Of this, € 1,092.7 million was attributable to the Services division (previous year: € 750.1 million). This includes order intake from our original business, LifeCycle Services (inter alia spare parts, maintenance and repair), and sales commissions of € 671.5 million (previous year: € 506.5 million). Orders for machines from DMG MORI COMPANY LIMITED increased by 73 % to € 421.2 million (previous year: € 243.6 million). Order intake in the fourth quarter amounted to € 286.6 million (previous year: € 204.6 million). Domestic orders for the full year reached € 323.8 million (previous year: € 250.2 million). International orders amounted to € 769.4 million (previous year: € 504.7 million). 70 % of all orders came from abroad (previous year: 67 %). "Industrial Services" accounted for 43 % of all orders (previous year: 47 %).

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

	2021	2020	Changes against previous year	
Order intake				
Total	1,093.2	754.9	338.3	45 %
Domestic	323.8	250.2	73.6	29 %
International	769.4	504.7	264.7	52 %
% International	70	67		
Sales revenues				
Total	948.8	784.1	164.7	21 %
Domestic	289.5	244.5	45.0	18 %
International	659.3	539.6	119.7	22 %
% International	69	69		
Order backlog*				
Total	634.6	506.0	128.6	25 %
Domestic	354.4	321.1	33.3	10 %
International	280.2	184.9	95.3	52 %
% International	44	37		
Investments	12.8	13.3	-0.5	-4 %
EBITDA	116.5	78.1	38.4	49 %
EBIT	95.4	54.3	41.1	76 %
EBT	91.7	49.5	42.2	85 %
	2021	**2020**	**Changes against previous year**	
Employees*	2,831	2,808	23	1 %
including trainees	36	39	-3	-8 %

* Reporting date 31 December

Sales revenues also increased to € 948.8 million under continued difficult conditions (+21 %; previous year: € 784.1 million). Services accounted for € 946.7 million (previous year: € 778.8 million). Sales revenues from our original service business were impacted by the partly continued travel restrictions during the year. Sales revenues amounted to € 506.0 million (previous year: € 430.2 million). Sales revenues from the trade with products of DMG MORI COMPANY LIMITED were € 440.6 million (previous year: € 348.6 million). In the fourth quarter, sales revenues reached € 259.2 million (previous year: € 225.9 million). Domestic sales revenues for the full year totaled € 289.5 million (previous year: € 244.5 million). International sales revenues amounted to € 659.3 million (previous year: € 539.6 million). Their share was 69 %, as in the previous year. "Industrial services" accounted for 46 % of sales revenues (previous year: 43 %).

As of 31 December 2021, the order backlog was € 634.6 million (previous year: € 506.0 million). In the reporting year, EBITDA in the "Industrial Services" segment amounted to € 116.5 million (previous year: € 78.1 million). EBIT improved significantly to € 95.4 million (previous year: € 54.3 million). EBT increased to € 91.7 million (previous year: € 49.5 million).

Investments in property, plant and equipment and intangible assets amounted to € 12.8 million (previous year: € 13.3 million) and resulted mainly from rights of use in accordance with IFRS 16 (€ 9.0 million; previous year: € 10.3 million). In addition, we invested in equipping our service employees with cutting-edge tools, measuring equipment and diagnostic tools.

In the "Industrial Services" segment, the number of employees at the end of the financial year was 2,831 (previous year: 2,808 employees). The share of employees working in the segment was 42 %, as in the previous year. The personnel quota was 25.9 % (previous year: 29.9 %). Personnel expenses amounted to € 245.4 million (previous year: € 234.4 million).

Corporate Services

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

Order intake and sales revenues of € 0.2 million respectively mainly comprised rental income (previous year: € 0.2 million). As in the previous year, "Corporate Services" accounted for less than 0.1% of sales revenues in the group. EBIT amounted to € -26.4 million (previous year: € -22.8 million). The financial result was positive at € 4.0 million (previous year: € 3.3 million). EBT decreased to € -21.7 million (previous year: € -16.8 million).

Investments in property, plant and equipment and intangible assets amounted to € 1.3 million (previous year: € 0.9 million). We specifically modernized our site in Bielefeld and initiated further fire protection measures. Investments also included additions from rights of use pursuant to IFRS 16 amounting to € 0.4 million (previous year: € 0.2 million).

As of 31 December 2021, the "Corporate Services" segment had 82 employees (previous year: 84). As in the previous year, this corresponds to 1% of the group' s workforce.

B.10 | KEY FIGURES "CORPORATE SERVICES" SEGMENT in € million	2021	2020	Changes against previous year
Order intake	0.2	0.2	0
Sales revenues	0.2	0.2	0
Investments	1.3	0.9	0.4
EBITDA	-23.1	- 17.7	-5.4
EBIT	-26.4	- 22.8	-3.6
EBT	-21.7	- 16.8	-4.9
	2021	**2020**	**Changes against previous year**
Employees *	82	84	- 2

* Reporting date 31 December

Non-Financial Key Performance Indicators

↗ Business Report information not reviewed for content

DMG MORI holistically takes on responsibility

Sustainability

Sustainability is part of DMG MORI's DNA. We take global and holistic responsibility for resources along the entire value chain: from our suppliers to our production and employees to our customers. DMG MORI has been awarded the Platinum Medal in the Sustainability Rating from the internationally renowned institute EcoVadis. This means that we are among the top 1% of over 35,000 global companies evaluated. The CSR rating covers the categories environment, labor and human rights, ethics and sustainable procurement. DMG MORI will continue to be a role model and continue to create value and innovations – for people and the environment.

At DMG MORI, sustainability and technological leadership have been in harmony for many years. Our focus in environmental protection is on avoiding and reducing emissions. DMG MORI has already had a CO_2-neutral "**Company Carbon Footprint**" since May 2020 and a climate-neutral "**Product Carbon Footprint**" since January 2021 through the climate triple "Avoid – Reduce – Compensate". This includes direct and indirect emissions from our own value creation as well as indirect emissions from upstream processes along the supply chain (Scope 1, 2 and 3 upstream).

From raw material to delivery, all DMG MORI machines delivered worldwide are climate-neutral. Our customers receive completely climate-neutrally manufactured machines from all our production plants worldwide, which are almost 100% recyclable.

DMG MORI avoids and reduces emissions in all areas, among others through software-supported heating, air, lighting and cooling systems. Electricity from renewable energy sources is generated and used in-house at almost all production plants. Wherever possible, only green electricity is purchased.

Sustainability plays a central role in the implementation of our corporate strategy. Decarbonization is a top priority for us. With clearly defined targets and concrete measures, we are contributing to the achievement of the Paris Climate Agreement. Since September 2021, DMG MORI has been a certified member of the "Science Based Targets" initiative, which aims to limit global warming to a maximum of 1.5°C. The emission targets derived from this for DMG MORI are mandatory minimum targets for us. In the reporting year, DMG MORI was one of the TOP 17 companies out of more than 1,000 applicants that were nominated for Europe's largest sustainability award in the area of climate protection.

With numerous projects and initiatives, we are strengthening our position as an innovative technology partner and reliable supplier of sustainable machine tools, automation and digitization solutions.

Under the term "**DMG MORI GREEN ECONOMY**" we summarize all initiatives for climate neutrality, which comprise three major areas:

1. **GREEN**MACHINE – the 100% climate-neutrally produced machine,
2. **GREEN**MODE – the resource-efficient machine operation at the customer's site,
3. **GREEN**TECH – our contribution as a pioneer of green technologies.

1. **GREEN**MACHINE

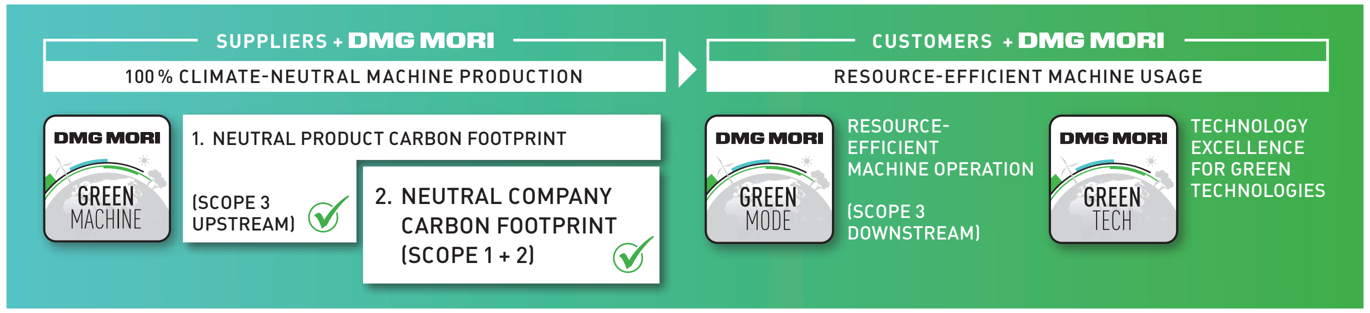
In addition to its own climate-neutral value creation, DMG MORI has also been offsetting the CO_2 emissions generated in the supply chain since the beginning of 2021 – for example in the production of cast steel and the electronics supplied. Our energy management system is certified according to ISO 50001.

2. **GREEN**MODE

DMG MORI has been consistently optimizing the resource efficiency of its machines for many years, for example through consumption-optimized components such as LED lighting, regenerative braking and intelligent control of aggregates. With the CELOS app "**ENERGY**SAVING", our customers save up to 20% energy in machine operation and at the same time significantly reduce process time. Our products also protect the environment and resources during operation at the customer's site. Holistically.

3. **GREEN**TECH

DMG MORI is an innovation leader in the production of environmentally friendly technologies and a driving force in manufacturing and progressive development of green technologies. Many of our customers manufacture highly innovative



components on DMG MORI machines for wind turbines, hydropower plants, hydrogen electrolysis or electric mobility, among others. DMG MORI is continuously expanding specific know-how for its customers in Excellence Centers.

DMG MORI compensates for unavoidable emissions by investing in sustainable, certified climate protection projects or ex-post CO_2 certificates. These projects are certified with the "Gold Standard", the "UNCER Standard" or "Verified Carbon Standard". These standards have been confirmed in their effectiveness by the UN or the WWF (World Wide Fund For Nature), among others: function and amount of CO_2 saved are regularly verified by independent auditors.

But sustainability means much more: In addition to environmental and climate protection, we promote and demand diversity and equal opportunities. We observe compliance in all matters and implement all applicable laws and guidelines. We focus on the satisfaction and health of our employees. We are committed to the common good with donations and various activities.

Since 2017, DMG MORI's Sustainability Report has focused on topics that are of particular importance according to our materiality analysis, such as environment, climate, employees and compliance. With the Sustainability Report 2021, which also contains the Separate Non-Financial Group Report 2021, we are complying with:

- the statutory requirements as per the CSR Directive Implementation Act for implementing Directive 2014/95/EU (Section 289 HGB (German Commercial Code)) dated 11 April 2017, and
- the reporting requirements under Commission Delegated Regulation 2021/2178/EU of 6 July 2021 supplementing the Taxonomy Regulation 202/852/EU.

Thus, the Separate Non-Financial Group Report is not part of the Group Business Report. DMG MORI also prepares the Sustainability Report in accordance with the international reporting guidelines "GRI Standards 2016: Core Option" of the Global Reporting Initiative (GRI) and thus provides a large number of voluntary disclosures. Therefore, we go far beyond the minimum legal requirements. The Sustainability Report is available on the website: → **en.dmgmori-ag.com/sustainability**

Employees

As of 31 December 2021, the group had 6,821 employees, including 225 apprentices (previous year: 6,672 employees, including 279 apprentices). The number of employees increased by 149. In the context of the corona pandemic, short-time work was used from 1 January to 31 July 2021. In the reporting year, an average of 450 employees (7%) were affected by short-time work; the extent was approximately 20% of weekly working hours. The number of agency workers employed within the group was 172 persons (previous year: 51).

Personnel expenses were € 522.7 million (previous year: € 486.9 million). Of this amount, wages and salaries accounted for € 440.5 million (previous year: € 408.1 million), social insurance contributions for € 79.7 million (previous year: € 75.5 million), and expenses for retirement provisions for € 2.5 million (previous year: € 3.3 million). Expenses for agency workers amounted to € 5.6 million (previous year: € 5.4 million). Personnel expenses ratio improved to 25.1% (previous year: 26.9%).

The qualifications, health and satisfaction, and thus the motivation of our employees form the basis of our success. Our qualification structure remains on a high level: 97% of employees have a qualified education or are in training (previous year: 97%). In total, expenses for vocational and continued training amounted to € 12.1 million (previous year: € 12.8 million). The age structure of our employees is balanced.

The employee sickness rate was 3.4% (previous year: 3.5%) and thus again below the last industry average of 5.2%. The fluctuation rate amounted to 9.2% (previous year: 12.7%). The proportion of employees in key positions or of high potentials who have left our company (dysfunctional fluctuation) was 0.7% (previous year: 0.9%).

Our employees are the key to our success and our greatest asset – this applies more than ever in challenging times. That is why we are committed to their safety, health and satisfaction: with stable, attractive jobs and comprehensive development and qualification opportunities.

Close cohesion at DMG MORI is based on our TOP values: Trust, Openness and Passion. With trust, openness and passion, we work to fulfill our vision: We want to be the most attractive global machine tool manufacturer with digitized and sustainable products!

At the live strategy briefing from the Executive Board with Q&A session in April 2021, numerous employees seized the opportunity for an exchange about the strategic direction, future fields and further perspectives of DMG MORI.

As an attractive employer, DMG MORI focuses on diversity and equal opportunities, flexible and innovative working environments as well as training and personnel development. The future belongs to young people, which we at DMG MORI shape in an attractive, international and digital way right from the start. With our excellent vocational training, we inspire young people at an early stage, because a good training program is the foundation for sustainable success.

We promote potential managers and talented junior staff in particular through our "High Potential Program". In the reporting year, the 20 participants were able to benefit from numerous digital internal and external training courses, carry out their own projects and present their results to the Executive Board.

For years, DMG MORI has been rated one of "Germany's best training companies". In the latest study by the business magazine Stern and the employer branding agency Territory Embrace, DMG MORI ranked among Germany's top 39 companies with a future, with 5 out of 5 possible stars.

FAIR company 2021

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

Overall statement by the Executive Board on financial year 2021

The ongoing corona pandemic, more difficult material supply, increasing logistics shortages as well as high raw material and transport costs and rising inflation characterized the overall economic situation in 2021. This also slowed down the recovery of machine tool demand. According to preliminary data from the German Machine Tool Builders' Association (VDW) and British economic research institute, Oxford Economics, global consumption for machine tools rose by +17.5 % to € 69.0 billion in 2021 (2020: € 58.7 billion) but remained significantly below the pre-corona level in 2019 (-5.2 %; € 72.8 billion).

DMG MORI was able to successfully finish the demanding financial year 2021. Order intake grew by +57 % to € 2,517.2 million (previous year: € 1,599.4 million). New machines business in particular enhanced significantly by +71 %. Overall, the core business with machine tools and services was even +5 % above the high pre-corona level of 2019 (€ 2,401.8 million). Sales revenues went up +12 % to € 2,052.9 million (previous year: € 1,831.3 million). We achieved a significant growth in results. We also sustainably optimized our cost structure further. EBITDA improved by +22 % to € 190.8 million (previous year: € 156.7 million). EBIT increased by +52 % to € 123.8 million (previous year: € 81.7 million). The EBIT margin improved to 6.0 % (previous year: 4.5 %). The financial position also developed very positively: free cash flow rose to € 179.9 million and thus reached an all-time high (+1,046 %; previous year: € 15.7 million).

We were able to raise our forecasts for financial year 2021 several times – and in the end even slightly exceeded them. DMG MORI achieved or surpassed all target and key figures forecast in the Annual Report 2020, in particular due to the very good development in the new machines business. (→ table A.02, page 42).

DMG MORI has emerged strengthened from the crisis stronger. We have demonstrated financial strength, resilience, innovative power and team spirit. Our strategic fit of automation, digitization and sustainability is currently more suitable than ever. One example is the driverless transport systems for highly automated production. With PAYZR – PAY with Zero Risk – for Equipment-as-a-Service and Software-as-a-Service, DMG MORI is also implementing a completely digital subscription business model. Through the climate triple "Avoid – Reduce – Compensate", DMG MORI already has both a CO_2-neutral "**Company Carbon Footprint**" and a climate-neutral "**Product Carbon Footprint**" – along the entire supply chain to the customer. With dynamic and excellence, we are consistently developing further into a holistic and sustainable solution provider in the manufacturing environment.

PINGHU | CHINA

DMG MORI

"In Pinghu, we are setting up a state-of-the-art, innovative flow assembly with driverless transport systems, flexible automation and end-to-end digitization on an area of around 41,000 m².

Ivy Gao
CFO // DMG MORI Manufacturing Solutions Pinghu Co., Ltd.
Managing Director // DMG MORI Shanghai Machine Tools Co., Ltd.

OPPORTUNITIES AND RISK REPORT

Opportunities Management System (CMS)

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

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

Our focused and comprehensive activities in all established market regions and current growth markets assist us in identifying and using macroeconomic opportunities. DMG MORI is present worldwide with 111 sales and service companies. A possible abatement of the corona pandemic and the availability of vaccines may give rise to macroeconomic opportunities from a recovering economy. Our innovative product portfolio and consistent automation and digitization strategy allow us to seize industry-specific opportunities. In order to meet the technological requirements, our balanced product portfolio consists of various machine types at different price levels. We are involved in the development processes of our customers at an early stage – especially in the leading industries of aerospace, automotive, die & mold, medical and semiconductor. Our expert know-how from decades of experience is bundled in our Technology Excellence Centers.

Company strategic opportunities for DMG MORI arise from continuous product innovations and integrated technology solutions. A particular focus is on our strategic triple of automation, digitization and sustainability. With our innovations we are continuing to position ourselves for a successful future. Our focus is always on our customers and their needs.

As part of the "Global One Company" with clearly organized global sales and service structures, we are directly participating in the German domestic market, in Austria and Switzerland (DACH), in the EMEA region (Europe, Middle East, Africa) and in the Chinese and Indian markets. Through DMG MORI COMPANY LIMITED we are also successful on site in Japan, North and South America, and other regions in Asia. Opportunities arise from a noticeable recovery of the growth dynamics in China in the near future along with an improved investment propensity. We also expect opportunities from the construction of new production plants in China and Egypt, where we expect a highly dynamic growth.

Performance-related opportunities arise from the constant optimization of our processes in the areas of production, technology, quality, purchasing and logistics. We are gradually introducing fully digitized processes in our manufacturing factories, particularly in the areas of production and logistics. We also take action to assure that our services are sustainable for the environment and the society. We believe that our sustainability strategy opens up opportunities as an ecologically responsible and sustainable manufacturer of capital goods and provider of integrated technology solutions. Both our **"Company Carbon Footprint"** as well as our **"Product Carbon Footprint"** are already climate-neutral today. From the raw materials to the delivery to the customer, all machines delivered worldwide are climate-neutral. We are also consistently improving the energy efficiency of our machines.

Risk Management System (RMS)

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

year, we also committed to implementing the "Task Force on Climate-related Financial Disclosure" (TCFD) and thus follow the recommendations for voluntary and consistent disclosure of climate-relevant information. This forms the framework of our reporting on climate-related opportunities and risks for DMG MORI. The report is available on our website → **en.dmgmori-ag.com/corporate-responsibility/climate-and-environmental-protection**

Risk early warning system

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

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

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

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

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

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

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

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

The categories of possible financial effects were determined on the basis of the prevailing risk strategy in consideration of sales revenues, EBIT, equity, as well as the risk-bearing capacity. The Supervisory Board and the Executive Board are informed at regular intervals of the current total risk situations of the group and the individual business units. The risk early warning system set up by the Executive Board pursuant to Section 91 (2) German Stock Corporation Act (AktG) is reviewed by the auditors in accordance with Section 317 German Commercial Code.

Internal control system (ICS)

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

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

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

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

Insurance management

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

Overview of significant risk fields

C.03

Type of risk	Potential financial effect
Macroeconomic, industry-specific and sales-related risks	Significant
Corporate strategy risks	Moderate
Production risks	Moderate
Procurement and purchasing risks	Significant
Research & development risks	Insignificant
Personnel risks	Insignificant
IT risks	Moderate
Financial risks	Insignificant
Legal risks	Insignificant
Tax risks	Insignificant
Other risks	Insignificant

PRESENTATION OF THE INDIVIDUAL RISK FIELDS

Macroeconomic risks arise mainly from uncertainty about the further development of the corona pandemic, difficulties in the supply of materials, increasing logistics shortages, and rising inflation. Infections with the corona virus are on the rise again across the world and have entailed significant restrictions in some instances. In addition, there are global and political uncertainties, such as the trade conflict between the USA and China and the Russian military action against Ukraine, of which the consequences are not yet completely foreseeable. Sanctions may affect both the supply of materials to our production plant in Ulyanovsk and the export of machinery, spare parts, components and services to Russia. We are monitoring the situation very closely and will decide on appropriate measures on the basis of current developments. Further risks arise from the industrial structural change, rising raw material and energy prices on the international markets, as well as inflation risks that may negatively affect demand. Moreover, our future competitive position may be affected by exchange rate fluctuations (economic currency risk). In particular, a possible devaluation of the US dollar, Chinese renminbi and British pound could lead to our products becoming more expensive in these countries as well as in the markets that are dependent on the dollar. A potential upward valuation of the Japanese yen would further increase our acquisition costs for machines procured from DMG MORI COMPANY LIMITED. We counteract this risk through international sourcing and regionalized production.

Industry-specific and sales-related risks arise from the continued intense competition with high price pressure in the markets for machine tools. We are responding to this heavy competition with the technological edge of our products and a clear focus on our customers and markets. Specific sales-related risks may arise from a downturn in capital goods purchasing in the automotive industry and associated suppliers adjusting to the current structural changes. The aerospace industry is gradually recovering from the consequences of the corona pandemic. In addition, delivery delays may result from the difficult procurement situation. Circumstances resulting from export control regulations may give rise to risks stemming from their direct influence on potential trade restrictions affecting countries, markets, industry segments or specific customers. Changes resulting from sanctions may, including on short notice, give rise to significant sales-related risks.

Corporate strategy risks predominantly concern misjudgments of future technological and industry-specific developments. We counteract these risks through close market and competition surveillance, regular strategy meetings with customers and suppliers, digital customer events, and a corporate strategy focused on innovation. Risks from the existing domination and profit transfer agreement arise insofar as the company's business development can be influenced by potential instructions issued by DMG MORI GmbH. These instructions do not necessarily have to be in the sole interest of DMG MORI AKTIENGESELLSCHAFT but can be issued in the best interest of the group.

Procurement and purchasing risks may arise from difficulties in the supply of materials, longer delivery times as well as rising raw material and transport prices. The global supply situation remains very tense. Availability is severely limited and delivery times are increasing. This may lead to material shortages and associated production interruptions. Risks also arise from possible supplier insolvencies and dependencies on individual suppliers. Stricter environmental regulations and requirements for suppliers may also lead to the loss of individual suppliers. We counter these risks through the standardization of parts and components and our global double-sourcing strategy. This means we have at least two suppliers for substantial components. In addition, we are increasingly manufacturing core components in-house through our DMG MORI Components. We maintain stable and close partnerships with our suppliers and increasingly rely on sourcing from local suppliers. In combination with digital tools, this allows us to identify risks in our supply chain at an early stage and initiate counteractive measures without delay. Additionally, we use all available transport routes to speed up deliveries and assure their timely arrival.

Production risks can result from production ineffectiveness or potential quality risks. We constantly monitor these by means of key figures on order intake and order backlog, assembly and manufacturing progress, contribution margin per machine type and the turnover rate of raw materials and consumables as well as of other inventories. We generally avoid production projects with uncertain calculation bases and thereby keep these risks at a manageable and controllable level. Difficulties in the supply of materials could result in production shortages for us. Our response to counterfeit products is our innovation-focused product strategy in combination with a pro-active IP management, which includes the securing of rights for proprietary intellectual property and the vigorous enforcement of our rights. These measures are proposed to secure our technological edge. Risks in the technical work safety are addressed by the stringent application and implementation of statutory occupational safety regulations and the highest certified technical standards at all of our sites. We carry out all inspections prescribed by law as well as voluntary audits. We counteract environmental risks by fully implementing statutory environmental standards, appropriate and safe storage of hazardous goods, and the environmentally conscious disposal of hazardous goods and other waste. Furthermore, we ensure an efficient use of resources in our internal business processes to protect the environment. Additionally, logistics risks may arise in China in the form of delays in container handling.

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

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

IT risks arise from the increased networking of our internal systems. Network could fail or data could be manipulated or destroyed as a result of user and program errors or external circumstances. We are also exposed to the risks of organized data theft, extortion, cyber-crime and fraudulent activities ("scams"). According to the findings of the Federal Office for Security in information Technology (BSI), the concrete threat has increased noticeably. In particular, the attackers are highly dynamic in their further development of malicious programs and attack pathways. These IT risks are addressed by a variety of measures, which include the relocation of resource-heavy software into the cloud, increasing the resilience of our most important data centers, the use of SaaS solutions, a security-optimized organization of our IT landscape, regular investment in hardware and software, the use of anti-virus software and firewall systems, as well as entry and access controls. In addition, we create an adequate awareness among our employees by keeping them informed and regularly educating them about the relevant risks and the prevailing threat situation. As a result of the group-wide implementation of a new ERP system, unforeseen events may have a negative impact on business operations.

Financial risks result across all segments e.g. from our international business activities and manifest in the form of currency risks, which we measure and hedge on the basis of our currency strategy. The essential components of DMG MORI's finance structure are a syndicated loan, which comprises a cash tranche and guarantee tranche, and is confirmed until February 2026, as well as the factoring services. The finance contracts contain a clause that prescribes compliance with a market standard covenant. The liquidity of the group is considered sufficient. There is the risk that the corona pandemic will still lead to increased bad debt and insolvency risks for our customers. This may result in the recognition of value impairments, or in certain cases even credit losses. Further information on the risks pursuant to IFRS 7 can be found in the Notes on page 156 et seqq.

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

Tax risks may arise from company audits. We further assume that the tax returns and social security returns submitted by our company are complete and accurate. In the case of tax audits, additional claims may arise due to a different assessment of facts or double taxation. Should it not be possible to use loss and interest carryforwards, this could adversely affect the company's results of operations, financial position and net worth.

Other risks can arise from general project risks and possible balance sheet impairments. Due to the sanctions currently in place against Russia, the massive devaluation of the Russian ruble results in an increased currency risk from translation.

Overall statement of the Executive Board on the Risk Situation

The Executive Board considers the existing risks as manageable and, based on current information, does not view the continued existence of the group to be endangered by these risks. Compared with the reporting in the Annual Report 2020, the total exposure to risks has increased slightly. The Executive Board responds to the risk development by an always up-to-date supervision of business development and by regular Executive Board meetings and status meetings. The risks-bearing capacity of equity is determined on the basis of the calculated accumulated total expected risk value. The group's equity significantly exceeds the assessed total expected risk value.

DMG MORI MEDICAL EXCELLENCE

FORECAST REPORT

Future Business Environment

The Kiel Institute for Economic Research (IfW) forecasts global economic growth of +4.5 % for the financial year 2022 in its latest economic report published in December 2021. The corona pandemic, material availability and supply shortages, rising inflation and high raw material and transport costs and especially the Russian military action against the Ukraine determine the economic situation and are slowing down global trade and industrial production. According to the IfW, the situation is expected to ease over the course of the year and the global economy to follow a moderate growth path.

For Germany, a +4.0 % increase in GDP is forecast for the current year. The euro zone is also expected to see an economic recovery and GDP rise of +3.5 %. Asia will again be the fastest-growing region, with growth estimated to be +6.3 %. In China, the pace of expansion is expected to be subdued, with growth of +4.1 %. According to IfW estimates, Japan's economy is likely to record GDP growth of +2.8 %. With a forecast of +4.4 %, the economy in the USA is seen to take a positive course.

VDW and Oxford Economics are forecasting global machine tool consumption in 2022 to grow by +11.1 % to € 76.7 billion and – except from Germany, Europe and Japan – to even exceed the pre-corona level of 2019 (€ 72.8 billion; 2021: € 69.0 billion). In view of the Russia-Ukraine conflict and the challenges posed by material and supply shortages, increasing raw material and energy prices and rising inflation, it cannot be ruled out that these forecasts will have to be adjusted during the year.

According to VDW and Oxford Economics, machine tool consumption in Germany is expected to increase by +15.1 % to € 5.4 billion in 2022 (2021: € 4.7 billion) but remain below the pre-corona level of 2019 (-24.5 %; € 7.1 billion).

In Europe, consumption is also predicted to increase by +14.6 % to € 21.0 billion (2021: € 18.4 billion), but still below the pre-corona level of 2019 (-5.6 %; € 22.3 billion). This trend against the previous year is expected to extend across the European Union, but also Switzerland (+28.5 %) and the United Kingdom (+17.9 %) will benefit from the economic momentum in the market.

Consumption in Asia is forecast to rise by +7.9 %. At country level, the growth rate in the Chinese machine tool market is forecast to be rather moderate at +5.2 %. With an increase of +15.4 % to € 4.7 billion (2021: € 4.1 billion), the economic recovery in Japan is also expected to continue, but still below the pre-corona level of 2019 (-15.2 %; € 5.5 billion). For the USA, VDW and Oxford Economics also estimate a very positive development of machine tool consumption at +20.2 % (2021: +14.0 %).

Demand for capital goods should regain momentum worldwide. However, the economic recovery could be less dynamic than the forecasts suggest at first glance. The current global uncertainties as well as the further course of the corona pandemic, more difficult material supplies, increasing logistics shortages and continued trade conflicts will have a major impact on investment in the international machine tool sector. In addition, possible exchange rate fluctuations, inflation risks, industrial structural change as well as rising raw material and energy prices on the international markets could severely affect demand. Against this background, an adjustment of forecasts cannot be ruled out if the economic conditions continue to deteriorate worldwide.

Future development of DMG MORI

As "Global One Company", we will continue to expand our market position as a leading global manufacturer of high-precision machine tools, sustainable technologies as well as holistic automation and end-to-end digitization solutions for the manufacturing industry together with DMG MORI COMPANY LIMITED. With "**Dynamic . Excellence**" we are committed to the demands of our more than 100,000 customers. Their success is our mission: "**Empower our customers in manufacturing and digitization**". In doing so, we pay attention to integrated sustainability and maximum resource efficiency along the entire value chain and in all processes – from raw materials to recycling. With 111 international sales and service locations and 16 production plants, DMG MORI is present worldwide and a stable, reliable partner for perfectly aligned technology solutions from a single source, even in challenging times.

Our corporate strategy is aimed at actively promoting innovations in the manufacturing industry and meeting the constantly increasing customer requirements even more strongly with end-to-end solutions. The profound transformation of the global manufacturing industry was further accelerated by the effects of the corona pandemic. Our strategic fit of automation, digitization and sustainability is currently more suitable than ever. With high dynamic, we are occupying important strategic future fields and at the same time striving for excellence to be the world's number 1 for our customers: from development through production to global sales and service.

We offer an integrated portfolio of machine tools, automation and digitization solutions as well as our DMG MORI Qualified Products (DMQP). The machine is at the center of everything we do. Digital innovations expand our core business with machine tools and holistic automation solutions. We are further expanding the digital subscription business model PAYZR (PAY with Zero Risk) for Equipment-as-a-Service and Software-as-a-Service.

2022 will again be marked by major challenges, in particular due to the Russian military action against Ukraine, of which the consequences are not yet completely foreseeable at present. Uncertainty in the market is further intensified by the continuing dynamic nature of the pandemic, difficult material supply, increasing logistics shortages as well as high raw material and transport costs and rising inflation. We will once again master these challenges with consistent cost and supplier management as well as close, personal exchange with our partners and suppliers and comprehensive health protection measures.

DMG MORI has a strong foundation and a clear strategic plan for the future. We are looking ahead with confidence and we keep up a high speed – both operationally and strategically. We innovate, invest and thereby continue to align ourselves for the future. With a new production plant for 5-axis milling machines, we are expanding our global presence in China – the world's largest market for machine tools with high demand for high-tech machines. In Egypt, we are also opening up an important market with high demand for future technologies in 2024 through GEMAS (German Egyptian Manufacturing Solutions).

For the current financial year, we are planning order intake of around € 2.5 billion. Sales revenues are estimated to be around € 2.3 billion. EBIT is expected to be around € 180 million. Free cash flow is forecast to be around € 130 million. Our forecasts are subject to the condition that globally there will be no further impact from the Russia-Ukraine conflict.

Our agreed financing framework will cover the necessary liquidity requirements in financial year 2022. We therefore have sufficient financial scope in the group at all times. We expect market interest rates in financial year 2022 to be at a similar level to the reporting year.

The financing structure is expected to remain essentially unchanged. Strategic financing measures are not planned. The seasonally required liquidity can be covered from existing financial resources.

For financial year 2022 we plan investments in property, plant and equipment and intangible assets of around € 115 million. Our activities will focus on the modernization of our production and assembly areas at DECKEL MAHO in Seebach, FAMOT in Pleszew (Poland) and GRAZIANO in Tortona (Italy) as well as the completion of the state-of-the-art automated logistics center at DECKEL MAHO Pfronten. In Pinghu near Shanghai, we will build a state-of-the-art, fully automated and completely digitized production plant for 5-axis milling machines in 2023. In addition, we are continuing to invest in our ERP project "GLOBE – Global One Business Excellence" for the standardization and optimization of systems and processes.

In the area of research and development, we will sustainably advance our innovation strategy. For the current financial year, we are again planning a wide range of world premieres and innovations – especially in the future fields of automation, digitization and sustainability. Research and development expenses are forecast to remain at a high level of around € 84 million. A total of 16 % of the workforce at the plants is planned to work in research and development.

Overall Statement of the Executive Board on Future Business Development 2022

The global economy continues to suffer from the corona pandemic. The more difficult supply of materials, increasing logistics shortages as well as high raw material and transport costs and rising inflation continue to determine the global economy and slow down industrial production. Furthermore, there is the Russian military action against Ukraine, of which the consequences are not yet completely foreseeable at present.

Nevertheless, global machine tool consumption is expected to further recover in 2022 and even exceed 2019 (€ 72.8 billion) – apart from Germany, Europe and Japan, which are not expected to reach the high pre-corona level until 2024. VDW and Oxford Economics estimate growth to € 76.7 billion (2021: € 69.0 billion). However, it cannot be ruled out that these forecasts will have to be adjusted during the year due to the ongoing global uncertainties.

DMG MORI is planning order intake of around € 2.5 billion for the financial year 2022. Sales revenues are estimated to be around € 2.3 billion. We expect EBIT to be around € 180 million. Free cash flow is forecast to be around € 130 million. Our forecasts are subject to the condition that globally there will be no further impact from the Russia-Ukraine conflict. For the current financial year, we are presently planning investments in property, plant and equipment and intangible assets of around € 115 million, which will essentially be financed from our own funds.

DMG MORI is confident to continue its growth course and is keeping up a high speed – both operationally and strategically. We are well positioned and continue to align ourselves for the future. We innovate and invest. New production plants in China and Egypt strengthen our global presence. With consistent supplier management, high cost sensitivity and comprehensive health and safety measures, we will also master the challenges again.

We aim to sustainably increase our high level of innovation as "Global One Company". With dynamic and excellence, we are actively advancing our five strategic future fields (Automation, Digitization, Additive Manufacturing, DMQPs, Sustainability) and five other strategically important pillars (First Quality, Service and Technology Excellence, Globe, Employees). With trust, openness and passion, we are working to fulfill our "vision-mission statement": **We want to be the most attractive machine tool manufacturer worldwide with digitized and sustainable products! We empower our customers in manufacturing and digitization!**

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

for the period 1 January to 31 December 2021

D.01	Notes	2021 € K	2020 € K
Sales revenues	6	2,052,921	1,831,293
Changes in finished goods and work in progress		19,756	-35,465
Own work capitalised	7	6,804	14,011
Total work done		**2,079,481**	**1,809,839**
Other operating income	8	59,730	74,261
Operating performance		**2,139,211**	**1,884,100**
Cost of materials	9		
Cost of raw materials, consumables and goods for resale		1,008,599	842,592
Cost of purchased services		153,047	141,259
		1,161,646	983,851
Personnel costs	10		
Wages and salaries		440,503	408,150
Social security contributions, pensions and other benefits		82,211	78,796
		522,714	486,946
Depreciation, amortization and impairment losses	11	67,033	75,025
Other operating expenses	12	264,046	256,564
Operating result		**123,772**	**81,714**
Financial income	13		
Interest income		4,367	4,435
Other income		241	27
		4,608	4,462
Financial expenses	14		
Interest payable		5,675	6,645
Interest expense from pension provisions		193	248
Other financial expenses		1,148	2,051
		7,016	8,944
Financial result		-2,408	-4,482
Impairment of shares in at equity accounted companies	22	0	-4,432
Share of profits and losses of at equity-accounted investments	15	222	2,095
Earnings before taxes		**121,586**	**74,895**
Income taxes	16	36,020	22,781
Annual profit		**85,566**	**52,114**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		84,165	51,893
Of which attributed to non-controlling interests	17	1,401	221
Earnings per share pursuant to IAS 33 in € (undiluted)	**18**	**1.07**	**0.66**
Earnings per share pursuant to IAS 33 in € (diluted)		**1.07**	**0.66**

Consolidated Statement of Other Comprehensive Income

for the period 1 January to 31 December 2021

D.02	Notes	2021 € K	2020 € K
Annual profit		**85,566**	**52,114**
Other comprehensive income			
Remeasurement of benefit-oriented pension plans	30	4,067	998
FVOCI – Equity instruments – net change of fair value	39	72,186	-2,173
Income taxes	16, 28	-2,169	-237
Sum of items never reclassified to income statement		**74,084**	**-1,412**
Differences from currency translation		11,537	-49,511
Net investments		341	-1,545
Changes in market value of hedging instruments	37	-167	304
Market value of hedging instruments – reclassification to the income statement	37	-124	-216
Income taxes	28	87	-26
Sum of items which are reclassified to the income statement		**11,674**	**-50,994**
Other comprehensive income for the period after taxes		**85,758**	**-52,406**
Total comprehensive income for the period		**171,324**	**-292**
Of which attributed to the shareholders of DMG MORI AKTIENGESELLSCHAFT		168,743	213
Of which attributed to non-controlling interests		2,581	-505

Consolidated Cash Flow Statement

For the period 1 January to 31 December 2021

D.03	Notes	2021 € K	2020 € K
CASH FLOW FROM OPERATING ACTIVITY			
Earnings before taxes (EBT)		121,586	74,895
Depreciation, amortisation and impairment losses		67,033	75,025
Financial result	13, 14	2,408	4,482
Other income and expenses not affecting payments		-2,146	4,527
Change in provisions	30, 31	49,856	-6,897
Result from the disposal of fixed assets		1,332	-7,683
Income tax refunds		2,524	5,194
Income taxes paid		-28,877	-51,513
Interest received		4,697	4,327
Interest paid		-5,260	-6,600
Dividends received	22	361	283
Changes in asset and liabilities items			
Inventories	24	-41,554	61,158
Trade debtors	23, 25	-22,288	41,387
Other assets not from investments or financing activity		-72,857	12,158
Trade creditors	33, 34	-28,359	-69,402
Other liabilities not from investments or financing activity		196,477	-74,058
	40	**244,933**	**67,283**
CASH FLOW FROM INVESTMENT ACTIVITY			
Amounts received from the disposal of tangible assets and intangible assets		685	16,387
Amounts paid out for investments in tangible assets		-42,606	-41,720
Amounts paid out for investments in intangible assets		-23,111	-26,282
Cash flow from the takeover of control over subsidiaries	40	0	97
Cash flow from the loss of control over subsidiaries	40	-3,079	0
Amounts paid out for investments in financial assets	40	-12,799	-1,254
Amounts paid out / repayments for loans	23, 25	-2,850	30,000
Amounts received from disposal in financial assets	40	0	44,500
		-83,760	**21,728**
CASH FLOW FROM FINANCING ACTIVITY			
Deposits / payments for borrowing / for repayment of financial debt	45	4,139	0
Dividends paid to non-controlling interests in subsidiaries		-1,631	-1,358
Payments / amounts paid out from changes in subsidiaries		-1,029	0
Profit transfer to DMG MORI GmbH	45	-27,063	-95,742
Cash outflows of principal for lease liabilities		-19,103	-20,026
	40	**-44,687**	**-117,126**
Changes affecting payments		116,486	-28,115
Effects of exchange rate changes on financial securities		1,921	-2,401
Cash and cash equivalents as at 1 January	27	123,489	154,005
Cash and cash equivalents as at 31 December	**27**	**241,896**	**123,489**

Consolidated Balance Sheet

As at 31 December 2021

D.04 ASSETS	Notes	31 Dec 2021 € K	31 Dec 2020 € K
LONG-TERM ASSETS			
Goodwill	19	138,044	138,103
Other intangible assets	19	83,344	73,075
Tangible assets	20	468,686	464,468
Equity-accounted investments	22	39,711	37,147
Other equity investments	21	106,760	25,068
Trade receivables from third parties	23	732	1,196
Other long-term financial asset	23	11,006	8,082
Other long-term assets	23	2,362	5,071
Deferred tax assets	28	55,212	58,468
		905,857	**810,678**
SHORT-TERM ASSETS			
Inventories	24	579,091	538,683
Trade receivables from third parties	25	201,944	133,918
Receivables from at equity accounted companies	25	17,150	9,865
Receivables from other related companies	25	412,121	466,241
Receivables from other equity investments	25	50	37
Receivables from down payment invoices	6	22,446	8,578
Other short-term financial assets	26	40,675	35,865
Other short-term assets	26	129,880	62,453
Income tax receivables		4,917	1,727
Cash and cash equivalents	27	241,896	123,489
		1,650,170	**1,380,856**
Balance Sheet Total		**2,556,027**	**2,191,534**

D.04 EQUITY AND LIABILITIES	Notes	31 Dec 2021 € K	31 Dec 2020 € K
EQUITY			
Subscribed capital	29	204,927	204,927
Capital reserve	29	498,485	498,485
Retained earnings and other reserves	29	681,341	542,253
Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT		**1,384,753**	**1,245,665**
Non-controlling equity interests	29	17,029	13,830
Total equity		**1,401,782**	**1,259,495**
LONG-TERM DEBTS			
Provisions for pensions	30	34,870	40,678
Other long-term provisions	31	47,857	43,967
Long-term lease liabilities	35	30,977	35,905
Trade payables to third parties	33	244	244
Contract liabilities from performance obligations	6	5,722	5,983
Other long-term financial liabilities	33	85	343
Other long-term liabilities	33	3,324	2,254
Deferred tax liabilities	28	2,598	1,775
		125,677	**131,149**
SHORT-TERM DEBTS			
Other short-term provisions	31	265,202	221,029
Short-term lease liabilities	35	14,176	16,431
Trade payables to third parties	34	134,714	137,093
Liabilities to at equity accounted companies	34	2,189	4,740
Liabilities to other related companies	34	119,061	139,977
Liabilities to other equity investments	34	1,192	1,432
Tax liabilites		25,308	17,854
Contract liabilities from payments received on account	6	348,844	156,579
Contract liabilities from performance obligations	6	39,590	29,537
Contract liabilities from down payment invoices	6	22,446	8,578
Other short-term financial liabilities	34	19,957	30,027
Other short-term liabilities	34	35,889	37,613
		1,028,568	**800,890**
Balance Sheet Total		**2,556,027**	**2,191,534**

Development of Group Equity

For the period 1 January 2021 to 31 December 2021

D.05

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves: Revenue reserves	Retained earnings and other reserves: Difference from currency translation	Retained earnings and other reserves: Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2021	204,927	498,485	600,147	-57,870	-24	1,245,665	13,830	1,259,495
Total comprehensive income								
Annual profit			84,165			84,165	1,401	85,566
Other comprehensive income								
Differences from currency translation				10,357		10,357	1,180	11,537
Net investments				341		341		341
FVOCI – Equity instruments – net change of fair value (after taxes)			71,129			71,129		71,129
Change in fair value of derivative financial instruments (after taxes)					-204	-204		-204
Remeasurement of benefit-oriented plans (after taxes)			2,955			2,955		2,955
Other comprehensive income for the period after taxes			74,084	10,698	-204	84,578	1,180	85,758
Total comprehensive income for the period			158,249	10,698	-204	168,743	2,581	171,324
Transactions with owners								
Total capital contribution / withdrawals to owners			-550			-550	550	0
Purchase / Sale of non-controlling interests without / with change of control			-1,685			-1,685	68	-1,617
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)			1,830			1,830		1,830
Profit transfer to DMG MORI GmbH for 2021			-29,250			-29,250		-29,250
Sum of transactions with owners			-29,655			-29,655	618	-29,037
As at 31 Dec 2021	204,927	498,485	728,741	-47,172	-228	1,384,753	17,029	1,401,782

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements page 138 et seq.

in € K	Subscribed capital	Capital reserve	Retained earnings and other reserves: Revenue reserves	Retained earnings and other reserves: Difference from currency translation	Retained earnings and other reserves: Market valuation of financial derivatives	Total equity of shareholders of DMG MORI AKTIENGESELLSCHAFT	Non-controlling equity interests	Total
As at 1 Jan 2020	204,927	498,485	571,328	-7,540	-86	1,267,114	14,335	1,281,449
Total comprehensive income								
Annual profit			51,893			51,893	221	52,114
Other comprehensive income								
Differences from currency translation				-48,785		-48,785	-726	-49,511
Net investments				-1,545		-1,545		-1,545
FVOCI – Equity instruments – net change of fair value			-2,173			-2,173		-2,173
Change in fair value of derivative financial instruments (after taxes)					62	62		62
Remeasurement of benefit-oriented plans (after taxes)			761			761		761
Other comprehensive income for the period after taxes			-1,412	-50,330	62	-51,680	-726	-52,406
Total comprehensive income for the period			50,481	-50,330	62	213	-505	-292
Transactions with owners								
Total capital contribution / withdrawals to owners								
Purchase / Sale of non-controlling interests wwithout/with change of control								
Taxes on compensation payments pursuant to Section 16 KStG (Corporation Tax Act)			5,401			5,401		5,401
Profit transfer to DMG MORI GmbH for 2020			-27,063			-27,063		-27,063
Sum of transactions with owners			-21,662			-21,662	0	-21,662
As at 31 Dec 2020	204,927	498,485	600,147	-57,870	-24	1,245,665	13,830	1,259,495

See accompanying explanations regarding equity and non-controlling equity interests in the Consolidated Financial Statements page 138 et seq.

Maximum performance through digital solutions: from planning to production to service, we create added value for our customers.

Raviprakash Krishnaveni
Manager Strategic Quality Projects // GILDEMEISTER Beteiligungen GmbH

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT FOR THE FINANCIAL YEAR 2021

Accounting principles applied in the Consolidated Financial Statement

1. APPLICATION OF REGULATIONS

The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT for the Financial Year from 1 January 2021 to 31 December 2021 were prepared at the end of the reporting period with mandatory use of the International Financial Reporting Standards (IFRS) as adopted by the European Union and their interpretation by the International Accounting Standards Board (IASB), London, Great Britain, as applicable on the reporting date. The Notes to the Consolidated Financial Statements include further explanations pursuant to Section 315e of the German Commercial Code (HGB).

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

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

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

DMG MORI AKTIENGESELLSCHAFT with its registered office in Bielefeld, Gildemeisterstrasse 60, is listed at the Bielefeld District Court (Gemany), section B, under the number 7144 and is the parent company of the DMG MORI group and is a listed company under German law. As a leading manufacturer of cutting machine tools worldwide, the DMG MORI group offers innovative machine technologies, expert services, and needs-based software products. The Consolidated Financial Statements and the Group Management Report of DMG MORI AKTIENGESELLSCHAFT for the reporting period as at 31 December 2021 will be available through the electronic Federal Gazette (Bundesanzeiger), the Commercial Register as well as from our website →**www.dmgmori-ag.com**. DMG MORI COMPANY LIMITED, Nara, Japan, is the ultimate parent company of the DMG MORI group. DMG MORI GmbH, Bielefeld (Germany), is the direct parent company of DMG MORI AKTIENGESELLSCHAFT. The Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT are included in the Consolidated Financial Statements of DMG MORI COMPANY LIMITED, Nara (Japan). These Consolidated Financial Statements can be found online at →**www.dmgmori.co.jp**

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

The Executive Board of DMG MORI AKTIENGESELLSCHAFT released the Consolidated Financial Statements and the Group Management Report for publication on 14 March 2022.

2. CONSOLIDATION PRINCIPLES

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

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

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

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

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

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

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

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

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

Other related parties of the DMG MORI group are the ultimate parent company, DMG MORI COMPANY LIMITED, Nara (Japan), and its subsidiaries and major holdings outside the DMG MORI group. If not shown separately, any information on other related parties refers to this group of companies and also includes DMG MORI COMPANY LIMITED.

The applied consolidation methods remained unchanged from the previous year.

3. ACCOUNTING AND VALUATION PRINCIPLES

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

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

Changes in accounting and valuation methods due to new standards

On 1 January 2021, DMG MORI group initially applied the following new and revised IFRS and IFRIC standards bearing relevance for the Consolidated Financial Statements: [→ D.06]

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

Amendments to IFRS 4 – Extension of the temporary exemption from applying IFRS 9

The amendments to IFRS 4 are intended to address temporary accounting issues arising from the different effective dates of IFRS 9 – Financial instruments and the upcoming new

D.06	
Amendments to IFRS 4	Extension of the temporary exemption from applying IFRS 9
Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16	Covid-19-related rent concessions

IFRS 17 – Insurance Contracts. In particular, this will extend the temporary exemption from applying IFRS 9 to 2023, in order to align the effective date of IFRS 9 with the new IFRS 17.

IFRS 4 has no impact on the DMG MORI group

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

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

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

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

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

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

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

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

A major reform of key interest rate benchmarks is currently being implemented around the world, including the replacement of some interbank offered rates (IBORs) with alternative near risk-free rates ("IBOR reform"). Financial instruments are subject to IBORs that are being replaced or reformed as part of these market-wide initiatives.

DMG MORI has analyzed potential effects on assets and liabilities including financial instruments.

The DMG MORI group does not have any significant non-derivative financial assets and liabilities that are linked to IBORs. If a link does exist, it is mainly related to the EURIBOR.

Derivative financial instruments such as forward exchange contracts linked to IBORs that are reformed or discontinued are used to hedge risk positions from currency and interest rate fluctuations. The notional amounts of the hedging instruments in question can be found in the table on page 149 of the notes and are mainly in the currencies, USD, GBP, CHF, and JPY. DMG MORI continues to analyze current developments and has taken the necessary steps to transition to the new interest rate benchmarks. As of 31 December 2021, the DMG MORI group had no transactions where the interest rate benchmark was replaced by an alternative interest rate benchmark and currently does not expect the changes in interest rate benchmarks to have any material impact on the consolidated financial statements.

Amendments to IFRS 16 – COVID-19-Related Rent Concessions

The amendment to IFRS 16 "Leases" extends the current optional practical expedient for lessees in assessing whether a COVID-19-related rent concession (e.g., rent deferral or waiver) is a modification.

The practical expedient is not available to lessors.

Earlier application of the rule is permitted, including in financial statements not yet issued as of 31 March 2021. The rule must be applied retrospectively, with an adjustment to equity effects at the beginning of the period in which the lessee first applies the amendments.

The DMG MORI group did not apply the previous amendment to IFRS 16 "Leases" regarding rent concessions directly related to the COVID-19 pandemic in financial year 2020. Moreover, DMG MORI did not apply the extension of the practical expedient for COVID-19-related rent concessions in financial year 2021.

The DMG MORI group did not apply and does not intend to apply the amendment to IFRS 16 "Leases" regarding rent concessions directly related to the COVID-19 pandemic in financial year 2021.

a) These have already received EU endorsement

D.07	
Amendments to IFRS 3	Reference to the conceptual framework
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use
Amendments to IAS 37	Onerous contracts – cost of fulfilling a contract
Improvements to IFRS 2018-2020	Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41
IFRS 17	Insurance contracts

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Improvements to IFRS 2018 – 2020 with amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41

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

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

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

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

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

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

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

IFRS 17 – Insurance Contracts

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

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

b) EU Endorsements are still pending

Furthermore, the following standards and interpretations were issued by IASB and not yet recognized by the European Union. (→ D.08)

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

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

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

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

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

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

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

Amendments to IAS 1 and Practice Statement 2 – Disclosure of Accounting Policies

These amendments are part of the IASB's Disclosure Initiative, whose main objective is to improve the quality of financial reporting. This includes "streamlining" the notes to IFRS financial statements, i.e., removing information that is irrelevant to the users of the financial statements, thus enabling them to focus on the key points.

The amendments to IAS 1 clarify that, in the future, entities will only be required to disclose their material accounting policies rather than their significant accounting policies. The definition of "material" is based on the usefulness of the information

D.08	
Amendments to IAS 1	Classification of debt as short or long-term
Amendments to IAS 1 and Practice Statement 2	Disclosure of accounting policies
Amendments to IAS 8	Definitions of changes in accounting estimates
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction

provided to users of the financial statements for making decisions. The amendments to IAS 1 and Practice Statement 2 provide guidance and clarification in the form of a decision tree. These amendments should be applied for financial years beginning on or after 1 January 2023.

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

Amendments to IAS 8 – Definition of Changes and Estimates

The amendments to IAS 8 include clarifications on the difference between accounting policies and accounting estimates to help entities distinguish between them. This distinction is important, as changes in accounting policies must be applied retrospectively, while changes in accounting estimates are accounted for prospectively. The amendments to IAS 8 define accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. These amendments should be applied for financial years beginning on or after 1 January 2023.

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

Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments to IAS 12 narrow the scope of the initial recognition exception (IRE) so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. These amendments should be applied for financial years beginning on or after 1 January 2023.

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

Impact of climate-related aspects on the Consolidated Financial Statements

The recognition of climate-related aspects did not have any material impact on the Consolidated Financial Statements for financial year 2021. Further information can be found in the Sustainability Report for financial year 2021.

IMPACT OF THE CORONAVIRUS PANDEMIC ON THE CONSOLIDATED FINANCIAL STATEMENTS

General situation

The coronavirus pandemic continued to have an impact on the group's earnings and business performance in financial year 2021. The global machine tools market was on the road to recovery in 2021. However, the major challenges posed by the pandemic, material availability and supply bottlenecks, as well as rising inflation, and high raw material and transport costs had a negative impact on performance. DMG MORI also felt the effects of these factors. Heightened travel restrictions also adversely affected our service and spare parts business.

We were able to counter global supply bottlenecks through close collaboration with our partners and suppliers. This strong and stable network enabled us to prevent any major production stoppages. We also further improved our cost structure. These measures and the company's positive order intake trend – particularly for new machines – enabled us to significantly improve group earnings from the previous year. For further details on developments, please see the section on "Results of operations, financial position and net assets" in the group management report.

The Executive Board currently believes that the coronavirus pandemic is a temporary event that will not have a sustained negative impact on the long-term business performance of the DMG MORI group.

Valuation and accounting principles

The effects on the individual valuation and accounting principles for the DMG MORI consolidated financial statements are described in the section "Use of discretionary decisions and estimates" and the section "Accounting and valuation methods". In principle, if necessary or foreseeable in the premises for discretionary decisions and estimates, to take into account the influence of the Corona Pandemic. These estimates are subject to uncertainties.

USE OF DISCRETIONARY DECISIONS AND ESTIMATES

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

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

Impairment of goodwill

The group reviews goodwill at least once a year for impairment on 31 December and whenever there is an indication to do so. This requires the creation of cash-generating units and an allocation of goodwill to the cash-generating units as well as the higher of the two values of fair value less purchase costs and the value in use of the cash-generating units, to which the goodwill is allocated. To assess the value in use, the company management must assess the foreseeable future cash flow of the cash generating unit and, moreover, select an appropriate discount rate in order to determine the cash value of this cash flow. As of 31 December 2021, the carrying amount of goodwill totaled € 138,044 K (previous year: € 138,103 K). This change from the previous year is due to currency effects. Further information can be found on pages 129 et seq.

Provisions for pension

The amount of the provisions and the expenses from benefit-based plans are determined on the basis of actuarial calculations. The actuarial calculations take place on the basis of assumptions with respect to discount interest rates, future wage and salary increases, the mortality rate and future pension increases. Corresponding to the long-term focus of these plans, such assessments are subject to significant uncertainties. As of 31 December 2021, provisions for pensions amounted to € 34,870 K (previous year: € 40,678 K). Further information can be found on pages 140 et seq.

Intangible assets arising from development

Intangible assets arising from development are capitalized according to the recognition and measurement methods presented on page 112 et seq. To determine the amounts to be capitalized, the company management must make assumptions as to the amount of expected future cash flow from intangible assets, the interest rates to be applied, and the period of accrual of expected future cash flow that the intangible assets generate. As of 31 December 2021, on a best estimate basis, the carrying amount of intangible assets arising from development amounted to € 11,024 K (previous year: € 12,143 K).

Inventories

Inventories are capitalized according to the recognition and measurement methods presented on page 114 et seq.

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

Write-downs of inventories to net realizable value amounted to € 31,164 K (previous year: € 50,670 K). In assessing expected net realizable values, past experience and current market trends were taken into account, allowing for the effects of the coronavirus crisis.

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

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

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

RECOGNITION AND MEASUREMENT METHODS

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

Impairment test

In reporting year 2021, impairment tests were conducted for capitalized goodwill at the end of the year. Based on these tests, no impairment losses were recognized for capitalized goodwill or for property, plant and equipment and intangible assets.

Current corporate planning, which already reflects adjustments to business expectations in relation to the coronavirus pandemic, material availability, supply shortages, rising inflation, and high raw material and transportation costs was used to determine the value in use as of 31 December 2021. For a detailed description of this approach and the underlying assumptions, please see the explanations in Note 19.

Intangible and tangible assets

D.09 | USEFUL ECONOMIC LIFE OF ASSETS	
Software and other intangible assets	1 to 7 years
Assets arising from development	2 to 10 years
Office and factory buildings	10 to 50 years
Technical equipment and machinery	2 to 30 years
Other equipment, factory and office equipment	1 to 23 years

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

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

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

Tangible assets were valued at acquisition or production costs, reduced by scheduled depreciation and cumulative impairments. Borrowing costs are recognized as part of the acquisition or production costs, if the requirements of IAS 23 are fulfilled (see page 120 "Borrowing costs"). Depreciation was carried out using the straight-line method in accordance with useful life. A revaluation of tangible assets pursuant to IAS 16 "Property, Plant and Equipment" was not carried out. No property was held as a financial investment pursuant to IAS 40 "Investment Property".

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

Leases

Leases where the DMG MORI group is the lessee

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

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

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

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

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

› fixed payments, including de facto fixed payments,

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

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

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

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the lease term, unless ownership of the underlying asset is transferred to the DMG MORI group at the end of the lease term, or if the cost of the right-of-use asset reflects that the DMG MORI group will exercise a purchase option. In this

case, the right-of-use asset is depreciated over the useful life of the underlying asset, which is determined in accordance with the requirements for property, plant and equipment. Where required, the right-of-use asset is also continually adjusted for impairment losses and for any remeasurements of the lease liability.

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

Sale and leaseback

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

Leases where the DMG MORI group is the lessor

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

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

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

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

Impairment

Pursuant to IAS 36 "Impairment of Assets", the assets of the DMG MORI group, with the exception of assets as defined by IAS 36.2, are tested for signs of impairment at each balance sheet date. Where such indicators exist, the recoverable amount of the assets is calculated and, if necessary, the assets are written down. An impairment test for individual assets is only possible if recoverable amounts can be allocated to the individual asset. If this is not possible, the recoverable amount of the cash-generating unit pertaining to the asset must be determined (asset's cash-generating unit).

Pursuant to IAS 36 "Impairment of Assets", goodwill has to be tested for impairment at least once a year and whenever criteria are met for an impairment test. DMG MORI AKTIENGESELLSCHAFT carried out an impairment test on 31 December 2021. In the impairment test, the carrying amount of a cash-generating unit is compared with the recoverable amount. The recoverable amount of the cash-generating unit is the higher of the asset's fair value less costs to sell and its value in use.

Shares in companies accounted for using the equity method

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

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

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

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

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

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

Equity investments

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

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

Inventories

Measuring of inventories was carried out at the acquisition or production costs or the lower net selling price. Pursuant to IAS 2 "Inventories", elements of the production costs include production material, manufacturing labor, prorated materials and production overheads. Expenses for administration and expenses arising in the social contribution area are included insofar as these are allocated to production. The proportion of overheads is evaluated on the basis of ordinary employment. Borrowing costs are recognized as part of the acquisition or production costs, if the requirements of IAS 23 are met (see page 120 "Borrowing costs"). When determining the net selling price, inventory risks arising from the period of storage and reduced usability were recognized through appropriate reductions in values. If the causes that led to a reduction in value no longer exist, a reversal will be made.

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

Financial Instruments

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

Initial recognition and measurement

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

Within the scope of factoring agreements, selected trade debtors are sold on a revolving basis to banks. Factoring is a standard financial instrument in the industry and an additional component of the financing mix. As of 31 December 2021, factoring agreements were concluded, as in the previous year, with a total volume of € 160.0 million. As of the balance sheet date, receivables were sold with a volume of € 18.1 million (previous year: € 93.1 million).

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

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

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

Classification and subsequent measurement

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

› At amortized cost.

› Debt instruments that are measured at fair value with value changes recognized in other income (FVOCI debt instruments).

› Equity instruments that are measured at fair value with value changes recognized in other income (FVOCI equity instruments).

› At fair value with value changes recognized in profit or loss (FVTPL).

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

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

› It is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows and

› the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

› It is held within a business model, whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets and

› its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

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

Business Model Test

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

› The guidelines and targets for the portfolio and implementation of these guidelines in practice. This includes, whether the management's strategy is focused on collecting contractual interest income, maintaining a particular interest rate profile, matching the duration of a financial asset to the duration of its liability or to its expected cash outflows or realizing cash flows through the sale of assets.

› How portfolio performance is assessed and reported to group management.

› The risks that affect the performance of the business model (and the financial assets held in this business model) and how these risks are managed.

› How managers are compensated – for example, whether compensation is based on the fair value of the assets being managed or the contractual cash flows that are collected – and

› The frequency, volume and timing of sales of financial assets in prior periods and expectations about future sales activities.

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

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

SPPI (Solely Payments of Principal and Interest) test

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

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

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

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

› Prepayment or renewal options and

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

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

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

Subsequent measurement

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

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

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

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

In financial year 2021 and in the previous year, financial asset conditions were not re-negotiated.

Impairment

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

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

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

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

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

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

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

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

Derivative financial instruments

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

Assets held for sale or disposal groups held for sale

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

Cash and cash equivalents

Besides actual cash funds, i.e., cheques, cash in hand and money on account at banks, cash and cash equivalents also include short-term financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortized cost.

Income taxes

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

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

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

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

Income taxes include actual and deferred taxes, which are accounted for in the Consolidated Income Statement, unless they are for items immediately recognized in equity. In this case, the corresponding taxes are also recognized in equity and not in profit or loss. Actual income taxes are the expected tax liability or receivable on the taxable income or loss for the financial year, based on tax rates enacted at the balance sheet date, and any adjustments to tax liabilities for previous years. The amount of the expected tax liability or tax receivable reflects the best estimate, taking into account any tax uncertainties. The tax uncertainties mainly result from intragroup transfers. Actual tax liabilities also include all tax liabilities arising from the declaration of dividends. Actual tax assets and liabilities are only offset under certain conditions.

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

Provisions and liabilities

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

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

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

Pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", other provisions were only made in the case of an existing present obligation to third parties arising from an event in the past, the use of which is probable and

if the anticipated amount of the required provision can be reliably estimated. In this case, the probability of occurrence must exceed 50 %. In each case the most probable provision amount was recognized. The calculation is carried out using the best estimate of the amount required to settle the obligation at the balance sheet date. The provision amount also included future cost increases Provisions with a remaining term of more than one year were discounted before taxes, at a rate which reflects the specific risks of the obligation.

A one-year performance period is used to calculate the provision for the short-term incentive (STI) as a variable compensation component for Executive Board members.

The short-term incentive (STI) for Executive Board members is linked to the achievement of key group performance indicators in the given financial year, primarily through its relationship to order intake and EBIT. An individual target amount is set for each member of the Executive Board. The target amount represents the initial value for determining performance-related payment after the end of the assessment period. A payment claim only arises at the end of the one-year assessment period and depends on if and how the targets have been achieved. The STI system is based on two target dimensions, which are assigned different weightings and can be adjusted through so called 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 factor is intended to reward the Executive Board's actions and successes that have made a contribution to sustainably securing the company's success.

Order intake has a weighting of 1 / 3, and EBIT 2 / 3. Both financial indicators must reach a floor (50 %) in order to qualify for a bonus. The cap is 200 %.

The remuneration resulting from the degree of target achievement is adjusted (80 %-120 %) by two sustainability factors ("modifiers"), which are specified in the target agreement with the respective Board member. The targets that form the basis of the sustainability factor include investments in property, plant or equipment and the development of internal market shares and positions. Both sustainability factors can reach a value of 80 %-120 % and are each weighted at 50 %.

A three-year performance period is used to calculate the provision for the long-term incentive (LTI) as a variable compensation component for Executive Board members. Benefits from the LTI program are paid in cash on the basis of a indicator-based remuneration determined over a performance period of three years. These benefits are paid in annual tranches. 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, such as earnings after tax (EAT) and service performance. In addition to that, the modifier with a bandwidth of 80 % to 120 % also incorporates the sustainability targets. An individual target amount is set for each member of the Executive Board. The target amount represents the initial value for determining performance-related payment after the end of the assessment period. A payment claim only arises at the end of the three-year assessment period and depends on if and how the target values have been achieved. Any expense or revenue resulting from this is recognized as employee expense and is spread over the term of the program and recognized as provisions. The existing LTI tranches 2019-2021, 2020-2022, and 2021-2023 were based on the variable parameters described above. These obligations are valued at the amount of the estimated expenses due.

Selected suppliers of the DMG MORI group finance trade debtors from individual subsidiaries in advance on the basis of a reverse factoring agreement concluded with individual subsidiaries and factoring companies. DMG MORI has disclosed the amounts owed under other financial liabilities in the balance sheet. Moreover, the IFRSs do not contain any specific requirements for the classification of cash flows from reverse factoring arrangements. In our opinion, the classification of the cash outflow is primarily determined by the activity type. Furthermore, in determining the appropriate classification, an entity should use its judgment to assess whether a single cash outflow or multiple cash outflows are generated for the entity. DMG MORI reports a single cash outflow for payments to factoring companies as it does not consider the factoring company's payment to a supplier to be a cash transaction for the entity. The group classifies its cash outflows for payments to the factoring company under operating activities, as the essential character of these payments is viewed as being related to the purchase of goods. As of 31 December 2021, a total of € 5,151 K (previous year: € 7,147 K) in trade creditors had been purchased through the respective factoring company.

Government grants

Government grants are recognized at fair value, if it can be assumed with reasonable certainty that the grant will be made, and the group fulfills the necessary conditions to receive the grant. Government grants for costs are recognized in the period in which the related costs, which the grants are intended to compensate, were incurred. Government grants for investments are recognized as deferred income within other liabilities. They are amortized on a straight-line basis over the expected useful life of the related assets in the income statement under other operating income.

Research grants from public authorities in Germany were awarded in the amount of € 941 K (previous year: € 0 K). Of this amount, € 188 K (previous year: € 0 K) is reported as deferred income and € 752 K (previous year: € 0 K) recognized in other operating income.

Government grants for short-time allowances in Germany are offset against the corresponding expense items. In the reporting year, this resulted in grants of € 9.1 million (previous year: € 26.2 million).

Borrowing costs

According to IAS 23.5, borrowing costs are to be capitalized if exist so-called qualified assets, i.e., those that take a substantial period of time to get ready for their intended use or sale. At the DMG MORI group, a period of more than twelve months is considered a substantial period of time. Borrowing costs in financial year 2021 that arose from the development assets amounted to € 10 K (previous year: € 8 K) and for property, plant and equipment, as in the previous year, there were no borrowing costs directly attributable to the acquisition, construction or creation of a qualifying asset. As in the previous year, a borrowing cost rate of 1% was used. Other borrowing costs were therefore directly recognized as expense in the period.

Revenues from Contracts with Customers

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

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

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

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

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

4. CONSOLIDATION GROUP

D.10 | NUMBER OF FULLY CONSOLIDATED COMPANIES	31 Dec 2021	31 Dec 2020
National	28	30
International	43	45
Total	**71**	**75**

At the balance sheet date, the DMG MORI group, including the DMG MORI AKTIENGESELLSCHAFT, comprised 81 companies (previous year: 82). In addition to DMG MORI AKTIENGESELLSCHAFT, 70 subsidiaries (previous year: 74) were included in the Consolidated Financial Statements as part of the full consolidation process. Ten companies (previous year: seven) accounted for at equity were included in the Consolidated Financial Statements. The DMG MORI AKTIENGESELLSCHAFT is directly or indirectly entitled to a majority of voting rights of the fully consolidated companies.

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

Since the end of financial year 2020, the companies,

› DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu (China),
› DMG MORI Logistik GmbH, Pfronten

have been added to the consolidation group.

Since the end of financial year 2020, the companies,

› up2parts GmbH, Weiden,
› RUN-TEC GmbH, Niedenstein,
› German-Eqyptian Company for Manufacturing Solutions (GEMAS), Kairo (Egypt)

have been added as an associate to the DMG MORI group.

Since March 2021, GILDEMEISTER Beteiligungen GmbH has held a 24.9% interest in up2parts GmbH, Weiden. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

With retroactive effect from January 2021, GILDEMEISTER Beteiligungen GmbH has acquired a 40% interest in RUN-TEC GmbH, Niedenstein. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu (China) was established in June 2021. The company is a wholly owned subsidiary of GILDEMEISTER Beteiligungen GmbH and is included in the consolidated financial statements as a fully consolidated company.

In July 2021, GILDEMEISTER energy solutions GmbH acquired the remaining 49% interest in GILDEMEISTER LSG Beteiligungs GmbH, Würzburg. The company has been a wholly owned subsidiary of GILDEMEISTER energy solutions GmbH since 1 July 2021.

DMG MORI Logistik GmbH, Pfronten, was established in November 2021. The company is a wholly owned subsidiary of DECKEL MAHO Pfronten GmbH and is included in the consolidated financial statements as a fully consolidated company.

In December 2021, GILDEMEISTER Beteiligungen GmbH, and a partner company, founded the joint venture German-Egyptian Company for Manufacturing Solutions (GEMAS) as a joint stock company based in Cairo (Egypt). GILDEMEISTER Beteiligungen GmbH holds a 40% interest. The company is classified as an associate and is recognized as an equity-accounted company in the consolidated financial statements.

In July 2021, GILDEMEISTER LSG Beteiligungs GmbH sold 94.9% of its shares in the companies GILDEMEISTER LSG Solar RUS, Moscow (Russia), and GILDEMEISTER LSG Solar Australia Pty Ltd., Brisbane (Australia), and now only holds an interest of 5.1%. Since 1 July 2021, GILDEMEISTER LSG Solar RUS and GILDEMEISTER Solar Australia Pty Ltd. have been classified as associated companies.

With retroactive effect from 1 January 2021, DMG MORI Hilden GmbH, Hilden, was merged with DMG MORI Bielefeld Hilden GmbH, Bielefeld in March 2021.

In the first quarter of 2021, DMG MORI Software Solutions GmbH, Pfronten, and DMG MORI Digital GmbH, Bielefeld, were merged with WERKBLiQ GmbH, Bielefeld, with retroactive effect as of 1 January 2021. WERKBLiQ GmbH was renamed in DMG MORI Digital GmbH.

With retroactive effect from 1 January 2021, DMG MORI Europe AG, Winterthur (Switzerland), was merged with DMG MORI Sales und Service Holding AG, Winterthur (Switzerland).

As in the previous year, the company shown below was also classified as a joint venture under IFRS 11:

› DMG MORI HEITEC GmbH, Erlangen.

The companies listed below were classified as associated companies under IAS 28. From the date of their acquisition, the shares were included in the Consolidated Financial Statements as "at equity":

› PRAGATI AUTOMATION Pvt. Ltd., Bangalore (India),
› INTECH DMLS PRIVATE LIMITED, Bangalore (India),
› DMG MORI Finance GmbH, Wernau,
› Vershina Operation, LLC., Narimanov (Russia),
› DMG MORI HEITEC Digital Kft., Budapest (Hungary),
› SparePartsNow GmbH, Aachen,
› up2parts GmbH, Weiden,
› RUN-TEC GmbH, Niedenstein,
› German-Eqyptian Company for Manufacturing Solutions (GEMAS), Cairo (Egypt).

Disposal of subsidiaries 2021

With effect from 1 July 2021, GILDEMEISTER energy solutions GmbH acquired the remaining 49% of GILDEMEISTER LSG Beteiligungs GmbH, Würzburg. The company has been a wholly-owned subsidiary of GILDEMEISTER energy solutions GmbH since 1 July 2021. Also with effect from 1 July 2021, GILDEMEISTER LSG Beteiligungs GmbH sold 94.9% of the shares in each of the following companies were sold to a strategic investor:

› GILDEMEISTER LSG Solar RUS OOO, Moscow (Russia),
› GILDEMEISTER LSG Solar Australia Pty. Ltd., Brisbane (Australia).

Due to the minor materiality of the individual companies and amounts, the disclosures are presented as an aggregate. The selling price totaled € 669 K. The (indirect) shares of GILDEMEISTER LSG Beteiligungs GmbH were fully consolidated as of its founding date via the 51 % interest held by GILDEMEISTER energy solutions GmbH. All assets and liabilities were deconsolidated from the group at the time the shares in the companies were sold. The disposal of the companies with their assets and liabilities resulted in a total loss on disposal of € 125 K. There was reduction in goodwill amounting to € 57 K. The loss on disposal is recognized in other operating expenses. The remaining 5.1 % of the shares are recognized as an investment.

The consideration received due to the loss of control of assets and liabilities and the result on disposals are shown in the following table.

D.11 in € K	2021
Goodwill	57
Tangible assets	230
Inventories	26
Trade debtors	947
Other assets	124
Deferred tax assets	305
Cash and cash equivalents	3,748
Assets sold	**5,437**
Provisions	360
Trade creditors	3,396
Lease liabilities	238
Other liabilities	61
Debt sold	**4,055**
Net assets sold	**1,382**
Consideration received	**669**
Other comprehensive income	-61
Non-controlling equity interests	649
Gains or losses	**-125**

In the financial year, the disposal of shares resulted in a cash outflow of € 3,079 K.

The group of consolidated companies has changed compared to the previous year as explained above. When compared with the Consolidated Financial Statements of 31 December 2020, the results of operations, financial and net-worth position were not significantly affected in this regard.

Business combinations 2020

In a contract dated 16 November 2020, GILDEMEISTER Beteiligungen GmbH acquired the remaining 60 % interest in DMG MORI Digital GmbH, Bielefeld, from our previous cooperation partner. The wholly owned subsidiary has been fully consolidated since 1 December 2020.

The consideration's fair value amounted to € 138 K and was paid in cash. The costs directly associated with the acquisition of the company amounting to € 1 K were accounted for as expense for the financial year 2020.

The individual assets and liabilities acquired were recognized at fair value when they were initially accounted for in the consolidated statement of financial position. The details are shown in the table below:

D.12 | DMG MORI DIGITAL GMBH in € K	2020
Inventories	12
Trade debtors	167
Other short-term assets	99
Cash and cash equivalents	235
Other provisions	95
Trade creditors	47
Other short-term liabilities	141
Net assets	**230**
Consideration for acquisition of the 60 % interest	138
Fair value of the 40 % interest held	92
Consideration for 60 % of the interest	**230**
Gains or losses from acquisition	
Consideration for acquisition of the interest	230
Net assets	230
Gain or loss	**0**

The fair value measurement of the 40 % interest previously held resulted in a loss of € 10 K in financial year 2020.

As of 1 December 2020, DMG MORI Digital GmbH contributed an additional € 11 K to the group's sales revenue in 2020. The share of profit after tax for the same period amounted to € -26 K. If the acquisition of the interest in DMG MORI Digital GmbH had already been consolidated on 1 January 2020, the share of profit after tax would have been € -174 K. Sales revenues would have amounted to € 1,413 K and been mainly generated by DMG MORI group companies.

A general overview of all companies within the DMG MORI group can be found on pages 165 et seq.

D.13 | CURRENCIES		Exchange rate on reporting date = € 1		Average exchange rate = € 1	
	ISO-Code	31 Dec 2021	31 Dec 2020	2021	2020
Australian dollars	AUD	1.56415	1.58560	1.57868	1.65333
Canadian dollars	CAD	1.43650	1.55880	1.48510	1.53214
Swiss franc	CHF	1.03615	1.08155	1.07949	1.07164
Chinesise renminbi	CNY	7.24780	8.00180	7.63273	7.89895
Czech crowns	CZK	24.85000	26.26200	25.65831	26.45485
British pound	GBP	0.83960	0.89510	0.86098	0.88672
Indian rupees	INR	84.53450	89.40175	87.34672	84.62708
Japanese yen	JPY	130.95425	126.32545	129.96278	121.80819
Polish zloty	PLN	4.58335	4.55895	4.56397	4.45294
Russian rubles	RUB	85.29710	90.49915	87.44565	83.06102
Singapore dollars	SGD	1.53310	1.61710	1.58747	1.57335
US dollars	USD	1.13720	1.22355	1.18347	1.14487

5. FOREIGN CURRENCY TRANSLATION

The currency translation of all Annual Financial Statements of the international group companies that were prepared in foreign currencies was carried out in accordance with the functional currency principle pursuant to IAS 21 "The Effects of Change in Foreign Exchange Rates". Since all subsidiaries operate their business independently in financial, economic and organizational respects, their respective currencies represent the respective local currency. Assets and debts of foreign subsidiaries were translated in Euro at the average rate of exchange as of the balance sheet date, and revenue and expenses pursuant to IAS 21.40 at the transaction exchange rate – as far as reasonably approximated by average annual rates. The foreign exchange differences arising from items being translated at different rates in the balance sheet and income statement were recognized directly in equity.

The foreign exchange differences from receivable or payable monetary items from / to foreign business operations, whose fulfilment is neither planned nor probable and thus are part of the net investment in these foreign business operations, are not recognized as net income for the period. The foreign exchange differences are initially recognized in other comprehensive income and transferred to equity in the income statement upon their sale.

In the individual financial statements monetary items (cash, receivables and liabilities) in a foreign currency were valued at the exchange rate at the reporting date. Non-monetary items in foreign currencies were assessed at historical values. The differences arising from the currency translation of monetary items were shown in the income statement. Goodwill resulting from the acquisition of international companies was recognized as assets of the foreign business operations and was translated at the exchange rates at the time of the transactions.

Accounting in accordance with the regulations contained in IAS 29 "Financial Reporting in Hyper-inflationary Economies" was not required, as the DMG MORI group has no significant subsidiaries with registered office in a hyper-inflationary economy.

The exchange rates of the major currencies developed as follows: [→ D.13]

NOTES TO INDIVIDUAL ITEMS IN THE INCOME STATEMENT

6. SALES REVENUES

Broken down by sales area, that is, according to the customer's place of business, the following distribution of sales revenues occurred: [→ D.14]

D.14 in € K	2021	2020
Germany	652,806	553,035
EU (excluding Germany)	700,691	617,639
USA	25,278	14,887
Asia	519,139	500,966
Other countries	155,007	144,766
	2,052,921	**1,831,293**

A breakdown and explanation of the sales revenue from the sale of goods and provision of services are given in segment reporting on page 159 et seq. and in the "Segment Report" chapter of the Group Management Report on page 78 et seqq.

The table below shows a reconciliation of sales revenue for 2021 by sales territory, as well as key product and service lines as per reporting segment: [→ D.15 | D.16]

D.15

in € K	Machine Tools 2021	Industrial Services 2021	Corporate Services 2021	Group 2021
Sales Area				
Germany	363,089	289,503	0	652,592
EU (excluding Germany)	344,686	356,005	0	700,691
USA	18,964	6,314	0	25,278
Asia	274,976	244,163	0	519,139
Other countries	102,204	52,803	0	155,007
Total	**1,103,919**	**948,788**	**0**	**2,052,707**
Key product / services lines				
Machine Tool sales	1,103,919	0	0	1,103,919
Trading volume with DMG MORI CO. Ltd. products	0	440,611	0	440,611
Core service business	0	506,021	0	506,021
Other	0	2,156	0	2,156
Total	**1,103,919**	**948,788**	**0**	**2,052,707**
Revenue from contracts with customers	**1,103,919**	**948,788**	**0**	**2,052,707**
Other sales revenue	**0**	**0**	**214**	**214**
External sales revenue	**1,103,919**	**948,788**	**214**	**2,052,921**

D.16

in € K	Machine Tools 2020	Industrial Services 2020	Corporate Services 2020	Group 2020
Sales Area				
Germany	308,408	244,452	0	552,860
EU (excluding Germany)	311,605	306,034	0	617,639
USA	7,873	7,014	0	14,887
Asia	329,443	171,523	0	500,966
Other countries	89,630	55,136	0	144,766
Total	**1,046,959**	**784,159**	**0**	**1,831,118**
Key product / services lines				
Machine Tool sales	1,046,959	0	0	1,046,959
Trading volume with DMG MORI CO. Ltd. products	0	348,633	0	348,633
Core service business	0	430,204	0	430,204
Other	0	5,322	0	5,322
Total	**1,046,959**	**784,159**	**0**	**1,831,118**
Revenue from contracts with customers	**1,046,959**	**784,159**	**0**	**1,831,118**
Other sales revenue	**0**	**0**	**175**	**175**
External sales revenue	**1,046,959**	**784,159**	**175**	**1,831,293**

D.17

in € K	Note	Carrying amount as of 31 December 2021	Carrying amount as of 31 December 2020
Trade receivables from third parties	25	202,676	135,114
Receivables from at equity accounted companies	25	17,150	9,865
Receivables from other related companies	25	412,121	466,241
Receivables from other equity investments	25	50	37
Receivables from down payment invoices		22,446	8,578
Total		**654,443**	**619,835**
Contract liabilities from payments received on account		348,844	156,579
Contract liabilities from performance obligations		45,312	35,520
Contract liabilities from down payment invoices		22,446	8,578
Total		**416,602**	**200,677**

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

Contract balances

The table provides information on contract balances from contracts with customers. (→ D.17)

Contract liabilities from advance payments received mainly include advance payments received from customers for machines. Contract liabilities from performance obligation mainly include commissioning, training and maintenance services, tool package deliveries, software licenses and services for extended warranty services, that have already been invoiced but not yet rendered. Contract liabilities from advance invoices mainly relate to due and unpaid advance invoices for which there is an unconditional claim for payment.

There are no contract assets.

The rise in contract liabilities under IFRS 15 from € 200,677 K in 2020 to € 416,602 K in 2021 is mainly due to an upturn in business performance in the reporting year, which resulted in a rise in advance payments received.

The total amount of € 200,677 K included in contract liabilities from advance payments received, contract liabilities from performance obligations and contract liabilities from advance invoices at the beginning of the period (previous year: € 251,381 K) was recognized in revenue in financial year 2021 in the amount of € 194,694 K (previous year: € 247,309 K).

The group expects services in the amount of € 410,880 K (previous year: € 194,694 K), which were allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period, to result in sales revenue in financial year 2022. The group applies the practical expedient in IFRS 15.121 and thus has not presented these services separately.

The group expects contract liabilities from performance obligations amounting to € 5,722 K (previous year: € 5,983 K) to generate sales revenue from 2023 to 2026.

7. OWN WORK CAPITALISED

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

8. OTHER OPERATING INCOME

D.18 | INCOME UNRELATED TO ACCOUNTING PERIOD

in € K	2021	2020
Release of provisions	2,498	1,085
Receipt of payments for written off receivables	806	1,012
Profit on asset disposals	713	8,372
Other income unrelated to accounting period	3,090	2,631
	7,107	**13,100**
OTHER OPERATING INCOME		
Gains on currency and exchange rates	23,983	33,972
Refund of expenses and on-debiting	9,329	10,374
Reduction in impairment losses	4,847	2,986
Bonuses and allowances	1,571	403
Compensation for damages	787	467
Others	12,106	12,959
	52,623	**61,161**
Total	**59,730**	**74,261**

The gains from asset disposals in the previous year mainly result from the sale of land and buildings to third parties. On balance, exchange rate and currency gains occurred in financial year 2021 in the amount of € 1,799 K (previous year: € 3,006 K).

Other income includes income from the subleasing of rights of use in the amount of € 1,285 K (previous year: € 1,668 K) and reversals of impairment losses amounting to € 814 K (previous year: € 0 K) for an impairment loss recognized in the previous year on a technical plant.

9. COST OF MATERIALS

The purchased services relate predominantly to expenses for external production.

10. PERSONNEL COSTS

In financial year 2021, total executive remuneration from direct and indirect remuneration amounted to € 7,118 K (previous year: € 4,912 K) without advance payment. The fixed, non-performance-related remuneration (basic remuneration and fringe benefits) of Executive Board members accounted for a total of € 2,228 K (previous year: € 2,126 K) and the short-term variable remuneration (STI) of these members accounted for € 3,200 K (previous year € 1,236 K) and a defined contribution pension scheme of € 850 K (previous year: € 800 K). The targets determining the short-term variable remuneration (STI) were attained at a rate of 200 % for the performance indicator EBIT, and 200 % for order intake. The sustainability factor ("modifier") is set at 119.2 %. The last LTI tranche 2019 to 2021, which was allocated on 31 December 2021 and will be paid in financial year 2022, results in a contribution totaling € 840 K (previous year: € 750 K from LTI tranche 2018-2020).

For the LTI tranche 2020 to 2022 a reclaimable advance payment of € 1,508 K was made, which is a component of remuneration pursuant to § 162 (1) sentence 1 of the German Stock Corporation Act (AktG) and is also a component of the total remuneration of the Executive Board pursuant to § 285 and § 314 of the German Commercial Code (HGB).

Former members of the Executive Board and their surviving dependents received € 1,437 K (previous year: € 1,434 K). Provisions for direct pension obligations were formed for former members of the Executive Board and their surviving dependents in the amount of € 21,234 K (previous year: € 23,365 K).

The remuneration structure for the Executive Board and the Supervisory Board is explained on pages 52 et seqq. of the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out on pages 53 et seqq. of the remuneration report.

No loans were granted to board members. No contingent liabilities were assumed in favor of these individuals. Nor did the companies of the DMG MORI group pay any remuneration to board members for services personally rendered, in particular for consulting and intermediary services.

In financial year 2021, pension plan expenses in the group, including employer's contributions to statutory pension insurance, amounted to € 26,687 K (previous year: € 27,120 K). This includes employers' contributions to statutory pension insurance amounting to € 24,990 K (previous year: € 25,350 K).

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

D.19

	Average number		At the balance sheet date	
	2021	2020	31 Dec 2021	31 Dec 2020
Wage earners	1,793	1,878	1,824	1,784
Salary earners	4,678	4,829	4,772	4,609
Trainees	231	292	225	279

11. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

A breakdown of the item into intangible assets and property, plant and equipment can be found in the tables on page 130 and 132.

Depreciation and amortization include impairments of right-of-use assets in an amount of € 18,841 K (previous year: € 20,218 K) under IFRS 16 "Leases".

The following table shows a detailed breakdown:

D.20 | AMORTIZATION OF RIGHT-OF-USE ASSETS
in € K

	2021	2020
Land and buildings	4,589	4,629
Technical equipment and machinery	3,077	3,524
Other equipment, factory and office equipment	11,175	12,065
Total	**18,841**	**20,218**

Depreciation / amortization and impairment include impairments of € 1,920 K (previous year: € 3,481 K) for intangible assets. Further information can be found in "Intangible assets".

12. OTHER OPERATING EXPENSES

Following the drastic cuts caused by the coronavirus pandemic in the previous year, an improvement in business performance and a recovery in demand for machine tools in the reporting year resulted in higher expenses, which are directly correlated to sales as well as to the type and amount of these sales and the areas where they are generated. This mainly relates to outbound freight and packaging as well as sales commissions. This also applies to corporate communication expenses, trade fairs and other advertising expenses. Other expenses were maintained at the previous year's level as a result of strict cost management. [→ D.21]

Expenses for rentals and leases include € 3,113 K (previous year: € 3,435 K) in expenses for short-term leases, € 1,451 K (previous year: € 1,386 K) in expenses for leases on a low-value asset, excluding short-term leases on low-value assets, and € 390 K (previous year: € 579 K) in expenses for variable lease payments.

Moreover, this line shows expenses from service components that were mainly agreed within the scope of car leasing contracts. This resulted in expenses of € 5,596 K in the reporting year (previous year: € 6,142 K).

In financial year 2021, € 930 K (previous year: € 893 K) was accrued for the total remuneration of the Supervisory Board; this was recognized under other external services. An individual and detailed presentation of Supervisory Board remuneration in the financial year is set out on pages 52 et seqq. of the Remuneration Report.

D.21 | EXPENSES UNRELATED TO ACCOUNTING PERIOD
in € K

	2021	2020
Losses from the disposal of fixed assets	2,045	689
Other taxes	1,903	555
Other expenses unrelated to accounting period	1,967	1,719
	5,915	**2,963**
OTHER OPERATIONAL EXPENSES		
Freight out, packaging	44,864	41,304
Other external services	34,297	37,322
Corporate communication, trade fairs and other advertising expenses	29,239	25,519
Exchange rate and currency losses	22,184	30,966
Travelling and entertainment expenses	21,769	19,654
Sales commissions	14,062	10,053
Rental and leases	10,550	11,542
Other personnel costs	10,542	8,735
Cost of preparation of accounts, legal and consultancy fees	9,329	10,543
Impairment on receivables	7,601	8,621
Stationery, post and telecommunication expenses	6,749	6,945
Insurance	6,703	6,431
Expenses for temporary employment and contractor	5,623	5,354
Other taxes	4,337	4,780
Licences and trademarks	2,397	3,092
Monetary transactions and capital procurement	1,184	1,230
Investor and Public Relations	396	419
Others	26,305	21,091
	258,131	**253,601**
Total	**264,046**	**256,564**

13. FINANCIAL INCOME

Interest earned and other income of the DMG MORI group amounted to € 4,608 K (previous year: € 4,462 K). These also include interest income amounting to € 3,400 K (previous year: € 3,490 K) from the loan to DMG MORI GmbH.

14. FINANCIAL EXPENSES

Financial expenses of € 7,016 K (previous year: € 8,944 K) include interest expenses and other financial expenses.

Interest expenses of € 5,675 K (previous year: € 6,645 K) are mainly related to interest expenses for financial liabilities and group factoring. This also includes interest from leases under IFRS 16 in an amount of € 711 K (previous year: € 858 K) and € 165 K (previous year: € 606 K) in interest expenses calculated by DMG MORI GmbH in the financial year.

This also includes an interest component of € 193 K (previous year: € 248 K) from allocations to pension provisions.

Other financial expenses amounting to € 1,148 K (previous year: € 2,051 K) include expenses for transaction costs in the amount of € 295 K (previous year: € 882 K) resulting from the scheduled amortization of the transaction costs for the syndicated credit line. In addition, € 784 K (previous year: € 949 K) from the interest accrued on other long-term provisions have been taken into account.

15. SHARE OF PROFITS AND LOSSES OF AT EQUITY-ACCOUNTED INVESTMENTS

The result from companies accounted for at equity amount to € 222 K (previous year: € 2,095 K). This mainly includes the pro rata income from the interest in DMG MORI Finance GmbH in an amount of € 625 K (previous year: € 619 K), as well as the pro rata share of profit for DMG MORI Heitec Digital Kft. and Vershina Operation, LLC., totaling € 615 K (previous year: € 560 K). The pro rata shares of profit for INTECH DMLS Pvt. Ltd., up2parts GmbH, DMG MORI Heitec GmbH and PRAGATI AUTOMATION Pvt. Ltd. reduced the total earnings from companies accounted for at equity by € 1,026 K.

16. INCOME TAXES

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

D.22 in € K	2021	2020
Actual taxes	**33,935**	**21,790**
Tax expenses for the current financial year	29,919	22,177
Tax income for previous periods	-2,362	-3,691
Tax expenses for previous periods	6,378	3,304
Deferred taxes	**2,085**	**991**
Losses carried forward	-258	1,279
Tax credits	2,117	-2,172
Temporary differences	149	1,791
Tax rate reduction	77	93
	36,020	**22,781**

The item actual taxes recognizes corporate income and trade tax (including solidarity surcharge) in the case of domestic companies and comparable income taxes in the case of foreign companies. The assessment was performed in accordance with the tax regulation applicable to the individual companies.

Tax expenses for the current financial year include current taxes levied in an amount of € 11,538 K (previous year: € 13,068 K) resulting from the taxable entitiy of DMG MORI GmbH, Bielefeld. An amount of € 2,362 K (previous year: € 3,691 K) resulted from actual tax income for previous years. This item also includes € 6,378 K in actual tax expenses (previous year: € 3,304 K) relating to previous years.

Actual tax expenses were reduced by € 544 K due to the utilization of previously unrecognized tax losses (previous year: € 499 K).

The deferred taxes are assessed on the basis of the tax rates applicable or expected in the individual countries based on their current statutory regulations. In financial year 2021, the corporate income tax rate in Germany was 15.0 % (previous year: 15.0 %) plus the solidarity surcharge, which was 5.5 % (previous year: 5.5 %). This results in an effective corporate income tax rate of 15.8 % (previous year: 15.8 %). Taking account of the trade tax of 14.0 % (previous year: 14.0 %), the overall tax rate was 29.8 % (previous year: 29.8 %). The result is the tax rate applicable for the valuation of deferred taxes for domestic companies. The main tax rates applicable in foreign countries are between 16 % and 30 % (previous year: 16 % und 30 %).

The net amount of income tax on other comprehensive income is € 2,082 K (previous year: € 263 K) and relates to changes in the fair values of derivative financial instruments included in other comprehensive income, equity investments and the revaluation of defined benefit plans.

The difference between current and expected income tax expenditure is due to the following: (→ D.23)

The reported income tax expenditure for the 2021 financial year of € 36,020 K (previous year: € 22,781 K) is € 213 K lower (previous year: € 462 K higher) than the expected income tax expenditure of € 36,233 K (previous year: € 22,319 K), which would theoretically result from applying the domestic tax rate of 29.8 % for the 2021 financial year (previous year: 29.8 %) at group level.

The change in tax loss carried forwards mainly relates to the non-recognition of deferred tax assets for current losses in an amount of € 376 K (previous year: € 3,169 K) and adjustments made to deferred tax assets on loss carryforwards from previous years amounting to € 0 K (previous year: € 565 K).

D.23 in € K	2021	2020
Earnings before taxes	121,586	74,895
DMG MORI AKTIENGESELLSCHAFT income tax rate in percent	29,8	29,8
Expected tax income / expense	36,233	22,319
Tax consequences of the following effects		
Adjustment due to different tax rate	-6,107	-2,756
Effects from the changes in tax rate	77	93
Tax reduction due to the revenues exempt from taxation	-1,149	-1,459
Tax loss carried forward	-682	3,201
Temporary differences	1	337
Tax increase due to non-deductible expenses	5,250	5,739
Tax income or expenditure for prior years	4,016	-387
Tax credits	-1,262	-4,442
Other adjustments	-357	136
Income taxes	**36,020**	**22,781**

On the other side, previously unrecognized deferred taxes on loss carryforwards in the amount of € 1,058 K (previous year: € 533 K) were able to be capitalized or utilized.

The recognition of previously unrecognized deductible temporary differences amounted to € 0 K in the financial year (previous year: € 613 K). In the financial year, valuation allowances for deferred taxes on temporary differences amounted to € 1 K (previous year: € 950 K).

Further information can be found in the "Deferred taxes" section.

17. ANNUAL PROFIT ATTRIBUTED TO NON-CONTROLLING INTERESTS

Non-controlling interests account for a pro rata annual profit of € 1,401 K (previous year: € 221 K). This item mainly includes the pro rata share of income from non-controlling interests in DMG MORI Machine Tools Trading Co., Ltd., Shanghai (China), and DMG MORI India Private Limited, Bangalore (India).

18. EARNINGS PER SHARE

In accordance with IAS 33 "Earnings per Share", the undiluted earnings per share ("basic earnings per share") are determined by dividing the consolidated profit – excluding profit shares of other owners – by the average weighted number of ordinary shares outstanding, as follows:

D.24	2021	2020
Group result excluding annual net income attributable to non-controlling interests	€ 84,165 K	€ 51,893 K
Average weighted number of shares (pieces)	78,817,994	78,817,994
Earnings per share	1.07 €	0.66 €

Earnings result exclusively from continued business. Group earnings after tax of € 85,566 K were reduced by earnings from non-controlling interests in the amount of € 1,401 K. The earnings per share (undiluted) was € 1.07 in the reporting year (previous year: € 0.66). As in the previous year, there were no dilutive effects.

NOTES TO INDIVIDUAL BALANCE SHEET ITEMS

19. INTANGIBLE ASSETS

The development and a breakdown of items in the group's intangible assets are shown in the following table. (→ D.25)

The goodwill amounts to € 138,044 K previous year: € 138,103 K).

The changes result from the conversion of goodwill denominated in foreign currency into the group's currency Euro and a change in the scope of consolidation.

DMG MORI tests for impairment of goodwill on an annual basis. For the reporting period 2021, the recoverable amount of the cash-generating units was determined based on value-in-use calculations, which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the relevant bodies and covering a period of 5 years. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The assumptions underlying the key planning parameters reflect past experience and future expectations. The calculation of the present value of estimated future cash flows is mainly based on assumptions regarding future sales prices or volumes, EBIT margins, expenses and capital expenditures. The projected development of sales revenue is largely determined on the basis of the expected order intake for machine tools and services (see forecast report, page 94 et seqq). The assumptions regarding the future development of order intake and sales revenue for the 5-year forecast period are based on management's expectations of market trends. These are based on forecasts from the economic research institute, Oxford Economics, for world machine tool market trends. For 2022, sales revenue is expected to rise to around € 2.3 billion. In subsequent periods, there are plans for growth based on management's expectations of market trends and external forecasts. For the final year of forecast period 2026, sales revenue is expected to be slightly higher than the pre-Covid figure for financial year 2019 (regardless of the Energy Solutions sector). The development of contribution margins is based on past experience and planned efficiency improvements. The expenses are planned according to the expected increase in costs. With regard to the EBIT margin, a margin of around 8.0 % has been planned for 2022. In subsequent years, slightly higher EBIT margins are projected for each year until the 2026 forecast period.

Annual capital expenditures are based on past experience and planned expansion investments, which, in calculating value in use, are assumed to neither lead to an increase in sales nor to a reduction in costs. Capital expenditures average around 4 % of sales revenue in the planning periods.

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

The cash flows determined were discounted at pre-tax weighted cost of capital rates (WACC) of 15.3 % (previous year: 14.4 %) for the cash-generating unit "Machine Tools"

D.25 | INTANGIBLE ASSETS

in € K	Goodwill	Assets arising from development	Industrial property and similar rights	Payments on account	Total
ACQUISITION AND PRODUCTION COSTS 2021					
As at 1 January 2021	138,103	141,209	124,785	49,963	454,060
Difference from currency translation	-2	0	181	25	204
Other changes	0	0	31	0	31
Change in the group of consolidated companies	-57	0	0	0	-57
Additions	0	4,609	2,818	15,683	23,110
Disposals	0	-18,856	-6,757	-1,672	-27,285
Book transfers	0	0	6,458	-6,373	85
As at 31 Dec 2021	**138,044**	**126,962**	**127,516**	**57,626**	**450,148**
Depreciation 2021					
As at 1 January 2021	0	129,066	113,209	607	242,882
Difference from currency translation	0	0	109	0	109
Other changes	0	0	0	0	0
Change in the group of consolidated companies	0	0	0	0	0
Additions	0	5,728	5,576	0	11,304
Disposals	0	-18,856	-6,679	0	-25,535
Book transfers	0	0	0	0	0
As at 31 Dec 2021	**0**	**115,938**	**112,215**	**607**	**228,760**
Net carrying amount at 31 Dec 2021	**138,044**	**11,024**	**15,301**	**57,019**	**221,388**
ACQUISITION AND PRODUCTION COSTS 2020					
As at 1 January 2020	138,082	138,183	120,855	32,442	429,562
Difference from currency translation	21	-6	-239	-15	-239
Other changes	0	0	-2	0	-2
Change in the group of consolidated companies	0	0	0	0	0
Additions	0	4,069	503	21,710	26,282
Disposals	0	-1,037	-11	-720	-1,768
Book transfers	0	0	3,679	-3,454	225
As at 31 Dec 2020	**138,103**	**141,209**	**124,785**	**49,963**	**454,060**
Depreciation 2020					
As at 1 January 2020	0	123,563	105,846	607	230,016
Difference from currency translation	0	-6	-100	0	-106
Other changes	0	0	0	0	0
Change in the group of consolidated companies	0	0	0	0	0
Additions	0	6,546	7,475	0	14,021
Disposals	0	-1,037	-12	0	-1,049
Book transfers	0	0	0	0	0
As at 31 Dec 2020	**0**	**129,066**	**113,209**	**607**	**242,882**
Net carrying amount at 31 Dec 2020	**138,103**	**12,143**	**11,576**	**49,356**	**211,178**

and 15.3 % (previous year: 14.5 %) for "Industrial Services". The WACC was derived from the application of the "Capital Asset Pricing Model" (CAPM). If the recoverable amount of a cash-generating unit is lower than its carrying amount, the value of goodwill allocated to the cash-generating unit will, initially, be reduced at an amount equal to the remaining balance. As in the previous year, in financial year 2021 there was no need for impairment. The impairment tests included sensitivity analyses of key assumptions (EBITDA margin, costs of capital, growth rate). The findings showed that no change in key assumptions deemed possible by the Executive Board would have led to an impairment.

For the purpose of impairment testing, the group of cash-generating units in the "Machine Tools" segment was allocated goodwill of € 57,073 K (previous year: € 57,073 K) and the group of cash-generating units in the "Industrial Services" segment was allocated goodwill in the amount of € 80,971 K (previous year: € 81,030 K). In the financial year, impairment losses of € 1,920 K (previous year: € 3,481 K) were recognized in depreciation, amortization and impairment. This included € 0 K (previous year: € 1,797 K) relating to the "Corporate Services" segment, € 1,920 K (previous year: € 1,046 K) to the "Machine Tools" segment and € 0 K (previous year: € 638 K) to the "Industrial Services" segment. The key points are explained below.

DMG MORI identified an impairment of € 982 K for IT process know-how, which it determined can no longer be used. This amount was allocated to the item, "Depreciation, amortization and impairment" and recognized in the "Machine Tools" segment. The recoverable amount of the intangible asset was € 0 K.

An impairment was identified for an intangible asset generated by the development of a machine tool project, as there was no further use for the asset. The assessment of the recoverable amount, which had to be recognized at € 0 K due to the discontinuation of the development project, resulted in the recognition of an impairment loss of € 857 K. The impairment loss was allocated to the item, "Depreciation, amortization and impairment" and recognized in the "Machine Tools" segment.

Intangible assets arising from development relate to new machine tool projects in domestic and international production companies, to service products and to specific software solutions.

Intangible assets arising out of development recognized at the end of the financial year amounted to € 11,024 K (previous year: € 12,143 K). Research and development costs directly recognized as expenses amounted to € 68,319 K in the financial year 2021 (previous year: € 62,606 K).

The amount stated for industrial property rights and similar rights includes acquired patents, rights from acquired customer relations, utility models and trademarks as well as data processing software.

20. TANGIBLE ASSETS

The development and a breakdown of items in the group's tangible assets are shown in the following table. [→ D.26]

In the reporting year, there was a reversal of an impairment loss amounting to € 814 K for an impairment loss recognized in the previous year on an operational plant which was fully impaired in the previous year as it could no longer be used. As the potential for using this plant was reestablished in the financial year due to significant business growth the impairment loss was reversed to the recoverable amount by € 814 K. The reversal of the impairment loss was allocated to the item, "Other operating income" and recognized in the "Machine Tools" segment. The reversal of the impairment loss can be found in the overview of property, plant and equipment including rights of use, under Other changes in depreciation and amortization for 2021.

The DMG MORI group leases specific tangible assets such as land and buildings, technical equipment and machines, office equipment and cars. In accordance with the adoption of IFRS 16, the DMG MORI group reports right-of-use assets amounting to € 45,822 K as of 31 December 2021 (previous year: € 52,907 K) under property, plant and equipment. Additions to right-of-use assets during financial year 2021 amounted to € 11,540 K (previous year: € 12,017 K). Similarly, lease liabilities of € 45,153 K (previous year: € 52,336 K) were recognized as liabilities (see page 147 et seq.).

The following items were recognized in the balance sheet in relation to leases:

D.27

in € K	31 Dec 2021	31 Dec 2020
Land and buildings	26,801	27,607
Technical equipment and machinery	4,149	7,233
Other equipment, factory and office equipment	14,872	18,067
Total	**45,822**	**52,907**

21. EQUITY INVESTMENTS

Equity investments are accounted for at fair value and designated as at FVOCI. At initial recognition, DMG MORI

D.26 | TANGIBLE ASSETS INCLUDING RIGHT OF USE

in € K	Land and buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and construction in progress	Total
ACQUISITION AND PRODUCTION COSTS 2021					
As at 1 January 2021	462,868	154,612	289,939	23,469	930,888
Difference from currency translation	5,354	1,212	930	1,045	8,541
Other changes	-66	-286	232	378	258
Change in the group of consolidated companies	0	0	-372	0	-372
Additions	5,045	1,271	18,099	29,732	54,147
Disposals	-1,175	-5,370	-17,324	-105	-23,974
Book transfers	2,287	10,732	1,389	-14,493	-85
As at 31 Dec 2021	**474,313**	**162,171**	**292,893**	**40,026**	**969,403**
Depreciation 2021					
As at 1 January 2021	158,752	89,268	218,182	218	466,420
Difference from currency translation	1,174	498	902	-1	2,573
Other changes	-47	0	-850	0	-897
Change in the group of consolidated companies	0	0	-141	0	-141
Additions	17,932	12,091	25,706	0	55,729
Disposals	-839	-5,304	-16,824	0	-22,967
Book transfers	0	0	0	0	0
As at 31 Dec 2021	**176,972**	**96,553**	**226,975**	**217**	**500,717**
Net carrying amount at 31 Dec 2021	**297,341**	**65,618**	**65,918**	**39,809**	**468,686**
ACQUISITION AND PRODUCTION COSTS 2020					
As at 1 January 2020	461,958	155,565	283,985	36,452	937,960
Difference from currency translation	-21,559	-7,511	-3,303	-1,018	-33,391
Other changes	90	273	57	15	435
Change in the group of consolidated companies	0	0	0	0	0
Additions	9,729	4,322	17,498	22,188	53,737
Disposals	-11,210	-4,581	-11,492	-345	-27,628
Book transfers	23,860	6,544	3,194	-33,823	-225
As at 31 Dec 2020	**462,868**	**154,612**	**289,939**	**23,469**	**930,888**
Depreciation 2020					
As at 1 January 2020	147,200	82,911	201,032	238	431,381
Difference from currency translation	-2,436	-2,664	-1,985	-20	-7,105
Other changes	0	262	-289	0	-27
Change in the group of consolidated companies	0	0	0	0	0
Additions	17,916	12,793	30,295	0	61,004
Disposals	-3,928	-4,034	-10,871	0	-18,833
Book transfers	0	0	0	0	0
As at 31 Dec 2020	**158,752**	**89,268**	**218,182**	**218**	**466,420**
Net carrying amount at 31 Dec 2020	**304,116**	**65,344**	**71,757**	**23,251**	**464,468**

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exercised the option under IFRS 9.4.1 to recognize subsequent changes in the fair value of equity investments in other comprehensive income.

The 12.5 % interest held by GILDEMEISTER Beteiligungen GmbH in ADAMOS GmbH corresponds to the previous year's figure. DMG MORI does not exercise any significant influence over the business activities of ADAMOS GmbH. There were no dividend payouts during the financial year.

GILDEMEISTER Beteiligungen GmbH holds a 14.60 % interest in TULIP Interfaces Inc., Somerville (USA). The cooperation with the US software provider, TULIP, allows DMG MORI to provide its customers with easier access to digital manufacturing. DMG MORI does not exercise any significant influence over the business activities of TULIP Interfaces Inc. There were no dividend payouts during the financial year.

In July 2021, GILDEMEISTER LSG Beteiligungs GmbH sold 94.9 % of its shares in GILDEMEISTER LSG Solar RUS, Moscow (Russia), and GILDEMEISTER LSG Solar Australia Pty. Ltd., Brisbane (Australia). GILDEMEISTER LSG Beteiligungs GmbH now only holds a 5.1 % interest in each company.

Since 1 July 2021, GILDEMEISTER LSG Solar RUS and GILDEMEISTER Solar Australia Pty. Ltd. have been classified as associated companies.

Furthermore, GILDEMEISTER energy solutions GmbH holds a 40 % interest in Sonnenstromalpha GmbH & Co. KG, Hamburg and GILDEMEISTER Beteiligungen GmbH holds a 5 % interest in STBO GmbH, Bielefeld.

The DMG MORI group does not exercise any significant influence over these companies. As of 31 December 2021, the fair value of the investments totaled € 106,760 K (previous year: € 25,068 K).

In the reporting year, increases in value amounting to € 72,186 K (previous year impairment: € -1,473 K) were recognized in investments, which were recognized in other comprehensive income. This increase in value is mainly due to the revaluation of the fair value of TULIP Interfaces Inc. The fair value was determined on the basis of the financing round for TULIP Interfaces, in which DMG MORI participated in financial year 2021.

An overview of all DMG MORI group companies and information on registered offices, equity and equity interests in financial year 2021 are shown on pages 165 et seq.

22. EQUITY-ACCOUNTED INVESTMENTS

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

D.28	31 Dec 2021		31 Dec 2020	
	Equity interest %	Carrying amount €K	Equity interest %	Carrying amount €K
Total at reporting date		**39,711**		**37,147**
Of which, joint ventures				
DMG MORI HEITEC GmbH	50.0	564	50.0	569
Of which, associated companies				
DMG MORI HEITEC Digital Kft.	49.9	554	49.9	331
SparePartsNow GmbH	46.3	123	36.3	0
DMG MORI Finance GmbH	42.6	12,857	42.6	12,232
RUN-TEC GmbH	40.0	339	–	–
German-Egyptian Company for Manufacturing Solutions	40.0	0	–	–
Vershina Operation, LLC	33.3	1,323	33.3	1,291
INTECH DMLS PRIVATE LIMITED	30.0	2,205	30.0	2,510
Pragati Automation Pvt. Ltd.	30.0	20,740	30.0	20,214
up2parts GmbH	24.9	1,006	–	–

The equity interests of the equity-accounted companies correspond to the voting rights.

In January 2021, GILDEMEISTER Beteiligungen GmbH acquired a 40 % interest in RUN-TEC GmbH, Niedenstein. The company is classified as an associate and is recognized as an equity-accounted company in the Consolidated Financial Statements.

As of March 2021, GILDEMEISTER Beteiligungen GmbH acquired 24.9 % of the shares in up2parts GmbH, Weiden. The company is classified as an associate and is recognized as an equity-accounted company in the Consolidated Financial Statements.

In the previous year, impairments on the shares in INTECH DMLS PRIVATE LIMITED amounting to € 4,432 K were recognized and reported in the "Machine Tools" segment. These resulted from changes in the company's market and business environment.

Details of the results from equity-accounted companies are presented in the explanatory notes to the individual items on the income statement under "Share of profits and losses of equity-accounted companies" on page 127.

We consider DMG MORI Finance GmbH and PRAGATI AUTOMATION Pvt. Ltd. to be significant investments.

The figures for DMG MORI Finance GmbH are also summarized in the following table.

D.29 | DMG MORI FINANCE GMBH in € K	31 Dec 2021	31 Dec 2020
Short-term assets	233,395	227,401
Long-term assets	439,183	368,294
Short-term liabilities	265,087	201,314
Long-term liabilities	377,273	365,633
Net carrying amount	30,218	28,748
Sales revenues	177,663	177,686
Net income for the year	1,470	1,457

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

D.30 | DMG MORI FINANCE GMBH in € K	31 Dec 2021	31 Dec 2020
Net carrying amount as of 1 January	28,748	27,291
Earnings after taxes	1,470	1,457
Net carrying amount as of 31 December	30,218	28,748
Proportional equity	12,857	12,232
Carrying amount of equity accounted interests	**12,857**	**12,232**

A summary of the figures for PRAGATI AUTOMATION Pvt. Ltd. is shown in the table below.

D.31 | PRAGATI AUTOMATION PVT. LTD. in € K	31 Dec 2021 [1]	31 Dec 2020
Short-term assets	34,765	31,128
Long-term assets	43,403	43,515
Short-term liabilities	12,583	10,276
Long-term liabilities	14,288	14,822
Net carrying amount	51,297	49,545
Sales revenues	32,113	17,662
Net income for the year	-171	-1,901

1) As the financial data of PRAGATI AUTOMATION Pvt. Ltd. as of 31 December 2021 was not yet available at the data of the preparation of the Consolidated Financial Statements of DMG MORI, a summary of this data and the reconciliation of the carrying amount included in the consolidated balance sheet were determined on the basis of the company's financial statements as of 31 March 2021. The resulting effects on the carrying amount rollforward as of 31 December 2021 were estimated.

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

D.32 | PRAGATI AUTOMATION PVT. LTD. in € K	31 Dec 2021	31 Dec 2020
Net carrying amount as of 1 January	49,545	51,446
Earnings after taxes	-171	-1,901
Other comprehensive Income	1,923	0
Net carrying amount as of 31 December	51,297	49,545
Proportional equity	15,390	14,864
Goodwill from at-equity valuation	5,350	5,350
Carrying amount of equity accounted interests	**20,740**	**20,214**

For immaterial joint ventures, there was an aggregate share of profit or loss in the amount of € -155 K (previous year: € -107 K) and for immaterial associates in the amount of € -299 K (previous year: € 81 K).

In the reporting year, DMG MORI received a dividend of € 293 K (previous year: € 283 K) from Vershina Operation, LLC. and from DMG MORI HEITEC Digital Kft., of € 68 K (previous year: € 0 K).

23. LONG-TERM RECEIVABLES AND OTHER ASSETS

D.33 in € K	31 Dec 2021	31 Dec 2020
Trade debtors	732	1,196
Other long-term financial assets	11,006	8,082
Other long-term assets	2,362	5,071
	14,100	**14,349**

Trade debtors are to be assigned to financial assets. As in the previous year, there were no receivables from associated companies included in the long-term trade debtors.

Other long-term financial assets include the following items:

D.34 in € K	31 Dec 2021	31 Dec 2020
Loans to associated companies	1,850	0
Loans to third parties	1,000	0
Security deposits and other security payments	507	451
Other assets	7,649	7,631
	11,006	**8,082**

Other financial assets include the fair value of an option for purchasing shares in a company amounting to € 2,443 K (previous year: € 2,211 K). During the financial year, a write-up was made in an amount of € 231 K (previous year: impairment € -700 K), which was recognized in other comprehensive income.

Other long-term assets include the following items:

D.35 in € K	31 Dec 2021	31 Dec 2020
Tax refund claims	1,516	1,452
Other assets	846	3,619
	2,362	**5,071**

24. INVENTORIES

Inventories are made up as follows:

D.36 in € K	31 Dec 2021	31 Dec 2020
Raw materials and consumables	279,026	231,253
Work in progress	127,782	115,398
Finished goods and goods for resale	172,283	192,032
	579,091	**538,683**

Finished goods and merchandise include machines in an amount of € 48,728 K (previous year: € 74,560 K) acquired from DMG MORI COMPANY LIMITED for trading purposes. Of inventories shown in the balance sheet on 31 December 2021, € 168,762 K (previous year: € 175,508 K) were recognized at their net realizable value. In the financial year; impairment of inventories in an amount of € 31,164 K (previous year: € 50,670 K) were recognized as cost of materials.

In the financial year, write-ups amounting to € 9,038 K (previous year: € 3,197 K) mainly resulting from the increase in net realizable values, were also recognized as cost of materials.

D.37 in € K	31 Dec 2021	31 Dec 2020
Trade receivables		
from third parties	201,944	133,918
from at equity accounted companies	17,150	9,865
from other related companies	71,597	125,716
from other equity investments	50	37
Total trade debtors	**290,741**	**269,536**
Other receivables from other related companies	340,524	340,525
Total	**631,265**	**610,061**

25. SHORT-TERM RECEIVABLES

Trade debtors from other related parties include receivables from DMG MORI COMPANY LIMITED amounting to € 61,740 K (previous year: € 114,472 K). In addition, as in the previous year, other receivables from other related parties include receivables from DMG MORI GmbH from the issue of a loan amounting to € 340,000 K (previous year: € 340,000 K) and from accrued interest in an amount of € 567 K (previous year: € 567 K) less the impairment from using the "general approach" method. The loan bears interest at market rates. [→ D.37]

In the reporting year, DMG MORI group has continued the unchanged use of factoring programs. As in the previous year, these agreements enabled domestic receivables to be sold in an amount of up to € 90,000 K and foreign receivables in an amount of up to € 70,000 K. As of the balance sheet date, German receivables with a value of € 5,230 K (previous year: € 43,990 K) and foreign receivables with a value of € 12,918 K (previous year: € 49,905 K) were sold without recourse and were thus no longer part of the receivables at the reporting date.

The gross carrying amounts of trade debtors by geographical region, including receivables amounting to € 288,582 K (previous year: € 264,842 K), for which no specific allowance has been made, are broken down as follows:

D.38 in € K	31 Dec 2021	31 Dec 2020
Germany	95,448	60,159
Europe	132,417	90,214
Asia	14,292	17,597
DMG MORI CO. Group	72,366	126,005
Total	**314,523**	**293,975**

Allowances for trade debtors from third parties and related parties and for other assets were as follows:

D.39 in € K	2021	2020
Allowances as of 1 January	**23,304**	**20,576**
Write-offs	-2,943	-2,907
Net remeasurement in financial year	2,755	5,635
Allowances as of 31 December	**23,116**	**23,304**

A separate statement of allowances on trade debtors and other assets in accordance with IAS 1.82 (ba) was not included in the income statement due to the immateriality of the items. The gross values of trade debtors in the amount of € 25,941 K (previous year: € 29,133 K) were subject to specific bad debt allowances. The net value of the allowances in the financial year includes reductions of specific allowances in the amount of € -353 K (previous year: € 2,742 K).

Allowances as of 31 December 2021 include allowances under the general approach for other receivables and cash and cash equivalents in the amount of € 66 K (previous year: € 60 K).

Trade debtor write-offs are recognized, if it is considered highly unlikely that the debtors will meet their payment obligations in the foreseeable future.

At the end of financial year 2021, there were derecognized trade debtors with a contract value of € 1,435 K (previous year: € 4,257 K, but which are currently pending an enforcement measure.

Expenses relating to allowances and write-offs of trade debtors are reported under other operating expenses. These concern a large number of individual cases.

Please see point 38 for information on the calculation of impairment and credit risks.

26. OTHER ASSETS

Other assets include the following items:

D.40 in € K	31 Dec 2021	31 Dec 2020
Other short-term financial assets	40,675	35,865
Other short-term assets	129,880	62,453
	170,555	**98,318**

Other short-term financial assets include the following items:

D.41 in € K	31 Dec 2021	31 Dec 2020
Receivables from factoring	6,135	5,797
Purchase price receivables from asset disposal	5,617	2,786
Security deposits and other security payments	5,263	3,380
Discounted customers' bills of exchange	4,213	9,256
Creditors with debit balance	3,332	4,460
Fair market value of derivative financial instruments	3,077	990
Loans to third parties	3,021	43
Receivables from corporate directory	1,508	0
Receivables from employees	856	488
Other short-term financial assets	7,653	8,665
	40,675	**35,865**

No financial assets were provided as collateral either in the reporting year or in the previous year.

Other short-term assets include the following items:

D.42 in € K	31 Dec 2021	31 Dec 2020
Payments on account	70,802	26,351
Tax refund claims	20,460	18,448
Advance payments for services/licenses	19,686	14,493
Other assets	18,932	3,161
	129,880	**62,453**

There was an increase in payments on account to select suppliers to safeguard the availability of materials.

Tax refund claims primarily include receivables from value added tax. Other assets include ex-post certificates amounting to € 6,094 K (previous year: € 1,097 K) relating to our investments in sustainable, certified climate protection projects.

27. CASH AND CASH EQUIVALENTS

At the reporting date, bank credit balances amounted to € 241,896 K (previous year: € 123,489 K). Information on the calculation and recognition of impairments can be found under note 38.

The development of cash and cash equivalents, which constitutes cash funds pursuant to IAS 7 "Cash Flow Statements", is presented in the Consolidates Cash Flow Statement on page 99.

D.43	31 Dec 2021		31 Dec 2020	
in € K	Assets	Liabilities	Assets	Liabilities
Intangible assets	10,676	7,092	12,847	6,746
Tangible assets	8,612	3,550	8,740	3,281
Financial assets	177	1,057	143	0
Inventories	15,602	650	16,178	874
Receivables and other assets	3,126	2,315	2,941	3,136
Provisions	26,252	3,654	23,977	3,331
Liabilities	3,701	4,366	7,685	7,407
Tax credit	4,918	0	6,998	0
Tax loss carried forward	2,234	0	1,959	0
	75,298	**22,684**	**81,468**	**24,775**
Balancing	-20,086	-20,086	-23,000	-23,000
Total	**55,212**	**2,598**	**58,468**	**1,775**

D.44	2021	2020
in € K	Deferred tax expense / -income	Deferred tax expense / -income
Intangible assets	2,544	832
Tangible assets	435	95
Financial assets	-41	-38
Inventories	464	-1,569
Receivables and other assets	-1,000	3,789
Provisions	-3,201	-6,333
Liabilities	1,025	5,108
Tax credit	2,117	-2,172
Tax loss carried forward	-258	1,279
Total	**2,085**	**991**

28. DEFERRED TAXES

Deferred tax assets and liabilities and deferred tax expense/-income are allocated to the following items: [→ D.43 | D.44]

The deferred taxes are assessed on the basis of the tax rates applicable or expected in the individual countries based on their current statutory regulations. Taking into account the trade income tax as well as the corporate income tax and the solidarity surcharge, a tax rate of 29.8 % is calculated for deferred taxes of domestic companies (previous year: 29.8 %).

A determining factor for the valuation of the recoverability of deferred tax assets is the assessment of the probability of sufficient future taxable income. Based on past experience and the expected taxable income situation, it is assumed that the corresponding advantages from the deferred tax assets can be realized.

As of 31 December 2021, deferred tax assets on loss carryforwards amounted to € 2,234 K (previous year: € 1,959 K) and are allocated as follows: As in the previous year, for the German tax group there were no German corporate tax and trade tax loss carry forwards as well as interest carry forwards due to the German interest barrier. Deferred tax assets on loss carryforwards are attributable to foreign subsidiaries in an amount of € 2,234 K (previous year: € 1,959 K). In the reporting year, € 635 K (previous year: € 34 K) in deferred tax assets on loss carryforwards were re-capitalized, € 361 K (previous year: € 799 K) were offset against actual taxable income and € 0 K (previous year: € 565 K) written down. The tax loss carryforwards amount to a total of € 69,269 K (previous year: € 75,635 K), of which € 59,194 K (previous year: € 66,796 K) was not recognized. Out of the unrecognized tax losses carried forward, € 1,686 K (previous year: € 9,881 K) are available for utilization for an indefinite period, while € 56,381 K (previous year: € 49,406 K) must be used within the next five years. Moreover, the remaining unrecognized loss carryforwards in the amount of € 1,127 K (previous year: € 7,509 K) expire within 6 to 10 years.

Deferred tax assets on deductible temporary differences amounting to € 12,748 K (previous year: € 13,004 K) were not recognized, as it is unlikely that future taxable profits will be available against which the group can offset the deferred taxes.

With regard to subsidiaries which had tax losses in the current year or in the previous year, deferred tax asset amounting to € 2,665 K (previous year: € 2,882 K) were capitalized. The realization of these assets depends on future taxable income which is higher than the earnings effects of the dissolution of existing taxable differences. Due to substantial indicators, the DMG MORI group assumes that on the basis of future business activities and tax planning there will be sufficient positive taxable income available to realize the tax assets.

For passive temporary differences related to interest in subsidiaries in the amount of € 20,351 K (previous year: € 20,017 K), no deferred taxes were recognized because the requirements of IAS 12.39 are met.

The deferred tax assets recognized directly in equity fell by € 2,082 K to € 8,493 K as of the reporting date (previous year: € 10,575 K). These break down into deferred tax assets amounting to € 9,453 K (previous year: € 10,565 K) on actuarial gains and losses recognized in equity, as well as € -960 K relating to the measurement of financial instruments in equity (previous year: € 10 K).

29. EQUITY

The movement of individual components in group equity for financial years 2021 and 2020 is presented in the Consolidated Statement of Changes in Equity on 102 et seq. Business transactions are presented under "Transactions with owners" in which the owners have acted in their capacity as owners.

Subscribed capital

The share capital of DMG MORI AKTIENGESELLSCHAFT amounts to € 204,926,784.40 and is fully paid up.

It is divided into 78,817,994 no-par value shares with a theoretical par value of € 2.60 per share. Each share carries the right to one vote.

The following statements have essentially been taken from the articles of association of DMG MORI AKTIENGESELLSCHAFT (version December 2020).

The Executive Board is authorized, with the approval of the Supervisory Board, to increase the share capital by up to a nominal amount of € 102,463,392.20 until 9 May 2024 through the issue of up to 39,408,997 new no-par value bearer shares for contributions in cash and/or in kind (authorized capital). This authorization can be exercised once or several times in partial amounts.

For cash contributions, the new shares may also be underwritten by one or more banks or companies, as defined by Section 186 (5) (1) of the German Stock Corporation Act (AktG), designated by the Executive Board, with the obligation to offer them to the shareholders for subscription (indirect subscription right). In all cases, shareholders must be granted subscription rights. However, the Executive Board is authorized, with the approval of the Supervisory Board, to disapply shareholders' subscription rights in the following cases:

a) with respect to a proportionate amount of share capital up to € 5,000,000 for the issue of shares to company employees and companies affiliated with the company as specified in Section 15 AktG,
b) capital increases for contributions in kind, to acquire, in suitable cases, companies, parts of companies or interests in companies, or other assets in return for the issue of shares,
c) capital increases for cash contributions, if the issuing price of the new shares is not significantly lower, in accordance with Section 203, (1) and (2), and Section 186 (3)(4) AktG, than the stock market price on the final effective date of the issuing price determined by the Executive Board, which should be as close as possible to the date of placement of the shares, and if the total proportional amount of the share capital attributable to the new shares, for which the shareholders' subscriptions rights are excluded, neither on the effective date nor on the date of exercise of this authorization exceeds 10 percent of the share capital. Shares that are issued or sold during the validity of the authorized capital with the exclusion of shareholders' subscription rights, in direct or analogous application of Section 186 (3)(4) AktG are to be included in the maximum limit of 10 % of the share capital,
d) to exclude any fractional amounts from the subscription right.

All shares issued on the basis of the aforementioned authorization disapplying subscription rights of shareholders, pursuant to point b) and c) above, may not exceed 20 % of the share capital either at the time the authorization takes effect or at the time of its utilization. Included in this 20 percent limit are those shares that are issued during the term of the aforementioned authorization from any other authorized capital disapplying the subscription rights of shareholders; excluded from the aforementioned figure is the disapplication of subscription rights to compensate for fractional amounts or the issue of shares to company employees and to employees of affiliated companies

The Executive Board is authorized, with the approval of the Supervisory Board, to lay down further details for the capital increase and its implementation. The Supervisory Board is authorized to adjust the articles of association according to each individual utilization of the authorized capital and, if the authorized capital is not utilized or not fully utilized before 9 May 2024, to cancel it after this date.

Capital reserve

As of 31 December 2021, the capital reserves were unchanged at € 498,485,269. The group's capital reserve includes the premiums for the issue of shares of DMG MORI AKTIENGESELLSCHAFT in the previous years.

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

RETAINED EARNINGS AND OTHER RESERVES

Statutory provision

The disclosure still relates to the statutory reserves of DMG MORI AKTIENGESELLSCHAFT in an amount of € 680,530.

Retained earnings

Other retained earnings include prior-period profits generated by the companies included in the Consolidated Financial Statements as far as they were not distributed. Retained earnings also include the offset of liabilities-side differences from the consolidation of investments of those subsidiaries that were consolidated before 1 January 1995, and the adjustments directly in equity in accordance with the first application of IFRS rules. Additionally, this item contains the changes from the revaluation of defined benefit plans.

Other reserves

Other reserves include the differences arising from currency translation recognized directly in equity of the financial statements of foreign subsidiaries and the post-tax effects from the measurement of financial instruments recognized directly in equity. Deferred taxes recognized directly in equity related to the measurement of financial instruments recognized directly in equity amount to € -960 K as of 31 December 2021 (previous year: € 10 K).

A detailed overview on the composition of, or changes in, other reserves in the financial year 2021 and in the previous year is included in the Development of Group Equity statement.

Appropriation of profits

In accordance with the German Commercial Code (HGB), the Annual Financial Statements of DMG MORI AKTIENGESELLSCHAFT form the basis for the appropriation of profits of the financial year.

Between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT exists a domination and profit transfer agreement, which was approved by the Annual General Meeting on 15 July 2016. The agreement entered into force on 24 August 2016, following entry into the commercial register.

The 2021 financial year of DMG MORI AKTIENGESELLSCHAFT closes with a result pre-profit transfer of € 29,250,250 (previous year: € 27,063,257). The entire profits will be transferred to DMG MORI GmbH. According to IFRS regulations, this is a transaction with equity providers.

As of 31 December 2021, no retained earnings as stipulated by the German Commercial Code are recognized by DMG MORI AKTIENGESELLSCHAFT.

Non-controlling equity interests

Non-controlling equity interests include the minority interests in the consolidated equity of the companies included in the consolidated group and, as of 31 December 2021, amount to € 17,029 K (previous year: € 13,830 K). The change from the previous year is mainly due to profit shares from non-controlling interests. DMG MORI Machine Tools Trading Co., Ltd., Shanghai, (China) and DMG MORI India Private Limited, Bangalore, (India) are subsidiaries that are recognized as each holding a 49 % non-controlling interest in ownership stakes. The interests in DMG MORI Machine Tools Trading Co., Ltd. and DMG MORI India Private Limited are held by DMG MORI COMPANY LIMITED. The 49 % non-controlling interest in GILDEMEISTER LSG Beteiligungs GmbH, Würzburg, was acquired by GILDEMEISTER energy solutions GmbH, Würzburg, in the reporting year.

CAPITAL MANAGEMENT DISCLOSURE

A strong equity capital base is an important prerequisite for the DMG MORI group in order to ensure the ongoing existence of the company. The Executive Board's goal is to maintain its strong capital base and improve its equity ratio in order to preserve the trust of investors, creditors and markets and to ensure the sustainable development of the company. The capital is regularly monitored on the basis of various key figures. The ratio of net indebtedness to balanced equity (gearing) and the equity ratio are key figures for this. As of 31 December 2021, the syndicated credit line had not been used and there was no financial debt. The syndicated credit line requires that the group comply with a customary covenant that stipulates a defined financial ratio. We complied with the covenant every quarter and as of 31 December 2021.

Due to the domination and profit transfer agreement between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT, the company no longer has the possibility to actively shape the DMG MORI group's equity base through a dividend policy.

Surplus funds are determined as the sum of financial debt less cash and cash equivalents.

D.45 in € K	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	241,896	123,489
Financial debt	0	0
Surplus fund	241,896	123,489
Total Equity	1,401,782	1,259,495
Equity ratio	54.8 %	57.5 %
Gearing	–	–

Total equity rose in absolute terms by € 142,287 K. The equity ratio as of 31 December 2021 amounted to 54.8 % (previous year: 57.5 %).

30. PROVISIONS FOR PENSIONS

Pension provisions are set up for obligations arising from legal rights to future pension payments and from current pension payments to those active and former employees of companies within the DMG MORI group entitled to such, and to their surviving dependents. Depending on the legal, economic and fiscal circumstances of the respective country, there are different forms of old-age provision that are usually based among other things on the duration of employment and the employees' remuneration. In Germany the commitments are dependent upon wages or salary and are paid as a pension; there is no minimum guarantee.

Employee pension schemes are based as a rule either on defined contribution plans or defined benefit plans.

In the case of defined contribution plans the respective company does not assume any further obligations which go beyond the payment of contributions into an earmarked reserve fund. The associated expenses in the 2021 financial year amounted to € 1,697 K (previous year: € 1,770 K).

In the case of defined benefit plans, it is the company's obligation to pay the promised benefits to active and former employees, whereby a distinction is made between pension plans that are financed through provisions and those that are financed through a fund. In general the pensions paid correspond to the promised benefits.

For domestic subsidiaries, besides current pension plans, there are no defined benefit plans for new employees. The employees of Swiss subsidiaries participate in defined benefit pension plans. In Switzerland, employers are obligated to give a minimum contribution to their employees' pension plans. In addition to this, there are no minimum guarantees.

These plans burden the group with actuarial risks, such as risk of longevity, currency exchange risk, interest and market (investment) risk.

In the DMG MORI group, pension commitments are financed by transfers to provisions and plan assets. The investment strategy for global pension assets is based on the objective of securing pension payments in the long term. In Germany, plan assets comprise insurance contracts or contracts and are held by a legally independent entity whose sole purpose is to hedge and fund employee benefit liabilities. In Switzerland, external plan assets are invested in a customary pension fund. Plan assets in Switzerland are subject to customary minimum funding requirements. The amount of the pension obligation (present value of future pension commitments or defined benefit obligation) was calculated on the basis of actuarial methods by estimating the relevant factors impacting the pension commitment. In Germany, Klaus Heubeck's "2018G guideline tables" were used as a biometric accounting basis. In Switzerland, the "BVG 2015 technical principles, generation tables" were used to calculate values. They are based on the latest available observations of mortality rates, mostly by private pension funds, and take into account future changes in mortality rates over time.

Along with the assumptions on life expectancy, the following premises for the parameters to be applied to the actuarial calculations in the reports were defined:

D.46 in %	Germany 2021	Rest of the world 2021	Germany 2020	Rest of the world 2020
Discount interest rate	0.94	0.29	0.53	0.25
Salary trend	0.00	4.29	0.00	3.53
Pension trend	1.70	1.41	1.70	0.00

The discount interest rate of the pension obligations for entitled active and former employees was determined on the basis of the yield which was achieved on the balance sheet date of high-quality, fixed-interest industrial bonds on the market.

The salary trend includes expected future increases in salary that are assessed annually and are subject to, amongst other things, inflation and the duration of employment at the company. A future average salary increase of 4.29 % was taken into account for our foreign companies. Since the pension commitments that were entered into at the national subsidiaries are not subject to future increases in salary, salary development was not considered when determining the relating company pension provisions.

Due to increases or reductions in the cash value of defined benefit obligations, actuarial gains or losses may arise, which may result, amongst others, from changes in the calculation parameters or changes in the risk development assessment relating to the pension commitments. The pension provisions net value can be derived from the table [→ D.47].

The plan assets take into account on the one hand risk payments that depend on the insured salary. On the other hand, they include retirement benefits that are dependent on the accumulated retirement assets at the time of retirement. It is composed of the following values regarding table [→ D.48].

The calculation of the typological interest of the plan assets is made in the amount of the discount interest rate of the pension obligations at the beginning of the period. Actual income for plan assets amounts to € 878 K (previous year: € 520 K).

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

Pension provisions for former members of the Executive Board and their surviving dependents have been formed in the amount of € 31,734 K (previous year: € 34,908 K).

The item "Other" in the table [→ D.49] includes the first-time recognition of a performance obligation and a plan asset of a subsidiary.

The table [→ D.50] shows the reconciliation of the opening balance to the final balance for the net debt (net assets) from the defined benefit pension plans and their components.

Over the past five years, the funded status, consisting of the cash value of all pension commitments and the fair value of plan assets, has changed as shown in table [→ D.51].

Payments to beneficiaries from pension plans not financed by funds in 2022 are expected in an amount of € 2,882 K (previous year for 2021: € 2,935 K), while payments to funded pension plans in the financial year 2022 are estimated to amount to around € 324 K (previous year for 2021: € 319 K).

The average weighted duration of pension obligations in Germany is around thirteen years and in Switzerland nineteen years.

Key assumptions for calculating the pension obligation were based on sensitivity analyses. The discount factor, assumed value of wage trends and life expectancy were reduced or increased by a fixed % rate respectively one year.

Under unchanged other assumptions, the changes that would reasonably have been possible at the balance sheet date in the event of a significant actuarial assumption would have impacted on the defined benefit obligation in the following amounts.

D.47 in € K		31 Dec 2021 Germany	31 Dec 2021 Rest of the world	31 Dec 2020 Germany	31 Dec 2020 Rest of the world
	Cash value of pension commitments not financed by funds	29,011	3,493	32,156	1,550
+	Cash value of funded pension commitments	17,805	13,071	19,654	13,076
–	Current value of pension plan assets	-15,979	-12,531	-16,133	-9,625
=	**Net value of amounts shown in the balance sheet on the reporting date**	**30,837**	**4,033**	**35,677**	**5,001**
	of which pensions	30,837	4,033	35,677	5,001
	of which assets (–)	0	0	0	0

D.48	2021 in € K	2021 in %	2020 in € K	2020 in %
Stock exchange listed				
Cash and cash equivalents	202	0.71	164	0.64
Shares	3,883	13.62	2,756	10.70
Obligations	3,884	13.62	4,142	16.08
Property	2,486	8.72	2,241	8.70
Other	316	1.11	322	1.25
Not stock exchange listed				
Qualifying insurance policies (Life insurance)	15,979	56.05	16,133	62.63
Other	1,760	6.17	0	0.00
Total plan assets	**28,510**	**100.00**	**25,758**	**100.00**

D.49

in € K	Defined benefit obligation 2021 Germany	Defined benefit obligation 2021 Rest of the world	Fair value of plan assets 2021 Germany	Fair value of plan assets 2021 Rest of the world	Net debt (net asset) from defined benefit plans 2021 Germany	Net debt (net asset) from defined benefit plans 2021 Rest of the world
As at 1 January	**51,810**	**14,626**	**-16,133**	**-9,625**	**35,677**	**5,001**
Included in profit and loss						
Current service cost	-18	379	0	0	-18	379
Past service cost	271	0	0	0	271	0
Interest expense (income)	265	38	-84	19	181	19
Exchange rate changes	0	584	0	-423	0	161
	518	**1,001**	**-84**	**-442**	**434**	**559**
Included in other comprehensive income Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	-2,149	-246	0	0	-2,149	-246
– experience adjustments	-329	244	0	0	-329	244
– demographic adjustments	0	-811	0	0	0	-811
Effects on plan assets excluding interest income	0	0	-351	-424	-351	-424
	-2,478	**-813**	**-351**	**-424**	**-2,829**	**-1,237**
Other						
Contributions paid by the employer	0	0	-2,251	-605	-2,251	-605
Pension payments made	-3,034	417	2,840	-119	-194	298
Other	0	1,333	0	-1,316	0	17
	-3,034	**1,750**	**589**	**-2,040**	**-2,445**	**-290**
As at 31 December	**46,816**	**16,564**	**-15,979**	**-12,531**	**30,837**	**4,033**

D.50

in € K	Defined benefit obligation 2020 Germany	Defined benefit obligation 2020 Rest of the world	Fair value of plan assets 2020 Germany	Fair value of plan assets 2020 Rest of the world	Net debt (net asset) from defined benefit plans 2020 Germany	Net debt (net asset) from defined benefit plans 2020 Rest of the world
As at 1 January	**53,907**	**16,122**	**-16,248**	**-10,773**	**37,659**	**5,349**
Included in profit and loss						
Current service cost	0	714	0	0	0	714
Past service cost	523	0	0	0	523	0
Interest expense (income)	357	28	-109	-20	248	8
Exchange rate changes	0	42	0	-39	0	3
	880	**784**	**-109**	**-59**	**771**	**725**
Included in other comprehensive income Loss (profit) from remeasurements						
Actuarial losses (profits) from:						
– financial assumptions	-915	28	0	0	-915	28
– experience adjustments	1,008	-728	0	0	1,008	-728
Effects on plan assets excluding interest income	0	0	-360	-30	-360	-30
	93	**-700**	**-360**	**-30**	-267	**-730**
Other						
Contributions paid by the employer	0	0	-2,303	-673	-2,303	-673
Pension payments made	-3,070	-1,580	2,887	1,910	-183	330
	-3,070	**-1,580**	**584**	**1,237**	**-2,486**	**-343**
As at 31 December	**51,810**	**14,626**	**-16,133**	**-9,625**	**35,677**	**5,001**

D.51

in € K	2021	2020	2019	2018	2017
Cash value of all pension commitments	63,380	66,436	70,029	66,767	73,190
Current value of the pension plan assets of all funds	-28,510	-25,758	-27,021	-28,939	-28,610
Funding status	34,870	40,678	43,008	37,828	44,580

The effects on the entitlement present value are as follows:

D.52

	Effects on the entitlements at 31 Dec 2021 in € K	in %
Cash value of the entitlement obligations	**63,380**	
In the case of:		
reduction of the discount rate by 0.25 %-points	65,275	2.99
increase of the discount rate by 0.25 %-points	61,628	-2.76
reduction of the pension trend by 0.25 %-points	62,152	-1.94
increase of the pension trend by 0.25 %-points	64,693	2.07
reduction of the life expectancy by 1 year	60,686	-4.25
increase of the life expectancy by 1 year	66,154	4.38

In the presented sensitivities, it should be considered that due to actuarial effects, the change as a percentage is not and/or does not have to be linear. Thus, increases and decreases in terms of per cent do not react with the same absolute amount. There are no demographic effects.

31. OTHER PROVISIONS

The major contents of provisions are shown in table [→ D.53].

Provisions for personnel expenses in the group include obligations for profit-sharing and staff bonuses of € 47,116 K (previous year: € 36,629 K), part-time retirement payments of € 6,810 K (previous year: € 6,613 K), holiday pay of € 11,072 K (previous year: € 9,832 K) and anniversary payments of € 13,415 K (previous year: € 13,566 K). Most of the provisions should be paid in the coming year. Provisions for anniversary bonuses and part-time retirement are discounted and carried as liabilities at their present value. Obligations arising from part-time retirement are secured against potential insolvency through a mutual trust relationship. To secure the pension plan, cash assets are transferred into a trust property. The members of this trust property are domestic group companies. The assets are defined as “plan assets” in accordance with IAS 19.7 and balanced against the related provisions. Any proceeds arising from the pension plan assets are balanced against the related expenses. As of 31 December 2021, cash and cash equivalents in the amount of € 3,462 K (previous year: € 3,231 K) had been transferred to the trust property.

Risks arising from warranties and retrofitting relate to present obligations to third parties, the use of which is probable and the anticipated amount of which can be reliably estimated. The provisions were measured using past empirical data, taking into account the conditions and any increases in cost on the balance sheet date. The obligations from the sales area include obligations for commissions, contractual penalties and other sales expenses. Most of the provisions should be paid in the coming year.

Other provisions include provisions for a number of specific identifiable risks and other obligations where there is uncertainty about the timing and amount of future expenditures and where the amount of the obligation can be reliably estimated. During the course of its general business activities, DMG MORI is involved in both judicial and extrajudicial disputes, whose outcome cannot be reliably predicted. Legal disputes may occur, e.g., as a result of warranties and services. Provisions are recognized for risks arising from legal disputes, where it is probable that they will be utilized and a reliable estimate can be made of the amount of the provision required. Due to the assumptions required for this purpose, the creation and measurement of provisions are also subject to uncertainties. The provisions for legal disputes recognized at the balance sheet date mainly relate to legal disputes arising from machine tool sales. There are also legal disputes relating to contracts with external service providers. Adequate provisions have been made for these cases. Further disclosures have been omitted pursuant to IAS 37.92.

The risk of further cash outflows exceeding these provisions is considered unlikely as of 31 December 2021. For all provisions classified as short-term provisions, it is assumed that a significant part of the obligations will be fulfilled in financial year 2022.

The movement in the other provisions is illustrated in the breakdown of provisions: [→ D.54]

The other changes include currency adjustments and book transfers.

D.53 in € K	31 Dec 2021 Total	31 Dec 2021 of which short-term	31 Dec 2020 Total	31 Dec 2020 of which short-term
Obligations arising from personnel	103,787	71,538	94,650	65,666
Risks arising from warranties and retrofitting	69,332	59,314	63,521	54,048
Obligations arising from sales	82,785	80,066	55,459	53,896
Other	57,155	54,284	51,366	47,419
Gesamt	**313,059**	**265,202**	**264,996**	**221,029**

D.54 in € K	1 Jan 2021	Additions	Used	Reversal	Change in the group of consolidated companies	Other changes	31 Dec 2021
Obligations arising from personnel	94,650	64,312	41,091	13,971	-91	-22	103,787
Risks arising from warranties and retrofitting	63,521	38,115	25,569	6,794	-240	299	69,332
Obligations arising from sales	55,459	42,385	10,300	6,011	0	1,252	82,785
Other	51,366	32,780	16,122	6,974	-12	-3,883	57,155
Total	**264,996**	**177,592**	**93,082**	**33,750**	**-343**	**-2,354**	**313,059**

Obligations arising from personnel include provisions for the long-term incentive, a remuneration component with a long-term incentive effect, totaling € 5,650 K (previous year: € 2,382 K). A detailed description of the long-term incentive can be found in the "Remuneration report" chapter of the Management Report on page 52 et seqq.

32. FINANCIAL DEBTS

As of 31 December 2021, DMG MORI AKTIENGESELLSCHAFT has no financial debts.

Short and medium-term working capital requirements for DMG MORI AKTIENGESELLSCHAFT and, within the scope of intercompany cash management, for the majority of the subsidiaries, are covered by operating cash flow and short and long-term loans. Approved credit lines amount to € 727.9 million (previous year: € 761.8 million). This credit line mainly comprises a syndicated credit line amounting to € 500.0 million (previous year: € 500.00 million), guarantee credit lines amounting to € 67.9 million (previous year: € 87.3 million) and factoring agreements, another part of the financing mix, amounting to € 160.0 million (previous year: € 167.5 million).

As in the previous year, the average cost of borrowing is 1%.

Since 31 December 2021, the DMG MORI group has had access to a syndicated credit line with a total volume of € 500.0 million and an original maturity until February 2025. In April 2021, the group was able to secure the early extension of this current credit line to February 2026. It further comprises a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures. The syndicated credit line also requires the DMG MORI group to comply with a customary covenant, which provides a defined financial ratio. The covenant was met on a quarterly basis and as of 31 December 2021. The syndicated loan is classified as short-term as it can only be drawn down over a maximum period of six months. The cash tranche has not been used as of 31 December 2021.

For the financing of the syndicated credit line, the lending banks have completely waived the right to collateral. The companies DECKEL MAHO Pfronten GmbH, DECKEL MAHO Seebach GmbH, GILDEMEISTER Drehmaschinen GmbH, DMG MORI Spare Parts GmbH, DMG MORI Ultrasonic Lasertec GmbH, FAMOT Pleszew Sp. z o.o., Graziano Tortona S.r.l. as well as GILDEMEISTER Italiana S.r.l. are significant guarantors for the credit line.

As at the balance sheet date, open credit lines amounted to € 507.2 million (previous year: € 518.9 million). These comprise free cash lines of € 200.0 million (previous year: € 207.0 million) and additional open lines of credit (bank guarantees and factoring) of € 307.2 million (previous year: € 311.9 million).

33. TRADE CREDITORS AND OTHER LONG-TERM LIABILITIES

Long-term liabilities are shown as follows:

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D.55 in € K	31 Dec 2021	31 Dec 2020
Trade payables to third parties	244	244
Other long-term financial liabilities	85	343
Other long-term liabilities	3,324	2,254
	3,653	**2,841**

Other long-term financial liabilities include the following items:

D.56 in € K	31 Dec 2021	31 Dec 2020
Fair value of derivative financial instruments	35	0
Other long-term financial liabilities	50	343
	85	**343**

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

D.57 in € K	31 Dec 2021	31 Dec 2020
Deferred income	2,051	2,066
Tax liabilities	1,047	0
Liabilities relating to social insurance	226	188
	3,324	**2,254**

The deferred income accounted for in other long-term liabilities include the guaranteed investment grants from the funds of the joint aid program, "Improvement of the Regional Economic Structure" and investment subsidies and grants pursuant to the German Investment Subsidy Act in an amount of € 2,051 K (previous year: € 2,066 K) as applied under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance".

In financial year 2021, € 215 K in investment grants were paid (previous year: € 0 K). Deferred income will be amortized in accordance with the depreciation procedure for subsidized capital assets and recognized in the income statement.

34. TRADE CREDITORS AND OTHER SHORT-TERM LIABILITIES

Short-term financial liabilities are shown as follows:

D.58 in € K	31 Dec 2021	31 Dec 2020
Trade payables to third parties	134,714	137,093
Liabilities to other related companies	119,061	139,977
Liabilities to at equity accounted companies	2,189	4,740
Liabilities to other equity investments	1,192	1,432
Other short-term financial liabilities	19,957	30,027
	277,113	**313,269**

Liabilities to other related parties arise from goods and services supplied as part of the business relationship to DMG MORI COMPANY LIMITED and its affiliated companies. These include liabilities to DMG MORI COMPANY LIMITED in an amount of € 59,960 K (previous year: € 86,960 K). A liability amounting to € 29,250 K (previous year: € 27,063 K) results from the transfer of profit to DMG MORI GmbH.

All information and notes on contract liabilities from performance obligations and contract liabilities from down payment invoices can be found in the section on Sales Revenue.

Other short-term financial liabilities are shown as follows:

D.59 in € K	31 Dec 2021	31 Dec 2020
Factoring liabilities	5,160	8,148
Fair market values of derivative financial instruments	1,142	1,346
Debtors with credit balance	3,742	14,732
Other short-term financial liabilities	9,913	5,801
	19,957	**30,027**

The factoring liabilities include liabilities from reverse factoring in the amount of € 5,151 K (previous year: € 7,147 K).

The fair value of derivative financial instruments involves the fair value for forward exchange transactions amounting to € 1,142 K (previous year: € 1,346 K) in particular in USD, GBP, CHF and JPY. Other financial liabilities include liabilities from bills of exchange amounting to € 7,672 K (previous year: € 2,425 K).

Other short-term liabilities include the following items:

D.60 in € K	31 Dec 2021	31 Dec 2020
Tax liabilities	23,112	19,431
Liabilities relating to social insurance	4,633	4,638
Payroll account liabilities	2,638	2,855
Deferred income	4,732	8,651
Other liabilities	774	2,038
	35,889	**37,613**

D.61 | RIGHTS OF USE

in € K	Right of use Land and buildings	Right of use Technical equipment and machinery	Right of use Other equipment, factory and office equipment	Total
ACQUISITION AND PRODUCTION COSTS 2021				
As at 1 January 2021	33,258	12,781	34,567	80,606
Difference from currency translation	617	-25	333	925
Other changes	0	0	61	61
Change in the group of consolidated companies	0	0	-347	-347
Additions	3,619	5	7,916	11,540
Disposals	-1,149	-1,165	-7,892	-10,206
Book transfers	0	0	488	488
As at 31 December 2021	**36,345**	**11,596**	**35,126**	**83,067**
Depreciation 2021				
As at 1 January 2021	5,651	5,548	16,500	27,699
Difference from currency translation	133	-14	177	296
Other changes	0	0	0	0
Change in the group of consolidated companies	0	0	-123	-123
Additions	4,589	3,076	11,175	18,840
Disposals	-829	-1,163	-7,475	-9,467
Book transfers	0	0	0	0
As at 31 December 2021	**9,544**	**7,447**	**20,254**	**37,245**
Net carrying amount at 31 December 2021	**26,801**	**4,149**	**14,872**	**45,822**
ACQUISITION AND PRODUCTION COSTS 2020				
As at 1 January 2020	31,106	14,932	32,538	78,576
Difference from currency translation	-225	-310	-342	-877
Other changes	90	-49	229	270
Change in the group of consolidated companies	0	0	0	0
Additions	3,766	26	8,225	12,017
Disposals	-2,061	-1,236	-6,083	-9,380
Book transfers	582	-582	0	0
As at 31 December 2020	**33,258**	**12,781**	**34,567**	**80,606**
Depreciation 2020				
As at 1 January 2020	2,845	3,273	10,272	16,390
Difference from currency translation	-49	-97	-155	-301
Other changes	0	0	-38	-38
Change in the group of consolidated companies	0	0	0	0
Additions	4,629	3,524	12,065	20,218
Disposals	-1,774	-1,152	-5,644	-8,570
Book transfers	0	0	0	0
As at 31 December 2020	**5,651**	**5,548**	**16,500**	**27,699**
Net carrying amount at 31 December 2020	**27,607**	**7,233**	**18,067**	**52,907**

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Tax liabilities refer to liabilities arising primarily due from value added tax amounting to € 12,222 K (previous year: € 9,667 K) as well as liabilities arising from wage and church tax in the amount of € 7,662 K (previous year: € 7,231 K).

35. LEASING

Leases acting as a lessee

The DMG MORI group leases specific tangible assets such as land and buildings, technical equipment and machines, office equipment and cars.

The table shows additions to and amortization of rights of use included in property, plant and equipment and intangible assets. [→ D.61]

As of 31 December 2021, the DMG MORI group recognizes right-of-use assets amounting to € 45,822 K (previous year: € 52,907 K) under property, plant and equipment. The corresponding lease liabilities of € 45,153 K (previous year: € 52,336 K) are shown separately in the balance sheet.

When determining lease terms, the DMG MORI group takes into account all facts and circumstances that create an economic incentive to exercise extension options or not to exercise termination options. Changes to terms resulting from exercising extension options or not exercising termination options are only included in the term of the contract if the group is reasonably certain to extend or not to exercise a termination option. If, e.g., by exercising a termination option or not exercising an extension option, the DMG MORI group is subject to significant penalties, it is generally considered reasonably certain that the group will not terminate or extend the contract. Moreover, other economic factors are taken into account, which play a key role in deciding whether to exercise extension options or not to exercise termination options. The assessment is reviewed, when a significant event or change in circumstances occurs that could influence the previous assessment – provided this is within the lessee's control.

The group estimates that if extension options are exercised, potential future lease payments would result in a lease liability of € 4,404 K (previous year: € 3,585 K).

Further information on lessee accounting can be found in the corresponding notes on individual items in the income statement and on the balance sheet.

Leases acting as a lessor

Finance leases

In financial year 2021, the DMG MORI group acted as a lessor in finance lease contracts, especially for buildings.

There was no capital gain from these leases in financial year 2021.

In 2021, the DMG MORI group recognized payments from subleases relating to finance leases in the amount of € 176 K (previous year: € 413 K).

The following table presents a maturity analysis of lease receivables and shows the undiscounted lease payments to be received after the balance sheet date.

D.62

in € K	31 Dec 2021	31 Dec 2020
FINANCE LEASES UNDER IFRS 16		
Less than one year	186	176
One to two years	186	176
Two to three years	186	176
Three to four years	186	176
Four to five years	186	176
More than five years	3,595	3,560
Total	**4,525**	**4,440**

Operating leases

During financial year 2021, the DMG MORI group acted as a lessor in operating lease contracts. These agreements mainly cover the leasing of machine tools. The DMG MORI group has classified these leases as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership.

In 2021, the DMG MORI group recognized € 1,458 K in lease income from operating leases including income from subleases (previous year: € 2,139 K), which are reported in other operating income. Lease income generated in the DMG MORI group's ordinary course of business was recognized in revenue.

The table below provides a maturity analysis of the undiscounted lease payments to be received after the balance sheet date.

D.63

in € K	31 Dec 2021	31 Dec 2020
OPERATING LEASES UNDER IFRS 16		
Less than one year	939	1,785
One to two years	436	1,167
Two to three years	99	715
Three to four years	64	321
Four to five years	0	137
More than five years	0	0
Total	**1,538**	**4,125**

36. CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

No provisions were set up for the following contingent liabilities, as the risk of utilization is considered relatively improbable: [→ D.64]

D.64 | CONTINGENCIES

in € K	31 Dec 2021	31 Dec 2020
Guarantees	50	50
Warranties	705	762
Other contingencies	5,346	5,209
	6,101	**6,021**

The guarantees primarily include advance payment guarantees to foreign group companies. Other contingencies comprise, in particular, guarantees for framework agreements and contract performance guarantees.

During financial year 2021, the DMG MORI group concluded contracts for the purchase of property, plant and equipment in financial year 2022 worth € 45,486 K (previous year for 2021: € 2,598 K). The increase mainly results from the planned completion of the production plant in China.

37. FINANCIAL INSTRUMENTS

At the balance sheet date, forward exchange contracts were held by the DMG MORI group mainly in the currencies USD, GPB, RUB and JPY. The nominal and fair values of derivative financial instruments existing at the balance sheet date are set out below: [→ D.65]

The nominal values correspond to the sum of all unbalanced purchase and sales amounts from derivative financial transactions. The fair market values recognized constitute the price at which, as a rule, third parties would assume the rights or obligations arising from the financial instruments as of the balance sheet date. It cannot generally be assumed that this assessed value may actually be achieved upon liquidation. The fair market values are the current values of the derivative financial instruments excluding any adverse trends in value from underlying transactions.

The fair values of forward exchange contracts are recognized in the balance sheet as other long-term or short-term financial assets or other long-term and short-term financial liabilities.

DMG MORI generally applies IFRS 9 for hedge accounting. The DMG MORI group uses the "spot-to-spot" method. The effects from forward components are recognized in profit or loss.

On the reporting date, the DMG MORI group also had forward exchange contracts that do not meet the strict requirements of hedge accounting under IFRS 9, but effectively contribute towards hedging the financial risk in accordance with the principles of risk management. In order to hedge the foreign currency risks of monetary assets and liabilities recognized in the balance sheet, the DMG MORI group does not use any hedge accounting, as the underlying transactions' gains and losses from the currency translation to be recognized in profit or loss under IAS 21 are disclosed in the income statement together with the gains and losses from the derivatives used as hedging instruments.

In the event that third parties do not fulfil their obligations arising from forward exchange contracts, as at the reporting date, the DMG MORI group had a deficit risk amounting to € 3,077 K (previous year: € 990 K).

As of the balance sheet date, existing forward exchange contracts in cash flow hedges with a nominal volume of € 18,454 K have a residual term of up to one year (previous year: € 6,913 K). The cash flows from these forward exchange contracts will eventuate within the next twelve months. For the most part, it must be assumed that these will be recognized as income in the profit and loss statement within the next twelve months. Forward exchange transactions with a nominal amount of € 55 K had a remaining term of more than one year on the balance sheet date (previous year: € 0 K).

In financial year 2021, expenses arising from the fair value recognition of financial instruments attributable to cash flow hedges in an amount of € -167 K (previous year: € 304 K) were allocated to equity and not recognized in the income statement and an amount of € -124 K (previous year: € -216 K) was removed from equity and recognized in revenue as in the previous year. Forward exchange contracts were recognized in the income statement as exchange rate and currency profits or exchange rate and currency losses. As in the previous year, forward exchange contracts did not result in any hedge ineffectiveness in the financial year. To measure ineffectiveness, the changes in value of the hedged items amounting to € 588 K (previous year: € 64 K) were used and compared with the changes in value of the relevant hedging instruments amounting to € 588 K (previous year: € 64 K). [→ D.66]

D.65

in € K	31 Dec 2021 Nominal value	31 Dec 2021 Asset	31 Dec 2021 Debt	31 Dec 2021 Fair market value total	31 Dec 2020 Nominal value	31 Dec 2020 Fair market value
Forward exchange contracts as cash flow hedges	18,509	24	389	-365	6,913	-43
Forward exchange contracts held for trading purposes	161,894	3,053	788	2,265	176,421	-313
	180,403	**3,077**	**1,177**	**1,900**	**183,334**	**-356**

D.66

in € K	2021	2020
As of 1 January (before tax)	**-34**	**-122**
Change in value of forward exchange contracts recognised in other comprehensive income	-167	304
Amount reclassified from hedging reserve to profit or loss (recycling)	-124	-216
As of 31 December (before tax)	**-325**	**-34**

The group concludes derivative transactions pursuant to global netting agreements (framework agreement) of the "International Swaps and Derivative Association" (ISDA) and other corresponding national framework agreements. The netting agreements only grant the right to settle in the event of future events such as the default or insolvency of the group or the counterparts. The netting agreements thus do not fulfill the offsetting criteria of IAS 32.

The following table provides an overview of financial assets and financial liabilities, which are subject to netting agreements or similar agreements. [→ D.67 | D.68]

D.67

in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2021	Potential offsetting assets subject to global netting agreements 31 Dec 2021	Net amount 31 Dec 2021
Financial assets			
Forward exchange contracts	3,077	1,177	1,900
Financial liabilities			
Forward exchange contracts	1,177	1,177	0

D.68

in € K	Gross amounts of financial instruments in the balance sheet 31 Dec 2020	Potential offsetting assets subject to global netting agreements 31 Dec 2020	Net amount 31 Dec 2020
Financial assets			
Forward exchange contracts	990	950	40
Financial liabilities			
Forward exchange contracts	1,346	950	396

38. RISKS FROM FINANCIAL INSTRUMENTS

Risks from financial instruments

Currency and interest rate fluctuations can lead to considerable profit and cash flow risks. For this reason, the DMG MORI group centralizes these risks as far as possible and manages them with a view to the future and by using derivative financial instruments. Risk management is based on guidelines that apply throughout the group and in which objectives, principles, responsibilities and competencies are defined. Further information on the risk management system is presented in detail in the Management Report on pages 88 et seqq. in the risk and opportunity report.

Currency risks

In its global business activities, the DMG MORI group is exposed to two types of currency risks. Transaction risks arise through changes in the value of future foreign currency payments due to exchange rate fluctuations in the individual financial statements. In the DMG MORI group, both purchases and sales are made in foreign currencies. To hedge currency risks arising from these activities within the DMG MORI group, forward exchange transactions are used. Derivative financial instruments are concluded and handled, based on binding internal guidelines defining scope, responsibilities, reporting and controls.

The group hedges at least 90% of its estimated foreign exchange risks from contracted orders and expected acquisitions and disposals over the next 12 months. To hedge against the foreign exchange risk, forward exchange transactions with a maturity of less than one year from the date of the financial statement are used predominantly. Hedging transactions are only permitted with specified counterparties.

DMG MORI defines the existence of an economic relationship between the hedging instrument and the underlying hedged item based on the currency, amount and timing of their respective cash flows. The hypothetical derivative method is used to assess whether the derivative designated in the hedging relationship is expected to be effective or has been effective with regard to changes in the underlying hedged item's cash flows.

The main causes of ineffectiveness in these hedges are defaults on receivables, changes in the timing of underlying hedged items or changes in hedged cash flows.

In the financial year, the following average hedging rates for our main currencies were used for derivatives in hedge accounting:

D.69 in €	Average hedging rates in 2021	Average hedging rates in 2020
USD	1.18	1.28
JPY	129.49	124.90
GBP	0.86	0.90

The DMG MORI group determines foreign currency sensitivity through aggregating all foreign currency items that are not represented in the functional currency of the respective company and sets these against hedging. The fair values of the basic items and hedges included are measured once at the actual exchange rates and once using sensitivity rates. The difference between the two values represents the effects on equity and earnings.

The table [→ D.70] shows the net currency risk from transactions in € K for major currencies as at 31 December 2021 and 2020.

The following table presents the possible impact of financial instruments on the reserve for derivatives or the other reserves in equity as well as the impact on earnings as of 31 December 2021 or 31 December 2020. If the euro had appreciated (depreciated) against the major currencies USD, GBP and JPY by 10 % respectively, the reserve for derivatives or the other reserves in equity and the fair value of forward exchange transactions with a hedging relationship would have been € 452 K lower (higher) in total (previous year: € 127 K lower (higher)). The results and fair value of forward exchange transactions without a hedging relationship would have been € 3,388 K higher (lower) (previous year: € 321 K higher (lower)). [→ D.71]

Interest rate risks

Interest rate risks include any potential positive or negative impact of interest rate changes on earnings, equity or cash flow during the current or any future reporting periods. At the DMG MORI group, interest rate risks are essentially related

D.70 | CURRENCY	31 Dec 2021			31 Dec 2020		
in € K	USD	JPY	GBP	USD	JPY	GBP
Currency risk from balance sheet items	314	-8,219	5,371	-242	-5,507	4,080
Currency risk from pending transactions	-202	-5,039	2,161	357	-1,266	2,440
Transaction-related currency items	112	-13,258	7,532	115	-6,773	6,520
Financially hedged item through derivatives	-797	12,768	-7,331	-132	6,509	-5,935
Open currency items	-685	-490	201	-17	-264	585

D.71	Profit or loss		Net equity	
in € K	Increase	Decrease	Increase	Decrease
31 December 2021				
USD (10 % change)	3,395	-3,395	-31	31
JPY (10 % change)	1,158	-1,158	68	-68
GBP (10 % change)	-642	642	-81	81
RUB (10 % change)	-523	523	-408	408
	3,388	**-3,388**	**-452**	**452**
31 December 2020				
USD (10 % change)	-1,116	1,116	-201	201
JPY (10 % change)	249	-249	-144	144
GBP (10 % change)	894	-894	78	-78
RUB (10 % change)	294	-294	140	-140
	321	**-321**	**-127**	**127**

to financial assets and debts. The entire Executive Board will decide in each individual case on whether interest rate risks will be hedged using interest rate hedging instruments on the basis of a proposal drafted by the board's CFO.

As of 31 December 2021, the DMG MORI group has no net debt, so that interest rate increases would present an opportunity for higher interest income. A 1 % increase in interest rates pertaining to the portfolio at the balance sheet date would result in an increase in interest income of € 2.1 million (previous year: € 1.5 million). As this mainly relates to interest on current account overdrafts, we do not expect any material effects on the portfolio at the reporting date if the interest rate level continues to fall. As in the previous year, interest income would not have fallen, if the interest rate had fallen by 5 base points. As in the previous year, there would be no equity effects. The following table shows the nominal volumes of fixed and variable rate financial instruments:

D.72	Nominal volume	
in € K	31 Dec 2021	31 Dec 2020
Fixed-rate instruments		
Financial assets	37,072	10,135
Financial liabilities	-4,139	0
	32,933	**10,135**
Variable-rate instruments		
Financial assets	581,896	463,490
Financial liabilities	-18,148	-93,052
	563,748	**370,438**

Changes in the interest rate would only have an effect if these financial instruments were recognized at their fair value. As this is not the case, fixed-rate instruments are not subject to interest-change risks as defined by IFRS 7. The fair value of forward exchange contracts is not altered significantly by changes in the interest rate.

The interest sensitivities are shown below:

D.73	Profit or loss	
in € K	Increase by 100 base points	Decrease by 5 base points
31 December 2021		
Variable-rate instruments	2,146	0
Profit sensitivity (net)	**2,146**	**0**
31 December 2020		
Variable-rate instruments	1,534	0
Profit sensitivity (net)	**1,534**	**0**

Liquidity risks

Liquidity risk is the risk that the DMG MORI group may not be able to meet its financial obligations. Cash outflows result primarily from financing working capital, capital investments and covering the financial requirements of sales financing. The management is regularly informed about cash inflows and outflows as well as about financing sources. The liquidity risk is mitigated by creating the necessary financial flexibility within the scope of existing financing operations and through effective cash management. Liquidity risk at the DMG MORI group is governed by financial planning over twelve months. This makes it possible to finance predictable deficits under normal market conditions at standard market terms. On the basis of current liquidity planning, no liquidity risks are identifiable at present. As a liquidity precaution, the group has a syndicated loan facility of € 500.0 million with various banks. The group no longer has any bilateral loan commitments (previous year: € 7.0 million). The syndicated credit line had an original maturity date of February 2025. In April 2021, the group was able to secure the early extension of this current credit line to February 2026. It further comprises a usable revolving cash tranche of € 200.0 million and a bank guarantee tranche of € 300.0 million. The syndicated loan agreement was concluded with an international bank syndicate at market conditions and has an interest rate based on the current money market rate (1 to 6-month EURIBOR) plus a mark-up. This interest mark-up may change depending on group key figures.

The financing agreements for the syndicated loan obligate the DMG MORI group to comply with customary covenants. The covenant was met on a quarterly basis and as of 31 December 2021.

Loan facilities have not been canceled either in financial year 2021 or in the previous year. As of 31 December 2021, DMG MORI group has access to cash and cash equivalents amounting to € 241.9 million (previous year: € 123.5 million), as well as open cash credit lines in the amount of € 200.0 million (previous year: € 207.0 million) and additional open credit lines (bank guarantees and factoring) in the amount of € 307.2 million (previous year: € 311.9 million).

The table [→ D.74] shows contractually agreed (non-discounted) interest and repayments of original financial liabilities as well as of the derivative financial instruments with negative fair values.

This includes all instruments that were held as at 31 December 2021 and 31 December 2020 respectively, and for which payments have been contractually agreed. Forecast figures for future new liabilities have not been included. Amounts in foreign currencies were translated at the exchange rate on the reporting date. The variable interest payments for financial instruments were determined on the basis of the last fixed interest rate before 31 December 2021 and 31 December 2020 respectively. Financial liabilities that can be repaid at any time

D.74

in € K	Book value 31 Dec 2021	Cash flows 2022 Interest	Cash flows 2022 Repayment	Cash flows 2023 – 2026 Interest	Cash flows 2023 – 2026 Repayment	Cash flows 2027 et seq. Interest	Cash flows 2027 et seq. Repayment
Liabilities arising from lease arrangements	45,153	751	14,176	1,433	20,701	2,694	10,276
Trade payables to third parties	134,958	0	134,714	0	244	0	0
Liabilities to at equity accounted companies	2,189	0	2,189	0	0	0	0
Liabilities to other related companies	119,061	0	119,061	0	0	0	0
Liabilitites to other equity investments	1,192	0	1,192	0	0	0	0
Other financial liabilities	18,865	0	18,815	0	50	0	0
Subtotal	**321,418**	**751**	**290,147**	**1,433**	**20,995**	**2,694**	**10,276**
Liabilities from derivatives	1,177	0	1,142	0	35		
	322,595	**751**	**291,289**	**1,433**	**21,030**	**2,694**	**10,276**

D.75

in € K	Book value 31 Dec 2020	Cash flows 2021 Interest	Cash flows 2021 Repayment	Cash flows 2022 – 2025 Interest	Cash flows 2022 – 2025 Repayment	Cash flows 2026 et seq. Interest	Cash flows 2026 et seq. Repayment
Liabilities arising from lease arrangements	52,336	849	16,431	1,593	23,923	2,941	11,982
Trade payables to third parties	137,337	0	137,093	0	244	0	0
Liabilities to at equity accounted companies	4,740	0	4,740	0	0	0	0
Liabilities to other related companies	139,977	0	139,977	0	0	0	0
Liabilitites to other equity investments	1,432	0	1,432	0	0	0	0
Other financial liabilities	29,024	0	28,681	0	339	0	4
Subtotal	**364,846**	**849**	**328,354**	**1,593**	**24,506**	**2,941**	**11,986**
Liabilities from derivatives	1,346		1,346				
	366,192	**849**	**329,700**	**1,593**	**24,506**	**2,941**	**11,986**

are always allocated to the earliest possible date. The items hedged by the cash flow hedges are expected to be realized in the same way as the hedging instruments. Derivatives include both cash outflows of derivative financial instruments with negative fair values and cash outflows of derivatives with positive fair values for which gross settlement has been agreed. For the part of the financial assets from derivatives in the amount of € 24 K (previous year: € 13 K) as well as for the part of the liabilities from derivatives in the amount of € 389 K (previous year: € 56 K), which were classified as cash flow hedges, it is to be expected for the essential part that these will be recognized in the income statement within the next twelve months. [→ D.75]

Credit risks

A credit risk is the unexpected loss of payment funds or income. Such a credit risk occurs if the customer is not able to meet his obligations within the due date. The objective of the company is to mitigate or avoid these credit risks. A receivables management system with globally applicable guidelines and a regular analysis of the age structure of trade receivables ensure permanent monitoring and limitation of risks, thus minimizing loss of receivables. Due to the broad business structure within the DMG MORI group, there is no particular concentration of credit risks, either for customers or individual countries. The DMG MORI group is generally exposed to default risks which may cause impairments or in individual cases even bad debt.

The credit losses recognized for trade debtors are calculated based on experience with actual credit losses over the past three years. Credit risks within each group are segmented based on common default risk characteristics. For the companies, these are, for example, the credit risk assessment, e.g., based on overdue items and the geographical location.

Historical actual credit losses have been adjusted using scaling factors to reflect the differences between the economic conditions at the time the historical data was collected, the current conditions and the group's view of the economic conditions over the expected life of the receivables.

D.76

in € K	31 Dec 2021 Default rate in %	Gross carrying amount of trade debtors	Impairment	Impaired credit history
Not overdue	0.04 – 0.21	272,182	433	no
Overdue	0.04 – 5.84	16,400	324	no
Total		**288,582**	**757**	

D.77

in € K	31 Dec 2020 Default rate in %	Gross carrying amount of trade debtors	Impairment	Impaired credit history
Not overdue	0.04 – 0.18	250,793	335	no
Overdue	0.04 – 5.84	14,049	262	no
Total		**264,842**	**597**	

The scaling factors are based on historical trends and forecasts of gross domestic product (GDP), country risks and the long-term interest rate/base rate trend.

For 2021 and 2020, the underlying default rates for DMG MORI depending on the maturity (not overdue and overdue) of the trade debtors for which no specific allowances have been made and with no impaired credit history are shown in the table below: [→ D.76 | D.77]

With regard to impairment, trade debtors from the DMG MORI COMPANY LIMITED group are viewed as a separate item. In order to calculate impairment, the group uses the rating of DMG MORI COMPANY LIMITED and the maturities of the receivables.

In the financial year, expenses for the complete write down of receivables totaled € 2,943 K (previous year: € 2,907 K). Further details on financial risk assessment can be found in the section "Opportunities and risk report" of the Group Management Report on page 88 et seq.

The expected credit losses, which may occur within twelve months of the reporting date resulting from possible loss events, are used to measure the impairments of other financial assets. Generally, other financial assets in the DMG MORI group have a low credit risk on the reporting date.

Cash and cash equivalents are deposited at banks or financial institutions rated A-1 to A-2 by the S&P rating agency. The allowance for cash and cash equivalents was calculated based on 12-month expected losses and reflects the short maturities. As of 31 December 2021, this impairment amounted to € 3 K (previous year: € 1 K).

Within the DMG MORI group, cash deposits/investments are managed and coordinated centrally by DMG MORI AKTIENGESELLSCHAFT. Financial contracts are only entered into with banks that have been carefully selected by us. We monitor credit rating (external rating) on a regular basis; cash deposits/investments are distributed at different banks, mainly our syndicated banks. With respect to derivative financial instruments, the DMG MORI group is exposed to a credit risk arising from the non-performance of contractual agreements by the other party to the agreement. This credit risk is mitigated by only entering into transactions with parties with good credit ratings.

Pursuant to IFRS 7.36, the carrying amount of the financial assets represents the maximum credit risk.

No securities received or other credit enhancements existed in the financial year or previous year.

39. OTHER DISCLOSURES ON FINANCIAL INSTRUMENTS

The carrying amounts and fair values of financial assets and liabilities are shown in the table below. [→ D.78 | D.79].

The table does not contain any information about the fair value of financial assets and liabilities that have not been measured at fair value, if the carrying amount is a reasonable approximation of fair value. Financial assets include those investments that were classified as "measured at fair value with changes in value recognized in other comprehensive income" (FVOCI) under IFRS 9. Trade debtors include receivables from third parties, other related parties, companies accounted for at equity and associated companies. Other receivables from

D.78 Valuation and fair value in accordance with IFRS 9

in € K	At amortised cost	At fair value through other comprehensive income (FVOCI)	At fair value through profit or loss (FVTPL)	No measurement category specified by IFRS 9 [2]	Total	Fair value 31 Dec 2021
Assets						
Financial assets [1]		109,203			109,203	109,203
Cash and cash equivalents	241,896				241,896	241,896
Trade debtors	71,569	219,904			291,473	291,473
Other receivables from other related companies	340,524				340,524	340,524
Receivables from factoring	6,135				6,135	6,135
Other financial assets [3]	40,026				40,026	40,026
Derivative financial assets			3,053	24	3,077	3,077
	700,150	**329,107**	**3,053**	**24**	**1,032,334**	**1,032,334**
Equity and Liabilities						
Trade creditors	212,472				212,472	212,472
Other financial liabilities to other related companies	44,927				44,927	44,927
Factoring liabilities	5,160				5,160	5,160
Other financial liabilities	13,705				13,705	13,705
Derivative financial liabilities			788	389	1,177	1,177
	276,264	**0**	**788**	**389**	**277,441**	**277,441**

1) In the balance sheet, € 106,760 K is reported in investments and € 2,443 K in other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting.
3) An explanation of the breakdown of other financial assets can be found on page 136.

D.79 Valuation and fair value in accordance with IFRS 9

in € K	At amortised cost	At fair value through other comprehensive income (FVOCI)	At fair value through profit or loss (FVTPL)	No measurement category specified by IFRS 9 [2]	Total	Fair value 31 Dec 2020
Assets						
Financial assets [1]		27,279			27,279	27,279
Cash and cash equivalents	123,489				123,489	123,489
Trade debtors	73,068	197,664			270,732	270,732
Other receivables from other related companies	340,525				340,525	340,525
Receivables from factoring	5,797				5,797	5,797
Other financial assets [3]	34,949				34,949	34,949
Derivative financial assets			977	13	990	990
	577,828	**224,943**	**977**	**13**	**803,761**	**803,761**
Equity and Liabilities						
Trade creditors	243,355				243,355	243,355
Other financial liabilities to other related companies	40,131				40,131	40,131
Factoring liabilities	8,148				8,148	8,148
Other financial liabilities	20,876				20,876	20,876
Derivative financial liabilities			1,290	56	1,346	1,346
	312,510	**0**	**1,290**	**56**	**313,856**	**313,856**

1) In the balance sheet, € 25,068 K is reported in investments and € 2,211 K in other long-term financial assets.
2) This includes derivative financial instruments in hedge accounting.
3) An explanation of the breakdown of other financial assets can be found on page 136.

other related parties are shown separately. The same disclosure applies to trade creditors (see page 144 et seqq). Information on other financial assets and liabilities is shown in the tables on pages 134 and 144 et seqq.

For financial instruments accounted at fair value, the fair value is always determined from stock market prices. If stock market prices are not available, this is measured by applying standard economic methods (measurement methods), taking instrument-specific market parameters as a basis.

Financial assets are measured at fair value. The fair value of the equity instruments amounts to € 109.2 million (previous year: € 27.3) and mainly comprises the shareholding in TULIP Interfaces Inc., Somerville (USA), and other individual non-significant companies.

Fair value is determined using the discounted cash flow method, using estimated cash flows, where individual credit ratings and other market circumstances in the form of standard market credit or solvency spreads are taken into account in the cash value assessment.

The fair value of TULIP Interfaces Inc. was calculated on the basis of the last financing round in which DMG MORI participated in the reporting year.

Other financial assets include the fair value of an option on the purchase of shares in a company operating a solar park. The valuation model takes into account the cash value of expected payments, discounted at the risk-adjusted discount rate (WACC). The expected payments are determined by taking into account the possible scenarios for planned sales revenues (as a function of the market prices for electricity) and the EBIT. The main unobservable input factors in 2021 used for the determination are the risk-adjusted discount rate of 6.43 % (previous year: 6.36 %) and the expected annual sales revenue (between € 867 K and € 896 K) based on market prices for electricity and productivity (output). The estimated fair value would rise (fall), if the annual sales revenue (based on market prices) would rose (fell), if the risk-adjusted discount rate was lower (higher), if the degradation was lower (higher).

No liquid markets exist for loans and receivables, which are measured at amortized acquisition costs. For short-term loans and receivables, it is assumed that the fair value corresponds to the carrying amount. All other loans and receivables are assessed at fair value through the deduction of accrued interest on future expected cash flows. Thus, the interest rates applied to loans are the same as those used for new loans with a similar risk structure, original currency and term.

Trade creditors and other current financial liabilities generally have a maturity of less than one year, so that the carrying amount corresponds approximately to the fair value.

For liabilities to banks and other long-term liabilities, the fair values are determined as present values of the liability payments based on market interest rates and risk surcharge.

Fair Value Hierarchy

As of 31 December 2021, the group held the financial assets and liabilities presented in the following table and measured at fair value. (→ D.80)

The measurement and disclosure of the fair value of financial instruments is based on a fair value hierarchy, which takes into account the significance of the input data used in the measurement and is broken down as follows:

Level 1: Quoted prices (adopted unadjusted) in active markets for identical financial assets and liabilities;

D.80

in € K	31 Dec 2021 Level 1	31 Dec 2021 Level 2	31 Dec 2021 Level 3	31 Dec 2020 Level 1	31 Dec 2020 Level 2	31 Dec 2020 Level 3
Financial assets						
Measured at fair value						
Financial assets (recognized in equity) [1]	0		109,203	0		27,279
Trade debtors in FVOCI category [2]		216,421	3,483		194,024	3,640
Derivatives with hedge relationship (recognized in equity)		24			13	
Derivatives without hedge relationship (recognized in P&L)		3,053			977	
Financial liabilities						
Measured at fair value						
Derivatives with hedge relationship (recognized in equity)		389			56	
Derivatives without hedge relationship (recognized in P&L)		788			1,290	

1) In the balance sheet, € 106,760 K (previous year: € 25,068 K) is reported in investments and € 2,443 K (previous year: € 2,211 K) in other long-term financial assets.
2) Trade debtors in the FVOCI category that were classified at Level 3 are based on individual allowances.

Level 2: Input data other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);

Level 3: Input data used for measuring the asset or liability data not based on observable market data (unobservable input data).

In the financial year, no reclassification was made between Levels 1 and 2 in the measurement of fair value and no reclassification was made on or from Level 3 with respect to the measurement of fair value. Financial assets include the fair value of an option to purchase shares in a company. The carrying amount was € 2,443 K (previous year: € 2,211 K). In the financial year, a net change in the fair value amounting to € 232 K (previous year: € -700 K) was recognized in other comprehensive income. Under IFRS 9, the group has classified the option to purchase shares in a company as FVOCI and allocated it to Level 3 (see page 155 for information on the measurement method). The fair value of the investment in TULIP Interfaces Inc., Somerville (USA), is also included here (for further information, please refer to the "Investments" section).

The table below shows additions to financial assets in the financial year on Level 3 of the fair value hierarchy:

D.81 | EQUITY INVESTMENTS LEVEL 3

in € K	2021	2020
Opening balance	**27,279**	**28,506**
Additions	9,737	946
Changes in value	72,187	-2,173
Disposals	0,00	0,00
Final balance	**109,203**	**27,279**

A possible change in one of the key, non-observable input factors, while retaining the other input factors, would have the following effects on the fair value of the purchase option for shares in a company:

D.82 | PROFIT OR LOSS

in € K	Increase	Decrease
31 December 2021		
WACC (1.00 % change)	-291	336
Degradation (0.50 % change)	-253	262
Market price for electricity (0.50 % change)	271	-253

D.83 | PROFIT OR LOSS

in € K	Increase	Decrease
31 December 2020		
WACC (1.00 % change)	-282	329
Degradation (0.50 % change)	-170	176
Market price for electricity (0.50 % change)	182	-170

The net results of the financial instruments by measurement categories under IFRS 9 are shown in table [→ D.84] and [→ D.85].

Interests from financial instruments are recognized in interest results.

Allowances on trade debtors are recognized in other operating expenses. Interest results from financial liabilities in the measurement category "liabilities measured at amortized cost" mainly result from expenses for commission on guarantees and commitment fees.

D.84

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	From subsequent measurement: Allowance	2021
Assets in the category:					
At amortized cost	4,367		22,611	-292	26,686
Debt instruments – at fair value through other comprehensive income (FVOCI)			-2,681	104	-2,577
Equity instruments – at fair value through other comprehensive income (FVOCI)		72,187			72,187
At fair value through profit or loss (FVTPL)		2,076			2,076
Liabilities in the category:					
At amortized cost	-4,360		-20,709		-25,069
At fair value through profit or loss (FVTPL)		502			502
Total	**7**	**74,765**	**-779**	**-188**	**73,805**

D.85

in € K	From interest	From subsequent measurement: At fair value	From subsequent measurement: Foreign currency translation	From subsequent measurement: Allowance	2020
Assets in the category:					
At amortized cost	4,106		19,913	1,251	25,270
Debt instruments – at fair value through other comprehensive income (FVOCI)			-629	1,477	848
Equity instruments – at fair value through other comprehensive income (FVOCI)		-2,173			-2,173
At fair value through profit or loss (FVTPL)		-1,574			-1,574
Liabilities in the category:					
At amortized cost	-5,368		-14,502		-19,870
At fair value through profit or loss (FVTPL)		-201			-201
Total	**-1,262**	**-3,948**	**4,782**	**2,728**	**2,300**

NOTES ON THE CASH FLOW STATEMENT

40. CASH FLOW STATEMENT

The statement of cash flows pursuant to IAS 7 "Statement of Cash Flows" records the payment flow in a financial year and provides information on the inflow and outflow of the company's liquid funds. The payment flows are broken down into cash flow from current operations and cash flow from investment and financing activities.

Besides actual cash funds, i.e., cheques, cash in hand and money on account at banks, cash and cash equivalents also include short-term financial investments that can be converted to cash amounts at any time and are only subject to immaterial fluctuations in value. Cash and cash equivalents are measured at amortized cost.

The cash flow from current operations was calculated using the indirect method through adjusting earnings before tax for changes in inventories, trade debtors and creditors, non-cash items and all other items showing cash flows in the investment or financing areas. Due to the application of IFRS 16, payments of principal for leases are recognized in cash flow from financing activities. The total cash outflows for lease obligations recognized as liabilities in 2021 amounted to € 19,821 K (previous year: € 20,838 K), of which € 19,103 K (previous year: € 20,026 K) was for repayment and € 718 K (previous year: € 812 K) for interest. Cash outflows for short-term leases and leases of low value assets are not included here.

The cash flows from investment or financing activities were each calculated in terms of actual sums paid. Effects from foreign currency translation and changes in the consolidated group were adjusted accordingly.

The tables [→ D.86 | D.87] show the reconciliation between the change in liabilities from financing activities and in cash flow from financing activities.

The profit transfer to DMG MORI GmbH for financial year 2020 resulted in a cash outflow of € 27,063 K in 2021, recognized in cash flow from financing activities.

The profit transfer to DMG MORI GmbH for financial year 2021 amounting to € 29,250 K did not yet esult in a cash outflow in 2021. Other changes in lease liabilities mainly result from the new rights of use in fixed assets.

In July 2021, DMG MORI sold its shares in GILDEMEISTER LSG Solar RUS OOO, Moscow (Russia) and GILDEMEISTER LSG Solar Australia Pty Ltd, Brisbane (Australia) to a strategic investor. The acquisition price amounted to € 669 K. Cash and cash equivalents of € 3,748 K were transferred as part of the transaction, resulting in a cash outflow of € 3,079 K being reported in cash flow from investing activities.

The amounts paid out for investments in financial assets mainly relate to capital increases at TULIP Interfaces, Inc., Somerville (USA) and ADAMOS GmbH, Darmstadt, as well as to the acquisition of 24.9 % of the shares in up2parts GmbH, Weiden, and the acquisition of a 40.0 % interest in RUN-TEC GmbH, Niedenstein.

In the reporting year, disbursements for loans to other related parties were mainly paid to up2parts GmbH, Weiden and RUN-TEC GmbH, Niedenstein.

In December 2021, DMG MORI Manufacturing Solutions (Pinghu) Co. Ltd., Pinghu (China) received a loan from the related company, DMG MORI (Tianjin) Manufacturing Co., Ltd., Tianjin (China,) in an amount of € 4,139 K. This loan was recognized in cash flow from financing activities.

D.86

in € K	Liabilities from leasing arrangements	Liabilities from profit transfers to DMG MORI GmbH	Liabilities from profit transfers to non-controlling interest	Non-controlling equity interests	Loans from other related companies	Total
As at 1 January 2021	**52,336**	**27,063**	**1,631**	**13,830**	**0**	**94,860**
Profit transfer to DMG MORI GmbH		-27,063				-27,063
Deposits / payments for borrowing / for repayment of financial debt					4,139	4,139
Dividends paid to non-controlling interests in subsidiaries			-1,631			-1,631
Cash outflows of principal for lease liabilities	-19,103					-19,103
Payments / amounts paid out from changes in subsidiaries				-1,029		-1,029
Total changes in cash flow from financing activities	**-19,103**	**-27,063**	**-1,631**	**-1,029**	**4,139**	**-44,687**
Changes from the acquisition or loss of control of subsidiaries	-238			-649		-887
Effects of changes in foreign exchange rates	1,358		0	1,180		2,538
Liabilities from the profit and loss transfer to DMG MORI GmbH for year 2021		29,250				29,250
Other changes	10,800			3,697		14,497
As at 31 December 2021	**45,153**	**29,250**	**0**	**17,029**	**4,139**	**95,571**

D.87

in € K	Liabilities to banks	Liabilities from leasing arrangements	Liabilities from profit transfers to DMG MORI GmbH	Liabilities from profit transfers to non-controlling interests	Total
As at 1 January 2020	**0**	**61,355**	**95,742**	**2,989**	**160,086**
Profit transfer to DMG MORI GmbH			-95,742		-95,742
Dividends paid to non-controlling interests in subsidiaries				-1,358	-1,358
Cash outflows of principal for lease liabilities		-20,026			-20,026
Total changes in cash flow from financing activities	**0**	**-20,026**	**-95,742**	**-1,358**	**-117,126**
Effects of changes in foreign exchange rates		-200			-200
Liabilities from the profit and loss transfer to DMG MORI GmbH for year 2020			27,063		27,063
Other changes		11,207			11,207
As at 31 December 2020	**0**	**52,336**	**27,063**	**1,631**	**81,030**

The payment of € 1,029 K in July 2021 for the purchase of the remaining 49 % in GILDEMEISTER LSG Beteiligungs GmbH was also reported in cash flow from financing activities.

In September 2020, DMG MORI AKTIENGESELLSCHAFT sold the shares it held (44.1 %) in Magnescale Co. Ltd, Kanagawa (Japan), to DMG MORI COMPANY LIMITED, which, as a result of the buyback, again holds a 100 % interest in the company. The consideration for the sale of the shares amounted to € 44,500 K. This cash inflow was reported in cash flow from investing activities.

In 2020, DMG MORI paid € 1,000 K into the capital reserve of ADAMOS GmbH, Darmstadt, due to a capital increase approved in 2019. This cash outflow was reported in cash flow from investing activities.

DMG MORI HEITEC Digital Kft., Budapest (Hungary) was founded in March 2020. DMG MORI has a 49.9 % interest in this company. This payment in the amount of € 245 K was recognized in cash flow from investment activities.

At the end of November 2020, DMG MORI acquired the remaining 60 % interest in DMG MORI DIGITAL GmbH, Bielefeld, from our previous cooperation partner. The acquisition price amounted to € 138 K. Cash and cash equivalents amounting to € 235 K were transferred and reported in cash flow from investing activities.

DMG MORI GmbH's loan repayment of a partial amount of € 30,000 K to DMG MORI AKTIENGESELLSCHAFT was paid in full in the previous year and reported in cash flow from investing activities.

Joint ventures are accounted for in the group consolidated financial statements using the equity method and thus only have an impact on cash flows, if dividends are paid.

NOTES ON SEGMENT REPORTING

41. EXPLANATORY NOTES ON THE SEGMENTS

Within the scope of segment reporting, pursuant to the IFRS 8 regulations, the business activities of the DMG MORI group are categorized into the business segments of "Machine Tools", "Industrial Services" and "Corporate Services". Essential in the differentiation between the business segments is the information that the so-called "chief decision-maker" is regularly provided with for the purposes of decision-making on the allocation of resources and the evaluation of profitability. The segmentation reflects internal control and reporting on the basis of different products and services. The key performance indicators for evaluating operating performance for each of the business segment are sales revenues and EBIT.

A tabular presentation can be found on page 160 et seq.

The **"Machine Tools"** segment includes the group's new machine business comprising the Turning, Milling, Advanced Technologies (Ultrasonic / Lasertec / Additive Manufacturing) and Digital Solutions business units.

The "Machine Tools" segment includes the lathes and turning centers of
› GILDEMEISTER Drehmaschinen GmbH, Bielefeld,
› GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Bergamo), Italy,
› GRAZIANO Tortona S.r.l., Tortona, Italy,
› FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
› DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
› ULYANOVSK Machine Tools ooo, Ulyanovsk, Russia,

the milling machines and machining centers of
› DECKEL MAHO Pfronten GmbH, Pfronten,
› DECKEL MAHO Seebach GmbH, Seebach,
› FAMOT Pleszew Sp. z o.o., Pleszew, Poland,
› DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China,
› ULYANOVSK Machine Tools ooo, Ulyanovsk, Russia,
› DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu (China),

the Ultrasonic and Lasertec machines of Advanced Technologies
› DMG MORI Ultrasonic Lasertec GmbH, Stipshausen / Idar-Oberstein,
› DMG MORI Additive GmbH, Bielefeld

and products of the Digital Solutions business unit of
› DMG MORI Digital GmbH, Bielefeld,
› ISTOS GmbH, Bielefeld.

DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu, China, was founded in June 2021. The new plant will start production in financial year 2023.

All machines produced are classified as cutting machine tools ensuring a high level of conformity between business units.The parent company of the production plants, GILDEMEISTER Beteiligungen GmbH, also belongs to this segment. Additionally, the group's uniform IT is concentrated here.

The "Industrial Services" segment comprises both the Services and Energy Solutions segments.

The Services division, which covers all areas with its products and services, is directly related to machine tools. It includes the business operations of DMG MORI Vertriebs und Service

GmbH, Bielefeld, and its subsidiaries, as well as DMG MORI Management GmbH, Bielefeld, which is the operating management company of the group's Sales and Service sites. DMG MORI AKTIENGESELLSCHAFT is responsible for the markets in the DACH (domestic market Germany, Austria and Switzerland) and EMEA (Europe, Middle East, Africa) regions, as well as for the Chinese and Indian markets. DMG MORI COMPANY LIMITED is responsible for its home market in Japan, the USA and the other regions in Asia and the Americas.

In the Services business unit, we combine the marketing activities and the LifeCycle Services for both our machines and those of DMG MORI COMPANY LIMITED. DMG MORI Life Cycle Services help our customers to maximize the productivity of their machine tools across their entire life cycle – from commissioning to part exchange as a used machine. The wide range of service agreements, maintenance and training services offered, guarantees our customers maximum cost-effectiveness for their machine tools. This includes placement and consulting activities. Another area is the key accounting for major international customers, which is concentrated cross-region and cross-product.

Energy Solutions only plays a minor role. This includes the business operations of GILDEMEISTER energy solutions GmbH and the company responsible for sales and service in Italy.

The **"Corporate Services"** segment primarily comprises the DMG MORI AKTIENGESELLSCHAFT with its group wide holding functions. DMG MORI AKTIENGESELLSCHAFT is assigned with corporate functions, such as group strategy, development and purchasing coordination, management of overall projects in the production and logistics areas, financing, corporate controlling and corporate personnel management. The holding functions across the group generate expenses and sales revenues.

42. EXPLANATORY NOTES ON SEGMENT DATA

The definition of terms used in individual segment information is in line with the management principle for the value-oriented corporate management of the DMG MORI group. Segment data is generally based on the same accounting and valuation methods that form the basis for the consolidated financial statements. [→ D.88 | D.89 | D.90]

Segmental assets include all operating assets including goodwill and deferred income or expenses; it does not include income tax claims. In order to assess the profitability of group segments, prorata revenue for brokerage and consulting activities from the sale of machine tools are reclassified from the "Machine Tools" segment to the "Industrial Services" segment. Sales between the segments are made at standard market transfer prices.

Pursuant IFRS 3 "Business Combinations", existing goodwill was allocated to the segments as follows: goodwill is attributed to the "Machine Tools" segment amounting to € 57,073 K (previous year: € 57,073 K), to the "Industrial Services" segment in an amount of € 80,971 K (previous year: € 81,030 K), and to the "Corporate Services" segment in an amount of € 0 K as in the previous year. As in the previous year, no impairment of goodwill was recorded for the financial year.

Investments include additions to intangible assets, tangible fixed assets and additions to financial assets.

Intersegment sales revenues show sales revenues made between the segments. The transfer prices for intra-group sales revenues are determined in line with the market (arm's length principle).

Scheduled depreciation relates to segmental fixed assets.

EBT for the "Machine Tools" segment includes income from the reversal of provisions amounting to € 2,262 K (previous year: € 1,085 K). In the financial year, impairment losses of € 1,920 K (previous year € 1,046 K) were recognized. This mainly relates to an impairment loss in the amount of € 982 K for process know-how that was identified as being unusable and an impairment loss of € 857 K for an intangible asset arising from the development of a machine tool project that cannot be used in the future. There was a reversal of an impairment loss amounting to € 814 K for an impairment loss recognized in the previous year on an operational plant which was fully impaired in the previous year as it could no longer be used. As the potential for using this plant was reestablished in the financial year due to significant business growth, the impairment loss was reversed to the recoverable amount by € 814 K.

EBT for the "Industrial Services" segment includes income from the reversal of provisions amounting to € 236 K (previous year: € 0 K). No impairment losses were recognized during the financial year (previous year: € 638 K).

During the financial year, no impairment losses were recognized in the "Corporate Services" segment (previous year: € 1,797 K). In the financial year, expenses for transaction costs were reported in the amount of € 295 K (previous year: € 882 K) for the syndicated credit line of DMG MORI AKTIENGESELLSCHAFT.

In financial year 2021 and in the previous year, no transactions carried out with any one customer were more than 10 % of the sales revenues of the DMG MORI group.

D.88 | INFORMATION ON GEOGRAPHICAL AREAS

	Sales revenues with third parties		Long-term assets	
in € K	2021	2020	2021	2020
Germany	884,679	838,273	337,859	332,162
Rest of Europe	880,336	777,799	326,951	338,280
Asia	287,906	215,221	33,743	12,387
Total segments	2,052,921	1,831,293	698,553	682,829
Transition	0	0	-8,479	-7,183
Group	2,052,921	1,831,293	690,074	675,646

D.89 | SEGMENTATION BY BUSINESS SEGMENTS

	"Machine Tools"		"Industrial Services"		„Corporate Services"		Total segments		Transition		Group	
in € K	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment assets	1,380,572	1,175,355	1,778,032	1,628,484	1,805,333	1,733,465	4,963,937	4,537,304	-2,472,823	-2,415,672	2,491,064	2,121,632
Carrying amount of at equity accounted investments	25,531	23,624	1,323	1,291	12,857	12,232	39,711	31,147	0	0	39,711	37,147
Investments	75,029	67,031	12,764	13,309	1,327	869	89,120	81,209	0	0	89,120	81,209
Employees	3,908	3,780	2,831	2,808	82	84	6,821	6,672	0	0	6,821	6,672

D.90 | SEGMENTATION BY BUSINESS SEGMENTS

	"Machine Tools"		"Industrial Services"		„Corporate Services"		Total segments		Transition		Group	
in € K	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Sales revenues with other segments	837,037	729,262	52,358	46,937	11,627	11,764	901,022	787,963	-901,022	-787,963	0	0
Sales revenues with third parties	1,103,919	1,046,959	948,788	784,159	214	175	2,052,921	1,831,293	0	0	2,052,921	1,831,293
EBIT	54,655	50,197	95,344	54,352	-26,361	-22,789	123,638	81,760	134	-46	123,772	81,714
Financial result	-2,423	-2,485	-4,003	-5,269	4,018	3,272	-2,408	-4,482	0	0	-2,408	-4,482
thereof interest income	2,613	2,439	2,769	3,193	10,547	11,633	15,929	17,265	-11,556	-12,830	4,373	4,435
thereof interest expenses	-5,028	-4,864	-6,708	-8,264	-6,766	-7,542	-18,502	-20,670	11,850	12,828	-6,652	-7,842
Share of profit for the period of at equity accounted investments	-727	-1,070	324	474	625	2,691	222	2,095	0	0	222	2,095
EBT	51,505	42,210	91,665	49,557	-21,718	-16,826	121,452	74,941	134	-46	121,586	74,895
Depreciation	42,675	46,137	21,127	23,780	3,231	5,108	67,033	75,025	0	0	67,033	75,025

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The "Transition" line shows the elimination of intra-group receivables and liabilities, income and expenses, as well as the elimination of interim profits between segments.

The information on geographical areas is based on the registered office of the group companies and is broken down into regions comprising Germany, the rest of Europe, and Asia. This data is determined on the basis of geographical sub-groups.

Long-term assets are mainly attributable to fixed assets; they do not include financial instruments or deferred tax claims. As of 31 December 2021, the region of "Rest of Europe" contains long-term assets in Italy in an amount of € 111,366 K (previous year: € 115,647 K) as well as in Poland in the amount of € 93,491 K (previous year: € 99,062 K). In the region, "Rest of Europe", third-party revenue amounts to € 173,466 K in Italy (previous year: € 130,454 K) and € 55,487 K in Poland (previous year: € 49,382 K).

OTHER EXPLANATORY NOTES

43. AUDITOR'S FEES AND SERVICES

The auditor, the PWC PricewaterhouseCoopers GmbH auditing firm in Bielefeld, was appointed to audit the annual and consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT and some group companies.

The fees and charges for the services provided by the annual auditor, PWC PricewaterhouseCoopers GmbH auditing firm, recognized as expenses in financial year 2021 relate to € 618 K (previous year: € 480 K) for statutory auditing services and € 0 K (previous year: € 40 K) for other attestation services. Moreover, other services are included in the amount of € 95 K (previous year: € 1 K).

Only services that are consistent with the engagement as auditor of the Annual and the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT were provided.

The auditing services related to the audits of the Annual and Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT and a number of group companies, including statutory extensions to the scope of the audits and audit focus areas agreed with the Supervisory Board.

Furthermore, the auditor reviewed the IFRS consolidated reporting packages for the half-year financial statements as of 30 June 2021 as well as the quarterly financial statements as of 31 March 2021 and as of 30 September 2021 of DMG MORI AKTIENGESELLSCHAFT. The fees for other services relate to consulting services, as well as analyses and validations of individual security concepts.

44. EVENTS OCCURRING AFTER THE REPORTING DATE

No significant events occurred after the reporting date. No other events occurred between the reporting date and the date the financial statements were authorized for issue by the Executive Board on 14 March 2022. The coronavirus pandemic will continue to have an impact on the business performance of the DMG MORI group in financial year 2022.

Additionally to Russia-Ukraine conflict can have an impact on the business performance. Based on the current conflict a reliable prognosis in detail concerning the impact on the valuation of substantial end-of-year items cannot be given for the coming business years. In the reporting year 2021, the revenues in the Russia region amounted to less than 3 % of the Group revenues. The assets of DMG MORI in Russia amounted to approximately 4 % of the Group´s balance sheet total as of December 31, 2021.

The estimates and assumptions known to DMG MORI for the financial year are described in the forecast report. Moreover, no other material effects are known or can be estimated at present, but other effects may occur in the course of the year.

45. RELATED PARTY DISCLOSURES

Related parties (persons) as defined by IAS 24 "Related Party Disclosures" are, in principle, members of the Executive and Supervisory Boards, close members of their families and subsidiaries that are not fully consolidated. Excluding remuneration and pension plans, these related parties were not involved in any significant or unusual transactions with companies of the DMG MORI group. All transactions with related parties have been carried out under normal market conditions, as between external third parties.

Other companies related to the DMG MORI group are the ultimate parent company, DMG MORI COMPANY LIMITED, Tokio (Japan), and its subsidiaries and major holdings outside the DMG MORI group. DMG MORI GmbH, Bielefeld, a subsidiary of DMG MORI COMPANY LIMITED is the direct parent company of DMG MORI AKTIENGESELLSCHAFT. If not shown separately, any information on other related parties refers to this group of companies and also includes DMG MORI COMPANY LIMITED.

DMG MORI HEITEC GmbH, Erlangen (Germany) is recognized as a joint venture.

DMG MORI Finance GmbH, Wernau (Germany), Pragati Automation Pvt. Ltd., Bangalore (India), INTECH DMLS PRIVATE LIMITED, Bangalore (India), DMG MORI HEITEC Digital Kft., Budapest (Hungary), SparePartsNow GmbH, Aachen (Germany), RUN-TEC GmbH, Niedenstein (Germany), German-Egyptian Company for Manufacturing Solutions, Cairo (Egypt), Vershina Operation LLC, Narimanov (Russia) and up2parts GmbH, Weiden (Germany) are recognized as associated companies.

DMG MORI AKTIENGESELLSCHAFT granted DMG MORI GmbH a loan in the original amount of € 370,000 K which was paid out in full in 2018. It bears interest at a LIBOR market rate plus a 1.00 % margin per annum. In reporting year 2020, the loan was partially repaid in the amount of € 30,000 K. As of 31 December 2021, the loan still amounts to € 340,000 K.

No other significant supply and service relationships existed with DMG MORI GmbH in the financial year.

DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., a subsidiary of DMG MORI AG, received a loan of € 4,139 K from DMG MORI (TIANJIN) Manufacturing Co., Ltd., another related party, in December 2021, which was paid out in full. The term is one year with an option to extend. Interest is charged at a market rate of 2.7 % p.a.

A domination and profit transfer agreement exists between DMG MORI GmbH, Bielefeld, a wholly owned subsidiary of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT and became effective on 24 August 2016. Furthermore, with effect from 1 January 2017, a tax allocation agreement was concluded between DMG MORI GmbH and DMG MORI AKTIENGESELLSCHAFT. The profit transfer to DMG MORI GmbH for financial year 2021 amounted to € 29,250 K (previous year: € 27,063 K). The current taxes of DMG MORI GmbH charged on the basis of the tax allocation agreement amounted to € 11,538 K (previous year: € 13,068 K).

In the reporting year, impairments or provisions for doubtful debt relating to outstanding balances for other related parties were made in an amount of € 740 K (previous year: € 239 K). As in the previous year, no expenses were recognized for bad or doubtful debts from associated companies and joint ventures.

As in the previous year, no licenses were acquired from other related parties during the reporting year.

The following transactions were carried out with related parties:

D.91 | GOODS AND SERVICES RENDERED TO

in € K	2021	2020
Associates	130,097	107,402
Joint ventures	76	1
DMG MORI COMPANY LIMITED	219,313	285,740
Other related companies (excluding DMG MORI COMPANY LIMITED)	34,244	38,963

D.92 | GOODS AND SERVICES RECEIVED OF

in € K	2021	2020
Associates	21,172	10,805
Joint ventures	2,932	588
DMG MORI COMPANY LIMITED	231,994	216,423
Other related companies (excluding DMG MORI COMPANY LIMITED)	139,630	79,248

The goods and services rendered to and received by related parties are mainly attributable to the purchase and sale of machine tools and other services. The disclosure of receivables and liabilities from related parties is shown under the corresponding notes on the balance sheet items. The balances are normally settled within a three-month period. No guarantees and securities were granted to or received by related parties.

As of 31 December 2021, the following balances resulted from transactions with related parties:

D.93 | TRADE DEBTORS

in € K	2021	2020
from DMG MORI COMPANY LIMITED	61,740	114,472
from other related parties	9,857	11,244
from associated companies	17,150	9,865

D.94 | ADVANCE PAYMENTS

in € K	2021	2020
to other related companies	35,311	12,233
to associated companies	1,770	113

D.95 | LOANS

in € K	2021	2020
to other related parties	340,524	340,525
to associated companies	1,850	0
from other related parties	4,139	0

D.96 | TRADE CREDITORS

in € K	2021	2020
to DMG MORI COMPANY LIMITED	59,960	86,960
to other related parties	54,962	53,017
to associated companies	2,189	4,740

D.97 | PREPAYMENTS

in € K	2021	2020
to members of management in key positions	1,508	0

The loan to DMG MORI GmbH resulted in interest income of € 3,400 K (previous year: € 3,490 K), which is reported under financial income. Interest expenses of € 165 K (previous year: € 606 K) were incurred from liabilities for DMG MORI GmbH and are recognized in financial expenses.

Key management personnel comprises the members of the Executive and Supervisory Boards. Detailed disclosures on the remuneration structure for members of the Executive and Supervisory Boards can be found in the remuneration report on pages 52 et seqq. of the Management Report. The remuneration structure for the Executive Board and the Supervisory Board is explained on pages 52 et seqq. of the Group Management Report. An individual and detailed presentation of Executive Board remuneration in the financial year is set out on pages 53 et seqq. of the remuneration report.

D.98 | EXECUTIVE BOARD REMUNERATION in € K	2021	2020
Short-term benefits	5,428	3,362
Post-employment benefits	850	800
Other long-term benefits	4,238	1,322
Total	**10,516**	**5,484**

The post-employment benefits related to additions to pension commitments in the reporting year.

The total remuneration for members of the Supervisory Board for financial year 2021 amounted to € 930 K (previous year: € 893 K) and only includes short-term benefits.

The remuneration structure for the Supervisory Board is explained on pages 52 et seqq. of the Group Management Report.

Loans to officers were not granted. Similarly, no contingent liabilities were assumed in favor of these individuals. Nor did the companies of the DMG MORI group pay any remuneration to officers for services personally rendered, in particular for consulting and intermediary services.

Remuneration is explained in the section on employee expenses (page 125 et seq.); note that indirect remuneration includes benefits after the end of the employment relationship, LTI and other long-term benefits and all other remuneration components include short-term benefits.

46. STATUTORY NOTIFICATION PURSUANT TO SECTION 40 WPHG

The statutory notifications pursuant to Section 40 WpHG are stated in the Consolidated Financial Statements of DMG MORI AKTIENGESELLSCHAFT.

47. CORPORATE GOVERNANCE

The declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) and the Corporate Governance Report were issued in November 2021 and are permanently available on our website → **en.dmgmori-ag.com/corporate-communications/corporate-governance/**

48. SHAREHOLDER STRUCTURE

As of 31 December 2021, DMG MORI COMPANY LIMITED, Tokio (Japan), holds an 86.42 % interest in the share capital of DMG MORI AKTIENGESELLSCHAFT.

DMG MORI Group Companies

D.99 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
GILDEMEISTER Beteiligungen GmbH, Bielefeld [2/3/4]			273,964	100.0
DECKEL MAHO Pfronten GmbH, Pfronten [3/4/5/6]			83,427	100.0
DMG MORI Ultrasonic Lasertec GmbH, Stipshausen/Idar-Oberstein [3/4/7/8]			12,455	100.0
Alpenhotel Krone GmbH & Co. KG, Pfronten [3/7]			2,629	100.0
Alpenhotel Krone Beteiligungsgesellschaft mbH, Pfronten [3/7]			33	100.0
DMG MORI Logistik GmbH, Pfronten [3/4/7]			25	100.0
GILDEMEISTER Drehmaschinen GmbH, Bielefeld [3/4/5/6]			24,000	100.0
GILDEMEISTER Italiana S.r.l., Brembate di Sopra (Bergamo), Italy [5]			85,543	100.0
GRAZIANO Tortona S.r.l., Tortona, Italy [9]			39,569	100.0
DMG MORI Global Service Turning S.r.l., Brembate di Sopra (Bergamo), Italy [9]			3,105	100.0
CARLINO FTV 3.2 S.R.L., Bozen, Italy [9]			10,223	100.0
DECKEL MAHO Seebach GmbH, Seebach [3/4/5/6]			43,000	100.0
DMG MORI Spare Parts GmbH, Geretsried [3/4/5/6]			25,000	100.0
ISTOS GmbH, Bielefeld [3/5/6]			1,000	85.0
Ulyanovsk Machine Tools ooo, Ulyanovsk, Russia [5]	RUB K	8,878,340	104,087	100.0
DMG MORI Additive GmbH, Bielefeld [5/6/21]			8,639	100.0
DMG MORI Digital GmbH, Bielefeld [3/5/6]			2,691	100.0
DMG MORI Manufacturing Solutions (Pinghu) Co., Ltd., Pinghu, China [5]	CNY K	41,263	5,693	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Bielefeld KG, Bielefeld [3]			607	100.0
MITIS Grundstücks-Vermietungsgesellschaft mbH, Bielefeld [3]			221	100.0
DMG MORI Vertriebs und Service GmbH, Bielefeld [2/3]			398,646	100.0
DMG MORI Management GmbH, Bielefeld [3/4/10/11]			24	100.0
DMG MORI Deutschland GmbH, Leonberg [3/4/10/11]			63,968	100.0
DMG MORI München GmbH, Munich [3/4/12/13]			5,000	100.0
DMG MORI Bielefeld Hilden GmbH, Hilden [3/4/12/13]			7,000	100.0
DMG MORI Berlin Hamburg GmbH, Bielefeld [3/4/12/13]			5,500	100.0
DMG MORI Frankfurt GmbH, Bad Homburg [3/4/12/13]			2,700	100.0
DMG MORI Stuttgart GmbH, Leonberg [3/4/12/13]			7,000	100.0
DMG MORI Global Service GmbH, Bielefeld [3/4/10/11]			5,200	100.0
DMG MORI Academy GmbH, Bielefeld [3/4/10/11]			4,000	100.0
DMG MORI Used Machines GmbH, Geretsried [3/4/10/11]			17,517	100.0
DMG MORI Netherlands Holding B.V., Veenendaal, Netherlands [10]			537,933	100.0
DMG MORI Sales and Service Holding AG, Winterthur, Switzerland [14]			504,713	100.0
DMG MORI Schweiz AG, Winterthur, Switzerland [15]	CHF K	40,419	39,009	100.0
DMG MORI Balkan GmbH, Klaus, Austria [15]			3,212	100.0
DMG MORI Austria GmbH, Klaus, Austria [16]			24,533	100.0
DMG MORI Netherlands B.V., Veenendaal, Netherlands [15]			9,523	100.0
DMG MORI BeLux BVBA – SPRL., Zaventem, Belgium [15]			5,387	100.0

D.99 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

Subsidiaries (fully consolidated companies)	National currency	Equity [1]		Participation quota in %
			in € K	
DMG MORI Czech s.r.o., Brno, Czech Republic [15]	CZK K	120,921	4,866	100.0
DMG MORI DENMARK ApS, Copenhagen, Denmark [15]	DKK K	26,169	3,519	100.0
DMG MORI FRANCE SAS, Paris, France [15]			21,866	100.0
DMG MORI Hungary Kft., Budapest, Hungary [15]			10,751	100.0
DMG MORI IBERICA S.L., Ripollet, Spain [15]			14,411	100.0
DMG MORI Italia S.r.l., Milan, Italy [15]			47,123	100.0
DMG MORI MIDDLE EAST FZE, Dubai, United Arab Emirates [15]			3,951	100.0
DMG MORI Saudi Arabia Maintenance Company, Riad, Saudi Arabien [20]			0	100.0
DMG MORI Israel Ltd., Tel Aviv, Israel [15]	ILS K	0	0	100.0
DMG MORI POLSKA Sp. z o.o., Pleszew, Poland [15]	PLN K	79,587	17,364	100.0
DMG/MORI GREECE M.E.P.E., Thessaloniki, Greece [15]			1,637	100.0
DMG MORI Sweden AB, Gothenburg, Sweden [15]	SEK K	137,093	13,315	100.0
DMG MORI NORWAY AS, Langhus, Norway [15]	NOK K	15,142	1,510	100.0
DMG MORI Finland Oy AB, Tampere, Finland [15]			3,787	100.0
DMG MORI UK Limited, Luton, Great Britain [15]	GBP K	28,946	34,476	100.0
DMG MORI Romania S.R.L., Bucharest, Romania [15]	RON K	15,921	3,217	100.0
DMG MORI BULGARIA EOOD, Sofia, Bulgaria [15]	BGN K	1,290	659	100.0
DMG MORI ISTANBUL MAKINE TICARET VE SERVIS LIMITED SIRKETI, Istanbul, Turkey [15]	TRY K	84,690	5,608	100.0
DMG MORI Rus ooo, Moscow, Russia [15]	RUB K	4,323,251	50,685	100.0
DMG Egypt for Trading in Machines Manufactured LLC, Cairo, Egypt [15]	EGP K	200	11	100.0
Mori Seiki Egypt for Trading in Machines & Equipments LLC, Cairo, Egypt [15]	EGP K	200	11	100.0
DMG MORI Africa for Trading in Machines & Service (S.A.E.), Cairo, Egypt [17]	EGP K	14,774	827	100.0
DMG MORI Asia Pte. Ltd., Singapore [15]			31,263	100.0
DMG MORI Machine Tools Spare Parts (Shanghai) Ltd., Shanghai, China [15]	CNY K	28,737	3,965	100.0
DMG MORI India Private Limited, Bangalore, India [15]	INR K	574,434	6,795	51.0
DECKEL MAHO GILDEMEISTER (Shanghai) Machine Tools Co., Ltd., Shanghai, China [15]	CNY K	84,040	11,595	100.0
FAMOT Pleszew Sp. z o.o., Pleszew, Poland [15]	PLN K	736,011	160,584	100.0
DMG MORI Machine Tools Trading Co., Ltd., Shanghai, China [10]	CNY K	200,876	27,716	51.0
GILDEMEISTER energy solutions GmbH, Würzburg [3/10/11]			9,100	100.0
GILDEMEISTER TURKEY SOLAR ENERJI ANONIM SIRKETI, Istanbul, Turkey [18]	TRY K	366	24	100.0
GILDEMEISTER LSG Beteiligungs GmbH, Würzburg [18]			1,302	100.0
GILDEMEISTER ENERGY SERVICES ITALIA S.R.L., Milan, Italy [18]			1,170	100.0

D.99 | PRODUCTION PLANTS, SALES AND SERVICES COMPANIES

	National currency	Equity [1]		Participation quota in %
			in € K	
Joint ventures				
DMG MORI HEITEC GmbH, Erlangen [5]			690	50.0
Associates				
DMG MORI Finance GmbH, Wernau			26,264	42.6
DMG MORI HEITEC Digital Kft., Budapest, Hungary [5]	HUF K	467,376	1,268	49.9
INTECH DMLS Pvt. Ltd., Bangalore, India [5]	INR K	321,466	3,803	30.0
PRAGATI AUTOMATION Pvt. Ltd., Bangalore, India [5]	INR K	2,466,460	29,177	30.0
SparePartsNow GmbH, Aachen [5]			0	46.3
Vershina Operation, LLC., Narimanov, Russia [20]	RUB K	26,014	305	33.3
up2parts GmbH, Weiden [5]			233	24.9
RUN-TEC GmbH, Niedenstein [5]			91	40.0
German-Eqyptian Company for Manufacturing Solutions (GEMAS), Cairo, Egypt [5]	EGP K		0	40.0

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

Corporate Directory

Supervisory Board

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

Mario Krainhöfner
(Employee representative)
Member of the Supervisory Board
since 16 April 2011
Pfronten, born 1964
1st Deputy Chairman
Head of Idea Management of
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, M.B.A.
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, Tokyo

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
• DKSH Holding AG, Zurich, Member of the Board of Directors
› GEA Group AKTIENGESELLSCHAFT, Düsseldorf, Member of the Supervisory Board

James Victor Nudo
Member of the Supervisory Board
since 4 May 2018
Illinois (USA), born 1954
President of DMG MORI GmbH, Bielefeld
Vice President of
DMG MORI COMPANY LIMITED, Tokyo
CEO of DMG MORI Americas Holding Corporation,
Chicago

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 of
GILDEMEISTER Drehmaschinen GmbH

Executive Board

Dipl.-Kfm. Christian Thönes
Bielefeld
Chairman

Dipl.-Kfm. Björn Biermann
Bielefeld

Michael Horn, M.B.A.
Bielefeld

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

Responsibility Statement

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

Bielefeld, 14 March 2022
DMG MORI AKTIENGESELLSCHAFT
The Executive Board

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

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

Independent Auditor's Report

To DMG MORI AKTIENGESELLSCHAFT, Bielefeld

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of DMG MORI AKTIENGESELLSCHAFT, Bielefeld, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year from January 1 to December 31, 2021 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of DMG MORI AKTIENGESELLSCHAFT – which comprise the content included to comply with the German legal requirements as well as the remuneration report pursuant to § [Article] 162 AktG [Aktiengesetz: German Stock Corporation Act], including the related disclosures, included in section "The Basis of the Group" of the group management report for the financial year from January 1 to December 31, 2021. In accordance with the German legal requirements, we have not audited the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

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

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021 and of its financial performance for the financial year from January 1 to December 31, 2021 and

› the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the "Other Information" section of our auditor's report.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2021. These matters were

addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

1. Recoverability of goodwill

2. Recoverability of inventories

Our presentation of these key audit matters has been structured in each case as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matters:

1. Recoverability of goodwill

1. Goodwill is reported in the Company's consolidated financial statements amounting to a total of EUR 138.0 million (representing 5.4% of total assets and 9.8% of equity). Goodwill is tested for impairment by the Company once a year on December 31 of the respective financial year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill is allocated. The carrying amount of the relevant cash-generating units, including goodwill, is compared with the corresponding recoverable amount in the context of the impairment test. The recoverable amount is generally determined using the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the adopted three-year business plan of the Group forms the starting point for five detailed planning periods which are extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital for the respective group of cash-generating units. The impairment test determined that no write-downs were necessary.

The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors with respect to the future cash flows from the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the business plan of the Group, we assessed the appropriateness of the calculation, in particular by reconciling it with general and sector-specific market expectations. In addition, we assessed the appropriate consideration of the costs of Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we focused our testing in particular on the parameters used to determine the discount rate applied, and assessed the calculation model. In order to reflect the uncertainty inherent in the projections, we evaluated the sensitivity analyses performed by the Company. Taking into account the information available, we determined that the carrying amounts of the cash-generating units, including the allocated goodwill, were adequately covered by the discounted future cash flows.

Overall, the valuation parameters and assumptions used by the executive directors are in line with our expectations and are also within the ranges considered by us to be reasonable.

3. The Company's disclosures on goodwill are contained in sections 3 and 19 of the notes to the consolidated financial statements.

2. Recoverability of inventories

1. An amount of EUR 579.1 million (22.7 % of total assets) is reported under the "Inventories" balance sheet item in the Company's consolidated financial statements. Inventories comprise EUR 279.0 million in raw materials, consumables and supplies, EUR 127.8 million in work in progress and EUR 172.3 million in finished goods. Inventories are measured at the lower of cost and net realizable value.

Under certain circumstances, inventories may not be recoverable if the inventories are damaged or partially or completely obsolete or if their selling price is reduced. Raw materials, consumables and supplies used in the manufacture of inventories are not written down to a value that is lower than their cost if the finished goods in which they are used are expected to be sold at or above cost.

The determination of the net realizable value of inventories depends to a large extent on the estimates of the executive directors with regard to the sales prices likely to be realized and, in particular in the case of raw materials, consumables and supplies, also with regard to their technical usability and planned use in the production of finished goods, and is therefore subject to considerable uncertainty. Against this background, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed, among other things, the appropriateness of the measurement methods used to determine the net realizable values and, in particular, the consideration of risks arising from storage periods, reduced usability and lower prices on the sales market. Our assessment of the expected net realizable values took into account, not only past experience of the Company, but also current market developments. We also verified the calculation of write-downs on a sample basis.

Based on our audit procedures, we were able to satisfy ourselves overall that the estimates made by the executive directors are sufficiently documented and substantiated to test the recoverability of the inventories.

3. The Company's disclosures relating to inventories are contained in sections 3 and 24 of the notes to the consolidated financial statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

› the group statement on corporate governance pursuant to § 315d HGB included in section "Corporate Governance Report" of the group management report

› the section "Non-financial key performance indicators" of the group management report.

The other information comprises further

› the separate non-financial group report pursuant to § 315b Abs. 3 HGB

› all remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

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

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

› is materially inconsistent with the consolidated financial statements, with the group management report disclosures audited in terms of content or with our knowledge obtained in the audit, or

› otherwise appears to be materially misstated.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial

statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

The executive directors and the supervisory board are further responsible for the preparation of the remuneration report, including the related disclosures, which is included in a separate section of the group management report and complies with the requirements of § 162 AktG. They are also responsible for such internal control as they determine is necessary to enable the preparation of a remuneration report, including the related disclosures, that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

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

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

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

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

Other legal and regulatory requirements

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the electronic file "DMG MORI_AG_KA+KLB-2021-12-31.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 work extends only to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the financial year from January 1 to December 31, 2021 contained in the "Report on the Audit of the Consolidated Financial Statements and on the Group Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the consolidated financial statements and the group management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Group Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: 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 renderings of the consolidated financial statements and the group management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 Abs. 1 Satz 4 Nr. 2 HGB.

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

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

Group Auditor's Responsibilities for the Assurance Work 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 work. 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 opinion.

- Obtain an understanding of internal control relevant to the assurance work 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 opinion 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 in force at the date of the consolidated financial statements on the technical specification for this electronic file.

- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and to the audited group management report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the consolidated financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on May 7, 2021. We were engaged by the supervisory board on June 25, 2021. We have been the group auditor of the DMG MORI AKTIENGESELLSCHAFT, Bielefeld, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

Reference to an another matter – Use of the Auditor's Report

Our auditor's report must always be read together with the audited consolidated financial statements and the audited group management report as well as the assured ESEF documents. The consolidated financial statements and the group management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited group management report and do not take their place. In particular, the "Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Group Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB" and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

German public auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Carsten Schürmann.

Bielefeld, March 14, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Landau
Wirtschaftsprüfer
(German Public Auditor)

Carsten Schürmann
Wirtschaftsprüfer
(German Public Auditor)

Multiple Year Overview

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		2015	2016	2017	2018	2019	2020	2021	Changes against previous year in %
Sales revenues	**€ K**	**2,304,721**	**2,265,709**	**2,348,451**	**2,655,128**	**2,701,489**	**1,831,293**	**2,052,921**	**12**
Domestic	€ K	762,079	737,069	712,094	821,499	769,203	553,035	652,806	18
International	€ K	1,542,642	1,528,640	1,636,357	1,833,629	1,932,286	1,278,258	1,400,115	10
% International	%	67	67	70	69	72	70	68	
Total work done	**€ K**	**2,351,957**	**2,262,352**	**2,367,881**	**2,667,935**	**2,706,063**	**1,809,839**	**2,079,481**	**15**
Cost of materials	€ K	1,211,417	1,157,498	1,263,576	1,480,102	1,524,043	983,851	1,161,646	18
Personnel costs	€ K	545,457	571,971	550,655	595,897	592,365	486,946	522,714	7
Depreciation	€ K	57,181	65,720	72,833	63,729	78,104	75,025	67,033	-11
Financial result	€ K	30,763	-10,507	-5,248	-5,735	-5,120	-4,482	-2,408	46
Earnings before taxes	**€ K**	**217,261**	**94,120**	**176,382**	**214,786**	**219,166**	**74,895**	**121,586**	**62**
Annual profit / loss	**€ K**	**159,585**	**47,484**	**118,363**	**149,530**	**154,442**	**52,114**	**85,566**	**64**
Adjusted results									
EBITDA	**€ K**	**243,039**	**169,666**	**252,978**	**280,862**	**299,842**	**156,739**	**190,806**	**22**
EBIT	**€ K**	**185,858**	**103,946**	**180,145**	**217,133**	**221,738**	**81,714**	**123,772**	**51**
EBT	**€ K**	**217,261**	**94,120**	**176,382**	**214,786**	**219,166**	**74,895**	**121,586**	**62**
Profit share of shareholders in DMG MORI AG	**€ K**	**149,396**	**44,820**	**117,442**	**148,257**	**151,874**	**51,893**	**84,165**	**62**
Fixed assets	**€ K**	**742,773**	**749,526**	**677,948**	**686,506**	**815,922**	**737,861**	**836,545**	**13**
Intangible assets	€ K	209,911	195,276	190,681	190,372	199,546	211,178	221,388	
Tangible assets	€ K	463,733	486,370	440,005	434,880	506,579	464,468	468,686	
Financial assets	€ K	69,129	67,880	47,262	61,254	109,797	62,215	146,471	
Current assets incl. deferred tax and deferred income	**€ K**	**1,541,102**	**1,589,652**	**1,563,350**	**1,753,993**	**1,653,644**	**1,453,673**	**1,719,482**	**18**
Inventories	€ K	522,259	505,041	547,662	625,381	611,810	538,683	579,091	
Receivables incl. deferred tax assets + prepaid expenses	€ K	466,716	687,886	652,283	975,931	887,829	791,501	898,495	
Cash and cash equivalents	€ K	552,127	396,725	363,405	152,681	154,005	123,489	241,896	
Equity	**€ K**	**1,357,474**	**1,187,663**	**1,164,618**	**1,197,688**	**1,281,449**	**1,259,495**	**1,401,782**	**11**
Subscribed capital	€ K	204,927	204,927	204,927	204,927	204,927	204,927	204,927	
Capital provisions	€ K	498,485	498,485	498,485	498,485	498,485	498,485	498,485	
Retained earnings and other reserves	€ K	507,487	444,346	458,095	489,823	563,702	542,253	681,341	
Non-controlling equity interests	€ K	146,575	39,905	3,111	4,453	14,335	13,830	17,029	
Outside capital	**€ K**	**926,401**	**1,151,515**	**1,076,680**	**1,242,811**	**1,188,117**	**932,039**	**1,154,245**	**24**
Provisions	€ K	246,042	255,233	271,025	305,253	325,805	305,674	347,929	
Liabilities incl. deferred tax + income	€ K	680,359	896,282	805,655	937,558	862,312	626,365	806,316	
Balance Sheet total	**€ K**	**2,283,875**	**2,339,178**	**2,241,298**	**2,440,499**	**2,469,566**	**2,191,534**	**2,556,027**	**17**
Employees (annual average)		7,034	7,102	6,637	6,933	6,986	6,707	6,471	
Employees (31 Dec)		7,142	6,964	6,742	7,107	6,898	6,393	6,596	
Trainees		320	318	359	396	347	279	225	
Total employees		**7,462**	**7,282**	**7,101**	**7,503**	**7,245**	**6,672**	**6,821**	

D.100 | DMG MORI GROUP

		IFRS							Changes against previous year in %
		2015	2016	2017	2018	2019	2020	2021	
Efficiency ratios									
Profit on sales (EBIT) = EBIT / Sales revenues	%	8.1	4.6	7.7	8.2	8.2	4.5	6.0	33
Profit on sales (EBT) = EBT / Sales revenues	%	9.4	4.2	7.5	8.1	8.1	4.1	5.9	44
Profit on sales (Annual result) = Annual result / Sales revenues	%	6.9	2.1	5.0	5.6	5.7	2.8	4.2	50
Equity return = Annual result / Equity (as of 1 Jan)	%	12.6	3.5	9.8	12.8	12.9	4.1	6.8	66
Return on total assets = EBT + interest on borrowed capital / average total assets	%	10.1	4.6	8.1	9.6	9.4	3.6	5.4	50
ROI – Return on Investment = EBT / average total capital	%	9.6	4.1	7.7	9.2	8.9	3.2	5.1	59
Sales per employee = Sales revenues / average number of employees (exc. trainees)	€ K	327.7	319.0	353.8	383.0	386.7	273.0	317.2	16
EBIT per employee = EBIT / average number of employees (exc. trainees)	€ K	26.4	14.6	27.1	31.3	31.7	12.2	19.1	57
ROCE – Return on capital employed = EBIT / Capital Employed	%	16.8	9.4	16.1	16.1	15.3	5.7	8.2	44
Balance Sheet ratios									
Capitalisation ratio of fixed assets = fixed assets / total assets	%	32.5	32.0	30.2	28.1	33.0	33.7	32.7	-3
Working intensity of current assets = current assets / total assets	%	64.6	65.0	66.9	68.9	63.7	63.0	64.3	2
Equity ratio = equity / total capital	%	59.4	50.8	52.0	49.1	51.9	57.5	54.8	-5
Borrowed capital ratio = borrowed capital / total assets	%	40.6	49.2	48.0	50.9	48.1	42.5	45.2	6
Assets and liabilities structure = fixed assets / current assets	%	50.3	49.3	45.2	40.8	51.8	53.4	50.9	-5
Capital structure = equity / outside capital	%	146.5	103.1	108.2	96.4	107.9	135.1	121.4	-10

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		IFRS							Changes against previous year in %
		2015	2016	2017	2018	2019	2020	2021	
Ratios pertaining to financial position									
1st class liquidity = liquid funds (from balance sheet) / short-term liabilities (up to 1 year)	%	83.4	45.9	56.0	28.3	19.9	20.9	40,1	92
2nd class liquidity = (liquid funds + short-term receivables) / short-term liabilities (up to 1 year)	%	144.1	117.5	146.9	189.8	123.0	141.3	172,8	22
3rd class liquidity = (liquid funds + short-term receivables + inventories) / short-term liabilities (up to 1 year)	%	202.9	157.6	186.6	242.3	174.2	206.1	211,0	2
Net financial liabilities = bank liabilities + bond / borrower's note – liquid funds	€ million	-500.3	-342.1	-316.9	-152.7	-154.0	-123.5	-241.9	-96
Gearing = net financial liabilities / equity	%	–	–	–	–	–	–	–	
Working Capital = current assets – short-term borrowed capital	€ million	681.1	574.3	540.3	326.5	291.4	279.4	320.4	15
Net Working Capital = inventories + payments on account – customer prepayments + trade debtors – trade creditors – notes payable	€ million	261.6	270.0	317.1	343.2	386.0	407.1	301.6	-26
Capital Employed = equity + provisions + net financial liabilities	€ million	1,103.2	1,100.8	1,118.7	1,350.2	1,453.2	1,441.7	1,507.8	5
Structural analysis ratios									
Turnover rate of raw materials and consumables = cost for raw materials and consumables / average inventories of raw materials and consumables		5.5	5.1	5.4	5.2	4.6	3.3	4.0	21
Turnover rate of inventories = sales revenues / inventories		4.4	4.5	4.3	4.2	4.4	3.4	3.5	3
Turnover rate of receivables = sales revenues / trade debtors		9.6	9.4	7.3	7.4	8.5	6.8	7.0	3
Total capital-sales ratio = sales revenues / total capital (incl. deferred tax and deferred income)	%	1.0	1.0	1.0	1.1	1.1	0.8	0.8	0
DSO (Days sales outstanding) = trade debtors / (sales revenues) × 365	%	38.2	39.0	49.8	49.4	42.7	54.0	51.8	-4
Productivity ratios									
Intensity of materials = Cost of materials / Total work done	%	51.5	51.2	53.4	55.5	56.3	54.4	55.9	3
Intensity of staff = Personnel costs / Total work done	%	23.2	25.3	23.3	22.3	21.9	26.9	25.1	-7

D.100 | DMG MORI GROUP		IFRS							
		2015	2016	2017	2018	2019	2020	2021	Changes against previous year in %
Cash flow & Investments									
Cash flow from operating activity	€ million	142.7	124.0	171.7	230.4	234.1	67.3	224.9	264
Cash flow from investment activity	€ million	18.9	-198.3	-9.7	-315.1	-114.2	21.7	-83.8	-486
Cash flow from financing activity	€ million	-44.3	-52.5	-190.7	-123.5	-118.9	-117.1	-44.7	62
Free Cashflow = cash flow from operating activity + cash flow from investment activity (exc. Cash flow from financial)	€ million	32.0	42.5	142.4	154.2	168.8	15.7	179.9	-1046
Investments	€ million	130.6	88.1	41.8	90.7	155.1	81.2	89.1	10
Share & valuation									
Market capitalisation	€ million	3,001.4	3,401.8	3,627.2	3,397.1	3,337.9	3,239.4	3,322.2	3
Company value = Market capitalisation + bank liabilities + bills of exchange + other liabilities + pension provisions – liquid funds	€ million	2,624.0	3,187.4	3,414.9	3,370.1	3,301.2	3,218.5	3,175.3	-1
Earnings per share = result after minority interests / number of shares	€	1.90	0.57	1.49	1.88	1.93	0.66	1,07	62
Price-to-earnings ratio (P/E) = market capitalisation / EBT		13.8	36.1	20.6	15.8	15.2	43.3	27.3	-37
Company value-EBITDA-ratio = company value / EBITDA		10.8	18.8	13.5	12.0	11.0	20.5	16.6	-19
Company value-EBIT-ratio = company value / EBIT		14.1	30.7	19.0	15.5	14.9	39.4	25.7	-35
Company value sales ratio = company value / sales revenues		1.1	1.4	1.5	1.3	1.2	1.8	1.5	-17

List of graphs and tables

BUSINESS REPORT DMG MORI AKTIENGESELLSCHAFT

CONSOLIDATED FINANCIAL STATEMENTS OF DMG MORI AKTIENGESELLSCHAFT

Forward-Looking Statements

This report contains forward-looking statements, which are based on current estimates 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 Tokyo, Japan. DMG MORI AKTIENGESELLSCHAFT is (indirectly) controlled by DMG MORI COMPANY LIMITED. This report refers exclusively to DMG MORI AKTIENGESELLSCHAFT. If reference is made in this report to "DMG MORI", this refers exclusively to DMG MORI AKTIENGESELLSCHAFT and its controlled companies within the meaning of Section 17 of the German Stock Corporate Act (Aktiengesetz – AktG). If reference is made to "Global One Company", this refers to the joint activities of DMG MORI COMPANY LIMITED and DMG MORI AKTIENGESELLSCHAFT including all subsidiary companies.

Financial Calendar

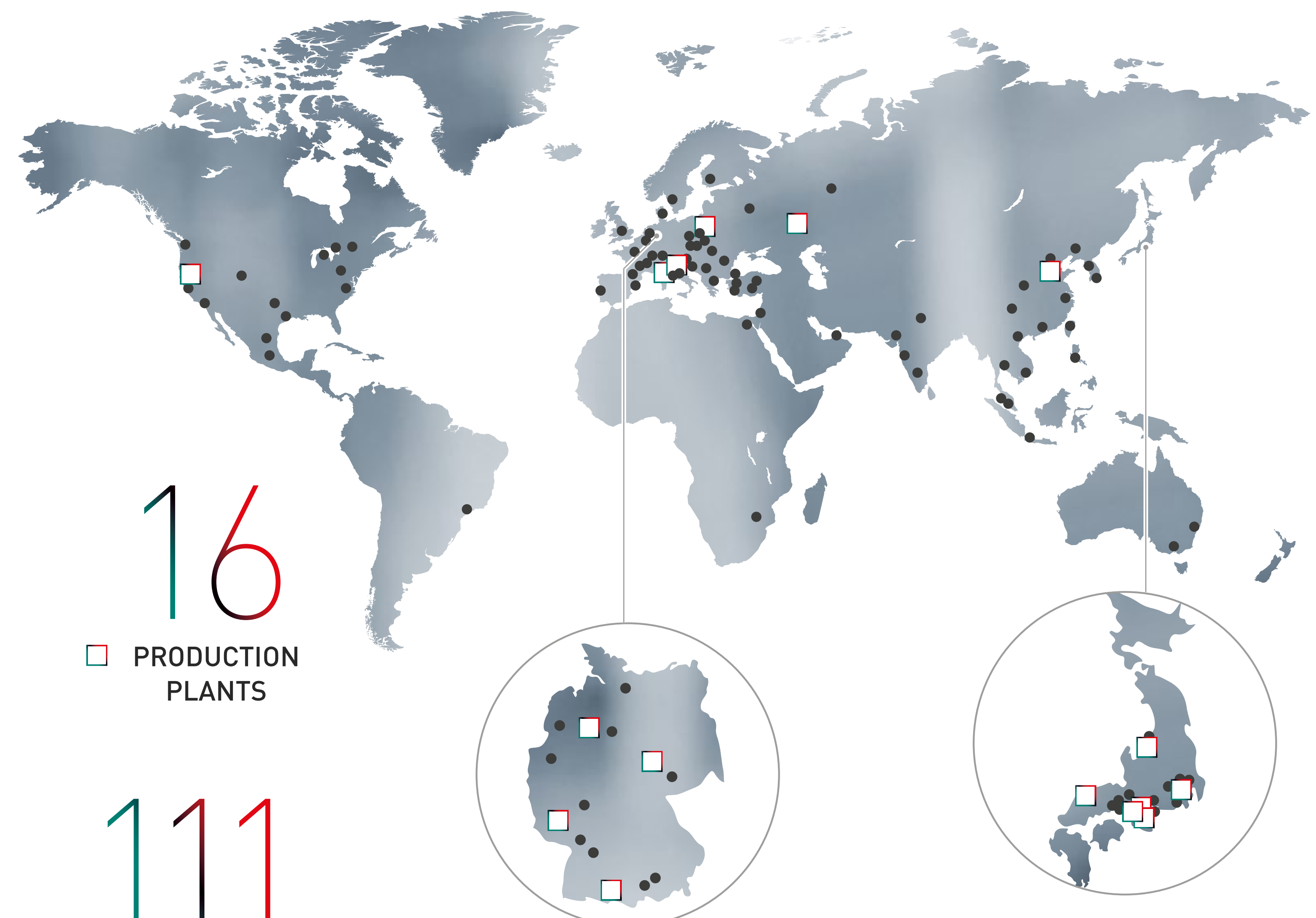
16 March 2022	Annual Press Conference Publication of the Annual Report 2021 Analysts' Conference
27 April 2022	Release for the 1st Quarter 2022 (1 January to 31 March)
6 May 2022	120th Annual General Meeting
4 August 2022	Report for the 1st Half-Year 2022 (1 January to 30 June)
7 November 2022	Release for the 3rd Quarter 2022 (1 January to 30 September)
12 May 2023	121st Annual General Meeting

Subject to alteration

DMG MORI WORLDWIDE

Headquarters Bielefeld
DMG MORI AKTIENGESELLSCHAFT

Headquarters Tokyo
DMG MORI COMPANY LIMITED



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PRODUCTION PLANTS

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SALES AND SERVICE LOCATIONS

Production Plants · Sales and Service Locations

Resource conservation

For sustainability reasons, DMG MORI AKTIENGESELLSCHAFT has been offering annual and interim reports only digitally since 2021. All financial reports are available at: en.dmgmori-ag.com/investor-relations/financial-reports

We will also gladly send you the PDF file and the link to the e-paper or online version by e-mail. Please let us know your e-mail address at: ir@dmgmori.com or phone: + 49 (0) 52 05 / 74-3001.

Annual Report 2021 // digital highlights

+ highlights and interactive information

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Annual Report 2021 // interactive e-paper

+ with videos, links and further information

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